Bank Austria Member of UniCredit

Annual Financial Statements 2015

Contents

Bank Austria at a glance

Income statement figures

(€ million)	2015	2014[1]	+/–
Net interest	3,386	3,511	–3.6%
Dividend income and other income from equity investments	535	496	+7.8%
Net fees and commissions	1,439	1,364	+5.5%
Net trading, hedging and fair value income	420	487	–13.8%
Operating income	5,875	5,982	–1.8%
Operating costs	–3,076	–3,136	–1.9%
Operating profit	2,800	2,846	–1.6%
Net write-downs of loans and provisions for guarantees and commitments	–1,007	–782	+28.8%
Net operating profit	1,792	2,064	–13.2%
Profit before tax	1,621	1,733	–6.5%
Net profit attributable to the owners of the parent company	1,325	1,329	–0.3%

Volume figures

(€ million)	31 DEC. 2015	31 DEC. 2014[1]	+/–
Total assets	193,639	189,118	+2.4%
Loans and receivables with customers	116,377	113,732	+2.3%
Direct funding (deposits from customers and debt securities in issue)	139,148	132,285	+5.2%
Equity	15,394	14,925	+3.1%
Risk-weighted assets (overall)[2]	128,259	130,351	–1.6%

Key performance indicators

	2015	2014[1]
Return on equity after tax (ROE)[1]	9.4%	9.7%
Cost/income ratio[1]	52.3%	52.4%
Cost of risk (provisioning charge/avg. lending volume)[1]	0.86%	0.68%
Loans and receivables with customers/direct funding	83.6%	86.0%
Leverage ratio[3]	5.8%	5.6%
Common Equity Tier 1 capital ratio[4]	11.0%	10.3%
Tier 1 capital ratio[4]	11.0%	10.3%
Total capital ratio[4]	14.9%	13.4%

Staff

	31 DEC. 2015	31 DEC. 2014[1]	+/–
Bank Austria (full-time equivalent)	35,534	36,192	–658
Central Eastern Europe business segment	24,143	24,124	19
Ukraine (held for sale)	4,343	4,830	–487
Austria (other business segments)	7,048	7,237	–190

Offices

	31 DEC. 2015	31 DEC. 2014	+/–
Bank Austria	1,510	1,664	–154
Central Eastern Europe business segment	1,065	1,130	–65
Ukraine (held for sale)	240	291	–51
Austria (other business segments)	205	243	–38

1) Comparative figures for 2014 recast to reflect the current structure and methodology. / 2) Regulatory risk-weighted assets, not adjusted. / 3) Leverage ratio under Basel 3 based on the current status of transitional arrangements. / 4) Capital ratios based on all risks under Basel 3 (transitional) and IFRSs.

Management Report of Bank Austria for 2015

Management Report (CONTINUED)

The banking environment in 2015

The turnaround which the **European banking sector** has been hoping for failed to materialise in 2015: while the moderate upturn in the euro area was subsequently more robust, as expected, adverse global economic factors and new uncertainties prevented banking business from gaining momentum. This is for example reflected in lending volume, which has been stagnating for years and has most recently been 2% below the level seen seven years ago, with corporate loans down by 11%. Monetary policy measures taken by the ECB to stimulate economic growth were once again unprecedented in the reporting period: surplus liquidity, intervention and **interest rate declines** pushed benchmarks down to zero or even less, a development which in the past two years also affected interest rates of countries in the euro area periphery and of corporate bond issues as well as bank interest rates. The combined effect of all these developments impacted the **earnings situation** of the banking sector, with earnings squeezed to the extent that it was increasingly difficult to earn the cost of capital and the expenditure for **compliance** with regulatory requirements, prudential supervision and direct controls. Banks therefore resorted to **defensive** measures, continued to discard non-core business and started to restructure core business components with low profitability. When adjusting their business models and internal processes, banks took into account the **trend in digitalisation** in business with customers and in back office operations.

Global economy: globalisation in transition

● In 2015 the European environment was shaped by strong **global economic** trends. As the year progressed, the dynamic of economic growth shifted back to the industrial countries from the emerging economies, almost suggestive of a **pause in globalisation**. In 2015, the real growth of emerging markets is likely to have fallen to 4%; without China, which accounts for two-thirds of this group of countries, real growth is expected to have contracted to less than 2%. China was one of the reasons for the loss of momentum, with the country reducing overcapacity in heavy industry and in the construction industry, suggesting a transition to a higher, service-intensive level of development where companies are closer to consumers and their needs. This has resulted in short-term changes in demand for, and the structure of, imports in China. These changes were one important reason for the global decline in **commodity prices** (–13.3% without oil), which was not compatible with the growth model of other emerging markets. This impacted **global trade**, which is expected to have expanded by about 3% in 2015 after contracting from time to time during the year. The significant **decline in oil prices** was a further disruptive factor. Starting from a level of US$112.6/bl at the end of June 2014, the price of oil fell to US$45.19/bl in a first step until the middle of January 2015. After recovering briefly to US$69.63/bl (6 May 2015), it resumed its downward trend. This is explained by a fight for market share with the advent of new market players (US, Libya, Iraq, soon also Iran) and the export pressure experienced by Russia. The decision by OPEC in December to abandon its production ceiling led to a sharp fall in oil prices to US$37.2/bl by the end of 2015; in January 2016 oil prices continued to decline to under US$28/bl. While the pronounced movement in oil prices supported growth in industrial countries, it also curbed global demand for imports. 2015 again showed that the global economy is a closely interlinked closed system.

Monetary policies and financial markets

Financial markets were in a very good mood until spring 2015, with peaks seen in stock markets and lows in bond markets. These developments were followed by a volatile downward trend in the summer and autumn, which further intensified until the editorial close of this report. The main factors responsible for these movements were divergent monetary policies in the USA and the euro area; geopolitical crises and the repercussions of the sharp decline in oil prices for Russia; and most importantly, doubts emanating from Chinese financial markets and economic policy about the patterns which had stabilised the global economy in previous years.

● **Monetary policy:** It was several times that the **Federal Reserve** postponed the overdue change in monetary policy after a 7-year period of very low interest rates. When key interest rates were finally raised to 0.25%–0.50% towards the end of 2015 – on 16 December – this move had already been priced in and markets only expected a moderate and steady increase in interest rates for the future. Long-term expectations of inflation in the euro area, on the other hand, fell to a level significantly below 2% (reaching a low of 1.6%). On 22 January 2015, the **European Central Bank (ECB)** decided to extend its asset-backed securities purchase programme (ABSPP) and its covered bond purchase programme (CBPP) launched in autumn 2014 by adding a new public sector purchase programme (PSPP). Monthly purchases of euro area government bonds totalling €60 billion will be made (in proportion to the ECB's capital key) until inflation is close to the target rate of just below 2%; such purchases will be carried out until at least September 2016. In view of the renewed decline in inflation rates (and expectations), the ECB extended the minimum period of its programmes by half a year. At the same time, the deposit facility interest rate was lowered by 10 basis points to –0.30%. Securities held for monetary policy purposes were increased in a year-end 2015/2014 comparison, by €586 billion to **€803 billion**. The volume of securities purchases added to the banking sector's excess liquidity held in Eurosystem accounts (year-end 2015: €662 billion, after €260 billion a year earlier) rather than feeding through to the economic cycle. The volume of conventional refinancing transactions declined slightly, by €71 billion to €559 billion, in the course of the year. Most recently, the outstanding volume of Targeted LTROs, which are linked to actual lending, amounted to €470 billion; the main participants were banks from Italy, France and Spain, with Austria also participating in these operations.

● **Interest rates:** The announcement of quantitative easing (QE) and initial interventions on 9 March 2015 had significant impacts on expectations and thus on the pattern of interest rates and exchange rates. **Money market rates**, which are closely related to central bank interest rates, fell to levels which were significantly below zero (year-end 2015: repo rate –0.29%, unsecured overnight swap/3-month –0.24%, interbank 3-month Euribor –0.13%). **Benchmark yields** fell **below zero** step by step up to the eight-year maturity. Historically low levels were seen on 17 April 2015, with the yield on the ten-year benchmark bond at 0.049% p.a. (intraday). However, when euro inflation rates in April and May returned to positive territory after negative figures in four periods,

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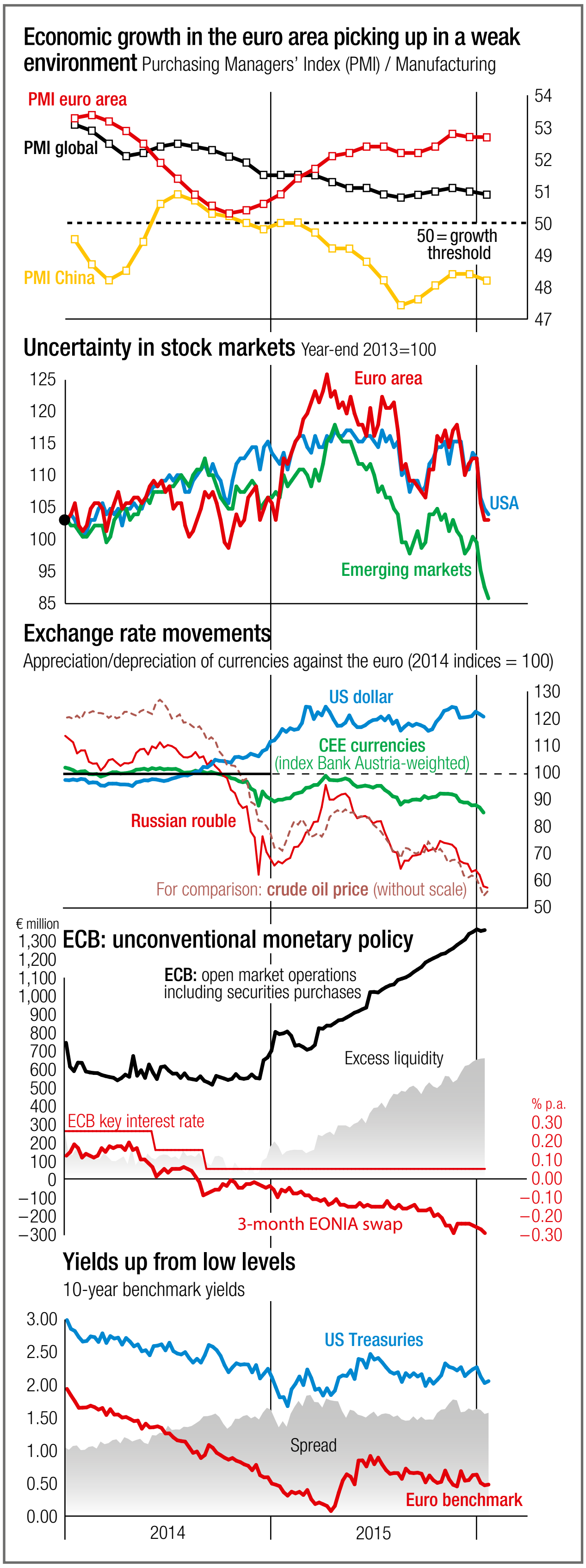
and when good quarterly growth figures were published, this dispelled fears of deflation, and expectations and the yield curve abruptly reversed ("flash crash"). The ten-year benchmark yield rose to 1.059 % in two major moves by 10 June 2015. Subsequently, yields declined again in the later part of the year to about 0.60 % (year-end 2015: 0.64 %), reflecting the influence of purchases by the ECB and a slowdown in economic growth. Intervention and the search for yield pick-up (and also on account of a gradual improvement in fundamentals) pushed bond yields of peripheral countries in the euro area lower. In a situation of balanced portfolios and direct bond purchases, interest rates on mortgage bonds (yield of 0.07 % p.a. on 5 to 7-year covered bonds in Germany, 0.23 % in the euro area) and corporate bonds (yield of 0.62 % on AA rated 5 to 7-year bonds and 1.58 % on BBB rated bonds) subsequently also declined. In the course of the year, there were increasing signs that intervention caused deviations from the fundamentals (allocation distortions) and – in technical terms – a market liquidity shortage.

Interest rates in **credit markets** in the euro area also continued to fall: by 0.28 percentage points to 1.87 % (from 6.30 % in the middle of 2008) for loans to non-financial companies across all maturities, with stronger declines seen in the peripheral countries (–0.44 percentage points to 2.24 %) but also in core countries (–0.17 percentage points to 1.68 %).

● **Exchange rates:** The exchange rate effect was the main transmission channel of the new monetary policy during the announcement and implementation phase of securities purchases. As a consequence of divergence in monetary policies, the US dollar appreciated against the euro by 15.7 % from year-end 2014 to the annual high of 1.0456 USD / EUR on 16 March 2015, subsequently declining again in response to disappointing US growth rates and the turnaround in German yields. After the interest rate reversal in the USA and a further easing of monetary policy by the ECB, the US dollar closed the year at 1.0887 USD / EUR, thus appreciating by 11.5 %. In effective (trade-weighted) terms, the euro depreciated by 6.2 % from year-end 2014 to the end of 2015, reflecting the strength of the British pound and the Swiss franc as well as the weakness of the Russian rouble, the Turkish lira and the yuan. After the Swiss National Bank surprisingly ended the **Swiss franc's** link to the euro on 15 January 2015 (intervention limit: 1.20), the currency briefly overshot to a level of up to 0.85 CHF / EUR. Subsequently, the exchange rate moved between 1.04 and 1.08 CHF / EUR; the year-end 2015 level (1.0835 CHF / EUR) reflected appreciation of 11.0 %. The Russian **rouble** experienced dramatic exchange rate movements exactly in line with crude oil prices: from a level of 45.97 RUB / EUR at the end of June 2014 it weakened to 81.53 RUB / EUR at the end of January 2015; after recovering to about 55 RUB / EUR in the second quarter of 2015, the exchange rate declined to 83.60 RUB / EUR (24 August), reaching 81.23 RUB / EUR at the end of 2015. When the price of Brent fell to below 28 US$ / bl after the turn of the year, the rouble exchange rate reached a new low of 89.55 RUB / EUR. The introduction of a new **exchange rate regime** of the Chinese **renminbi yuan**, coupled with currency depreciation (peaking at –3.7 % against the US dollar on 11 and 12 August), was related to the partial liberalisation of capital movements ahead of the currency's inclusion as the fifth currency in the IMF Special Drawing Rights basket. Despite substantial interventions, the



Economic growth in the euro area picking up in a weak environment Purchasing Managers' Index (PMI) / Manufacturing

Uncertainty in stock markets Year-end 2013=100

Exchange rate movements
Appreciation/depreciation of currencies against the euro (2014 indices = 100)

ECB: unconventional monetary policy

Yields up from low levels
10-year benchmark yields

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yuan continued to depreciate in the period to the end of 2015 (–4.5% against the US dollar since the end of 2014), reversing latent appreciation in the past years.

- **Stock markets** advanced to reach new highs in spring 2015, being the only investment category promising to generate a return, driven by global excess liquidity. The EuroSTOXX index showed a particularly strong recovery, additionally supported by favourable depreciation effects and commodity price movements as well as hopes for economic growth (annual high: 392.98 on 13 April/+22.8%). The renewed escalation of the Greek crisis (see timeline column) put a damper on the bull market as early as May and June. In August and September, however, world stock markets saw a sharp increase in volatility and a bout of risk aversion. This was triggered by the plunge in prices on the Shanghai-Shenzhen stock market (down by 27% within a few days, 40% below the annual high reached in the middle of June), where debt-financed investments had created a huge speculative bubble (with a two-and-a-half-fold increase from the middle of 2014 to the middle of 2015). Concern about a general slump in growth led to massive capital outflows from China. Emerging market indices followed suit, as did stock markets in industrial countries. A year-on-year comparison shows hardly any changes in the MSCI world index and Wall Street in local currency. Emerging markets, on the other hand, were affected by heavy losses, reflecting their overall economic performance (MSCI/EM –4.2%; of which BRIC: –8.0%). While the EuroSTOXX was the only index that still recorded a year-on-year gain (+8.0%), it lost this head start in the first few days of 2016. At year-end 2015 the price of gold was 1,061 USD/oz, down by 10.4% on a year earlier (but remaining unchanged in euro terms, –0.1%), not to speak of commodity price indices (S&P/GS spot: –27.7% in US dollar terms, Rogers euro hedged: –26.3%).

This means that **investment performance** in 2015 was primarily driven by exchange rate effects resulting from translation of the US dollar and other currencies into the weaker euro (e.g. MSCI/USA: +1.3%/+12.9%, MSCI World: +1.8% in local currency/+9.3% in euro terms). Bond markets did not permit any significant capital growth, either, even at higher risk levels (corporate bonds BBB: –2.3%; iBoxx covered bonds Europe: +0.0%, iBoxx euro government bonds: +1.9%; CEE government bonds EMBI Europe: +4.5%).

Economic developments in our core markets

The moderate upturn in the **euro area** was more pronounced and more widely spread in 2015. After a good start to the year, uncertainty around the middle of 2015, including the escalation of the Greek debt crisis, subsequently doubts about global economic growth and finally new geopolitical tensions led to a slowdown in economic growth in summer. But growth became self-sustaining thanks to a number of external factors and the impetus from monetary policy. Real GDP growth averaged 1.5% in 2015 (up from 0.9% in 2014). According to an estimate of our economists, the strongest impetus to growth came from the euro's weaker external value (+0.7 percentage points), while falling oil prices supported growth with +0.4 percentage points. Budget policy (almost +0.2 percentage points) was moderately expansive and interest rate declines stimulated growth by about +0.2 percentage points. According to this analysis, weak foreign trade (–0.5 percentage points) eroded most of the growth achieved by the depreciation of the euro. This is reflected in the growth rates of specific economic components: growth was clearly driven by domestic demand (+1.7%), primarily private consumption, supported by a livelier labour market, gains in purchasing power (inflation rate, energy prices/wage increases) and the improved financial position. Investments also increased but lost momentum in the second half of the year due to the factors mentioned above that created uncertainty. Exports are likely to have overcome the summer lull, expanding by about 5% in 2015, with imports growing a little more strongly.

The favourable development was more broadly based: Spain was easily the top performer with growth of 3.2% (industrial output +3.1%), while the French economy also experienced a strong economic revival (+1.2%, industrial output +1.5%), although from a low initial level. Even Italy's economy again boasted positive growth (+1.4%, industrial output +1.0%) after three years of recession. In Germany, the economy grew by 1.7% (industrial output +0.7%), corresponding to the euro area average. In this context one should note that the German economy expanded at a similar rate in 2014 (+1.4%, industrial output +1.5%) and that booming domestic demand was covered by growing imports.

- While the **Austrian economy** achieved GDP growth of 0.9% in 2015 and thereby grew stronger than in the previous year (+0.4%), it was still clearly lagging behind the euro area. After a strong start to the year, economic growth was impacted by uncertainty and pessimism that is difficult to explain. Moreover, Austria lost export market share to advancing CEE competitors. The most prominent feature which distinguished Austria from its neighbouring countries was the sluggish growth of domestic demand (+0.7%). Sentiment was further impacted by the situation on the labour market: the increase in the labour supply, primarily through migrants from other EU countries, pushed up unemployment from 5.6% to 5.8% (according to Eurostat criteria) despite an almost 1% rise in employed persons (almost entirely through part-time jobs). Disposable income hardly rose although wages and employment increased. Purchasing power was moreover lost through inflation: the inflation rate fell from 1.7% in 2014 to an average 0.9% in 2015, while consumer prices in the euro area remained unchanged. With the low energy prices exerting downward pressure, inflation was driven by the services segment. The savings ratio rose slightly, to 8.0%. On this basis, private consumption grew by 0.4%, making only a negligible contribution to economic growth as a whole.

Investment activity remained weak (+0.3%), strengthening slightly in the latter part of the year as export demand picked up. Given substantial capacity levels there was little demand for expansion investments, which were largely limited to equipment (+2.6%); investment in construction declined again (–1.6%). Exports of goods and services grew at a relatively modest 1.8% in real terms. Supported by the weaker euro, merchandise exports grew somewhat faster in the second half of 2015, with exports to third countries, especially the US and Switzerland, outperforming those to EU countries, while the Russia/Ukraine crisis and economic

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performance in emerging economies continued to impact foreign trade. Net exports made a slight contribution to economic growth as weak domestic demand limited import growth (+1.6%).

Lending volume picked up slightly in the latter part of 2015 and at the end of 2015 it was 1.7% up on the level of the previous year. Demand for corporate loans stagnated in 2015 given the lacklustre investment climate. The total volume of corporate loans was down by 0.1% on the level at the end of 2014, with short-term loans decreasing. Loans to private households increased by 3.9%, with consumer loans declining by 3.5% while demand for housing loans recovered significantly in the course of the year (+7.0%). **Deposits with banks** rose by 4.0% despite low interest rates. Deposits by companies increased by 3.5% (mainly on account of sight deposits) and deposits by private households by 2.8% (mainly savings deposits). While the volume of **mutual funds** reflected erratic price movements on stock markets, net inflows of funds were positive. At the end of 2015 mutual fund volume was 3.7% higher than in the previous year. Sales of bank bonds continued to decline significantly in 2015.

● 2015 was a good year for most countries in **Central and Eastern Europe (CEE)**[1] although the boom years that preceded the financial market crisis are now a thing of the past. Overall (excluding Russia, which is a special case), the countries in our perimeter of operations[1] achieved real economic growth of 3.3% in 2015 after 2.5% in 2014.

▶ The **CEE countries which are members of the EU** (CE+RO+BG, without Croatia) are currently in a stage of the business cycle which is characterised by strong economic growth, with an external impetus triggering a strong revival of domestic demand: these countries benefited to a disproportionately large extent from more robust growth in Western Europe through their highly integrated, competitive key industries, whose capacity has been expanded until most recently. This has resulted in high growth in exports and output as well as current account surpluses. Additional factors which supported the positive basic balance were funding from EU financial assistance schemes, which were most recently tapped more heavily, and capital inflows. Given their stable external position, the countries pursued a non-restrictive monetary policy and maintained low interest rates. Loans expanded at a faster rate although foreign currency loans declined in five countries. This was accompanied by higher local funding as a result of an increase in deposits with banks.

The economy of the **Czech Republic** recorded the strongest growth. Its industry operated at capacity, with output growing by an average 5.2%. Real GDP expanded by 4.3%[2] in 2015 although imports grew faster than exports. Domestic demand was driven by private consumption (+3.1%) and investment (+8.0%). Under pressure to appreciate, the Czech crown was consistently held at over 27.00 CZK/EUR, and the country's currency reserves consequently rose by over one-third in the course of the year to €59.5 billion. Although loans expanded strongly (+8.1% yoy) as interest rates had fallen to a record low (at euro benchmark level), they were still equal to only 71.2% of deposits; asset quality is good (NPL ratio: 5.8%). **Slovakia** presents a similar picture (GDP +3.4%, industrial output +4.7%). Domestic demand expanded significantly for two reasons: double-digit growth in investment in equipment in the automotive industry, and private consumption, which expanded mainly as a result of social transfers, an increase in minimum wages and a reduction of several VAT rates. Public spending reached the limit imposed by the debt brake. Lending activity remained lively (most recently +8.4%), also fully funded by deposits. In **Hungary**, economic growth slowed somewhat but still came to 2.9% in 2015. Exports were the mainstay of growth (+8.2%, industrial output Jan./Nov. +6.5%). Unlike other countries, domestic demand grew more slowly than in the previous year, when extensive government programmes resulted in rises in real wages and public spending. The conversion of foreign currency loans led to a 7.7% decline in lending volume in 2015. The Funding for Growth Scheme II (FGS), a programme introduced to provide small and medium-sized businesses with financial assistance, has meanwhile expired. It failed to adequately boost lending in local currency, primarily because companies and private households are focusing on repaying their debt. At almost 16%, the impaired loans ratio is relatively high for this group of countries. Significant sales of government bonds by foreign investors were offset by purchases by private domestic investors and banks (supported by interest rate swaps). The forint remained stable thanks to a high external surplus and an interest rate lead of about 3 percentage points. **Slovenia's** economy experienced a sound recovery since the local banking crisis in 2013 (GDP growth of +2.6% in 2015, industrial output +4.6%). The main factors in this connection were private consumption and public-sector investment due to greater use of EU funds for structural projects. Growth was also supported by exports (+4.6%), with the demand shortfall (Russia, neighbouring countries to the south) offset by exports to third countries; this development was underpinned by the depreciation of the euro. Slovenia moreover benefited from a good tourist season. The local banking sector regained public confidence. Companies have however not yet completed the restructuring of their balance sheets. The marked contraction in lending volume seen in the two previous years was followed by a slight decline in 2015 (–2.7%). The NPL ratio was most recently 11.5%.

Romania achieved surprisingly strong real economic growth of 3.7% in 2015. Exports and industrial output declined as the year progressed, reflecting the shortfall of demand from Russia, the Middle East and Turkey and also the gradual loss of competitiveness due to rising unit labour costs and a lack of productive investment. Still, the trade deficit for 2015 was almost offset by services (IT maintenance work, settlement activities). Domestic demand, on the other hand, is expanding strongly, driven by large increases of 7% in real wages and purchasing power gains resulting from reductions of value-added tax rates, which became possible with higher tax revenue (based on economic trends and more efficient tax collection). The banking sector saw a significant shift from foreign currency loans to RON-denominated loans in 2015; overall, however, lending volume was stagnant. The NPL ratio continued to decline to 11.8% (2013: 32.1%). In view of high real interest rates (10-year yield:

1) Country groups: CEE = Bank Austria perimeter = CE (CZ, SK, H, SLO) + SEE (RO, BG; CRO, BiH, SRB) + RUS + TK; PL is consolidated within the UniCredit holding company; Ukraine is no longer included; CESEE = CE + SEE = CEE without RUS and TK; CEE/EU members: CZ, SK, H, SLO, RO, BG, CRO. / 2) Annual figures for 2015 are in some cases still estimates or projections.

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3.80 %/inflation rate: –1.75 %) the currency remained stable throughout the year (most recently, RON/EUR –0.9 %). **Bulgaria's** economic growth of 2.8 % in 2015 was also stronger than in 2014 (+1.5 %). Exports were up by 6.7 %, reflecting an expansion of exports to the EU and to third countries, a development which also benefited from depreciation of the euro as Bulgaria followed suit with its currency board. Services offshoring (exports of ICT maintenance and back-office activities) plays an important role in trade with EU countries. Employment in this sector grew in the higher wage brackets, pushing down the unemployment rate to below 10 %. Private consumption grew slowly, by just under 1 %, despite the need to catch up and although the inflation rate was negative. Financial consolidation was still a priority. This means that domestic demand was driven by investment (+5.5 %), mainly due to EU-supported infrastructure projects for which EU funds were used shortly before the funding programme expired. The banking sector coped well with the resolution of Corporate Commercial Bank (CCB) and with uncertainty caused by Greek capital controls. Lending volume again declined; at 79.4 %, the loan/deposit ratio is the second lowest after the Czech Republic. The NPL ratio improved slightly to 15.7 %.

▶ While the **Western Balkan** countries were still experiencing economic imbalances and structural problems, they gradually emerged from the cyclical trough which resulted from various factors including the disastrous floods a year earlier. A recovery of exports of merchandise and services (including an excellent tourist season, which contributed two-fifths to GDP in the third quarter) helped **Croatia** achieve economic growth of 1.3 % in 2015 after six years of recession. In the meantime the improvement is reflected in domestic demand components, even if the rates of growth are low, ranging between ½% and 1 %. The EU excessive deficit procedure and the country-specific recommendations to resolve structural and governance problems present the country with a challenge. On 18 September 2015, ahead of the elections, parliament adopted amendments to the **Consumer Credit Act** and the Credit Institutions Act under which the banks will, within three months, have to convert customer loans denominated in Swiss francs into Croatian kuna at the historical exchange rates applied when the loans were granted. Since 2009, the euro has depreciated by 27.0 % against the Swiss franc (in which most of the loans that had to be converted were denominated) and the Croatian kuna has depreciated by 30.2 % against the Swiss franc.

In **Bosnia and Herzegovina**, services and construction activity to repair damage to agricultural land and production facilities – caused by disastrous floods a year earlier – resulted in economic growth which is estimated to have reached 2 %. The large current account deficit (about 7.5 % of GDP) reflects the local structure of production together with a structurally high propensity to import; it is financed primarily via loans from international financial institutions. There is no alternative but to renew the stand-by agreement with the IMF, which expired in June 2015. Until such renewal the country is trying to use domestic borrowing as bridge-over finance. Lending volume expanded moderately, by 2.4 %, while inflation was close to zero. Loans recently exceeded deposits by 5 %. **Serbia's** economy has also succeeded in overcoming recession, thanks to reconstruction efforts and from a low base (annual growth forecast for 2015: +0.6 %). Contributions to this development came from large exports of wheat, the resumption of steel production and electricity generation, and also from the Fiat car manufacturing plant. But austerity conditions imposed by international lenders (including wage cuts and dismissals in the public sector) are having an impact on private and public consumption. The twin deficits (budget and current account) still exceed 4 % of GDP, despite the favourable effect of low oil prices. Lending volume and deposits with banks expanded slightly, by about 2 %, in 2015. The NPL ratio was 22.0 %. As foreign currency loans account for three-quarters of total loans to private customers and two-thirds of these loans are denominated in euro, the country had to pursue a restrictive monetary policy (short-term interest rates: 3.50 %, 5-year bonds: 6.30 %) to maintain currency stability (RSD/EUR –0.4 %).

▶ In **Turkey**, fears of economic risks materialised in view of domestic political uncertainty ahead of the elections (1 November 2015), the country's increasing involvement in the Middle East conflict and recently also the Russian sanctions. Against the background of a large external financing requirement – the current account deficit remained at 4 % of GDP although the terms of trade improved significantly – country risk premiums rose by 100 basis points (bp) to over 300 bp in late summer and towards the end of the year (compared with 180 bp in early 2015). In an environment of growing global risk aversion, Turkey saw intermittent withdrawals of capital. The Turkish lira depreciated by 18.8 % against the euro in the period to the middle of September, and by 10.8 % from year-end 2014 to the end of 2015, with significant volatility. This led to rising inflationary pressure and high market interest rates: most recently, the inflation rate was 8.8 %; the key interest rate stood at 7.50 %, and short-term and long-term interest rates were about 10.50 % (in TRY). Nevertheless, the real economy achieved stronger-than-expected growth (GDP 2015: +3.4 %). Industrial output caught up with this momentum towards year-end 2015, rising by 3.1 % although exports were stagnant; impetus was provided by a new refinery which commenced operations. Private consumption (+4.4 % in real terms) and public consumption (+6.0 %) were the mainstays of growth, also because of election promises at the expense of the budgetary situation, which has been favourable until now. The current account deficit has so far been financed without any problems via short-term capital imports by banks. But companies' foreign indebtedness in foreign currency and their borrowings from banks are at very high levels. Loans and deposits rose strongly again in 2015, by 21.8 % and 21.4 %, respectively. The high loan/deposit ratio of 120.3 % reflects the strong growth seen in previous years. Nevertheless, the NPL ratio is the lowest in the CEE region (2.9 %).

▶ The recession in **Russia** in 2015, with a 3.7 % decline in real GDP, was not as deep as had been feared. In early December 2015, oil prices and the rouble exchange rate started to fall again in a spiral movement which has raised doubts about signs that the downward trend has bottomed out as a result of the numerous measures taken. The double shock – Russian Urals crude oil prices down by 34.2 % from year-end 2014 to year-end 2015, since then down by 29.1 %; rouble/currency basket down by 34.2 %, since then down by 8.1 % – hit an economy which has been experiencing a decline for structural reasons since 2012. The combined impact of oil price movements, currency depreciation and sanctions resulted in lower export earnings and direct revenue shortfalls for the government as well as a sharp increase in inflation (with a peak of 16.9 % in March 2015 and 12.9 % in December), leading to a pronounced fall of 14 % in real wages and an unusually weak expansion of domestic demand. Private consumption decreased by 9 % in 2015, investment declined by 8.5 % and imports by 27 %. Although the terms of trade deteriorated, the current account improved to + 5.9 % of GDP, partly supported by import substitution programmes. As the sanctions were renewed several times, Russian state-owned banks in particular had no access to international financing. This may have been one of the reasons why Russian companies repatriated foreign assets and there was an inflow of capital in the course of 2015, reversing the traditional capital outflows. As the situation stabilised temporarily until June 2015, the central bank lowered its repo rate, which had been raised to 17 % at the end of 2014, to 11 % and subsequently took further supportive action (foreign exchange swaps, FX repos, recapitalisation of banks with recourse to the deposit guarantee scheme, government purchases of bank issues). In this restrictive environment, nominal lending volume grew by 4.7 %, implying a significant decline of about 10 % when adjusted for price and exchange rate movements. In corporate lending business, foreign currency loans accounted for 30 % of the total volume, up from 18 % because of the exchange rate effect. Among loans to private households, foreign currency loans are not significant. The slowdown in monetary expansion is also reflected in the decline in the loan/deposit ratio from 109 % to 97 %. The NPL ratio on its broader definition rose from 12 % to 19 % at the end of 2015, despite less stringent FX valuation rules.

▶ After the dramatic slump in **Ukraine** it appears that the economy is gradually bottoming out – at least in those regions which saw no direct fighting; the tenuous truce has more or less held. In 2015, GDP shrank by 10 %, reflecting a sharp fall of between 15 % and 20 % in demand aggregates, with inflation rates reaching almost 50 %. The current account deficit narrowed as imports contracted more strongly than exports. The main reason why the situation eased within a short time was the successful debt restructuring of US$18 billion in government bonds and government-guaranteed bonds. The key elements of the debt restructuring include a 20 % haircut, a four-year grace period, a high coupon of 7.75 % and some kind of recovery arrangement in the event that economic indicators improve faster than expected. The conditions imposed by the IMF were met with this arrangement in a timely manner. In the middle of December 2015 the IMF changed one of its lending rules and disbursed tranches from its Extended Fund Facility of US$17 billion to Ukraine although the country stopped servicing a Russian bond in the amount of US$3 billion by way of a moratorium, a move which has become a controversial issue. Since the hryvnia recovered from its sharp fall in value in February 2015 (–50.7 %), exchange controls have helped to keep the currency stable; from year-end 2014 to year-end 2015, the hryvnia depreciated by 26.7 %. Slow progress in reforms suggests that framework conditions will not meet Western standards in the foreseeable future. Moreover, the banking sector can hardly fulfil its functions in view of capital controls, a permanent shortage of liquidity and the workout of problem loans.

2015 timeline

1 Jan.	Lithuania joins the euro area as its 19th member.
15 Jan.	**Swiss franc's** link to the euro ends. After a brief overshooting, the currency appreciates against the euro by about 15 % in the period to the end of March 2015.
22 Jan.	**ECB** decides to extend its asset **purchase programme** (EAPP) to include government bonds issued by all euro countries and securities of supranational issuers, in addition to covered bonds and asset-backed securities. Monthly purchases of €60 billion start on 9 March 2015. The strong effect of the announcement drives the euro lower (to a low of 1.0456 USD/EUR on 16 March).
25 Jan.	Syriza left-wing alliance wins parliamentary election in **Greece**. Reform projects and negotiations with the troika are stopped spontaneously.
17 April	**Interest rates** at historically **low level**: 10-year euro benchmark yield falls to 0.049 %; European equities reach a high (EuroStoxx: + 22 % ytd).
24 April	Speculation about a **Grexit** at meeting of EU Finance Ministers in Riga.
7 May	**Flash crash** in bond markets: 10-year benchmark yield rises to 0.80 % p.a. within a single week as widespread fears of deflation recede in response to positive news of inflation rates and the Greek crisis.
10 June	10-year benchmark yield at annual high of 1.06 %. Signs of decreasing market liquidity as a result of purchases by the ECB.
22 June	European Council extends **sanctions** against Russia until January 2016.
26 June	Greece announces referendum despite ongoing negotiations. EU Finance Ministers let the aid programme expire without disbursing the last tranche.
29 June	**Greek crisis** comes to a head: introduction of capital controls, bank counters closed. Greece fails to pay a loan instalment to the IMF.
13 July	Negotiations on a third aid package resumed. Greek parliament adopts the second reform package (22 July).
31 July	**Ukraine:** IMF Executive Board completes review of Extended Fund Facility (EFF) and approves disbursement of further tranches.
11 Aug.	New exchange rate regime in **China**: yuan switched to managed floating. Markets briefly shocked by currency depreciation of 2.7 % within two days.
14 Aug.	**Bailout** (€86 billion over three years) eases Greek crisis for the time being.
24 Aug.	**Shanghai** stock market falls sharply (for the second time after the slump in June/July), by 28.9 % within a single week. Uncertainty over China leads to strong declines in global stock markets and in prices for crude oil and commodities as well as significant depreciation of the Russian rouble.
27 Aug.	**Ukraine** achieves private **debt restructuring** for US$18 billion in government bonds against a 20 % haircut, an extension of time for repayment and a four-year grace period, a high coupon (7.75 %) and an agreement on value recovery instruments.
3 Sept.	ECB holds out prospect of further expansionary measures.
5 Sept.	Stronger rise in **refugees** moving from Middle East to Germany and also to Austria.
18 Sept.	US Environmental Protection Agency claims **VW** violated the Clean Air Act.
1 Nov.	Parliamentary elections in **Turkey** result in one-party government formed by AKP.
30 Nov.	IMF decides to include the **yuan** in the IMF Special Drawing Right basket as a fifth currency from 1 October 2016 (weight: 10.92 %). PBOC widens target range for exchange rate.
3 Dec.	**ECB** disappoints expectations: 10 basis point cut in deposit facility rate to –0.30 %, bond purchases extended until at least spring 2017 but not massively increased.
11 Dec.	IMF decides to lend also to countries in default on debt (e.g. Ukraine).
12 Dec.	OPEC cancels oil production ceiling: **oil price** falls to below 37 US$/bl.
16 Dec.	**Fed** ends 7-year period of zero interest rates: key rate raised to 0.25 %-0.50 %.
18 Dec.	Ukraine: legal dispute after moratorium on Russian bond (US$3 billion).

Bank Austria in 2015 – overview

As mentioned earlier in the annual report, the hoped-for impetus from economic growth was too weak for a sustained revival of demand in the banking sector in 2015, seven years after the financial market crisis. Instead, there is now renewed widespread uncertainty. In Austria, the financial behaviour of customers, investors and companies was still defensive and focused on putting balance sheets on a sound footing, although the situation improved in the latter part of the year. The extent to which CEE regions were affected by global economic turbulence and geopolitical crises varied greatly, resulting in significant divergence. An unconventional monetary policy assured ample liquidity and easy money, while stricter regulatory requirements imposed higher standards with regard to equity and increased the cost of capital. On this basis the levels of performance expected of banks have become increasingly challenging over the past few years. The environment of low interest rates, in particular, which is now impacting all areas of classic lending and deposit-taking business, made it difficult to achieve the level of profitability needed to build the necessary risk buffers which are required by regulators.

Bank Austria's **strategy** – in line with UniCredit's Group-wide strategy – was geared to this environment. By giving priority to customer centricity and using the trend towards digitalisation, the business model is to be adjusted to the significant changes in day-to-day business, reflecting a forward-looking approach. Supported by enhanced process and cost efficiency, and by professional risk management, operating income is to be increased on a sustainable basis to meet expectations of shareholders and to strengthen the bank's capital base for further growth through its own efforts.

On this basis the recent **multi-year plans** focused on core business, in both regional and divisional terms. This involves withdrawal from markets such as Kazakhstan and Ukraine, where growth and profitability expectations from the time of the expansion euphoria have not been met, disposal of peripheral activities and unproductive assets which tie up substantial amounts of capital, and the sale of real estate. In the bank's core business, the challenging revenue situation required an in-depth analysis of weaknesses in the business and customer segments based on the management principle requiring every unit to contribute to the bank's profitability without any cross-subsidies. This made it necessary to restore the Austrian retail banking business to profitability. The digital transformation, which is gaining momentum, supports the changes required in sales and marketing activities and in internal processes as well as in meeting specific regulatory requirements (supervision, reporting, compliance, risk management). In addition to the necessary investments this calls for clear governance, simplified organisational structures and new work methods.

➔ Besides the factors mentioned above (demand, low interest rates, geopolitical impact), and in addition to increasingly higher fiscal charges (systemic charges, ad hoc intervention such as the mandatory conversion of foreign currency loans in Croatia), Bank Austria's **consolidated financial statements for 2015** reflect a large number of internal measures which resulted in **numerous special effects and one-off factors**.

Profit performance in 2015 (€ million, 2014 recast)

	2015	2014	+/–	+/– %
Operating profit	2,800	2,846	–47	–1.6 %
Net write-downs of loans	–1,007	–782	–226	+28.8 %
Net operating profit 1)	1,792	2,064	–272	–13.2 %
Profit before tax	1,621	1,733	–112	–6.5 %
Net profit 2)	**1,325**	**1,329**	**–4**	**–0.3 %**

1) Operating profit less net write-downs of loans and provisions for guarantees and commitments. / 2) Net profit attributable to the owners of the parent company.

● With a **net profit of €1.3 billion** in a difficult environment in 2015, Bank Austria matched the level of the previous year (–0.3 %; adjusted for exchange rate movements: +0.7 %). The result was achieved through an overall stable operating performance and one-off effects related to the bank's reorganisation. Deductions for non-operating items were lower than in the previous year following the release of a provision.

▶ In 2015, **operating profit** was €2,800 million, close to the level of the previous year (–1.6 %). Operating income fell slightly (–1.8 %), with the decline in net interest and in net trading, hedging and fair value income (in the latter case the fall was due to the fact that Bank Austria no longer participated in profits of the UniCredit CIB/Markets product line) partly offset by an increase in net fees and commissions and dividend income. Operating costs remained stable in all segments in 2015; overall, they declined by 1.9 %, as did staffing levels (FTEs –1.8 %). Net write-downs of loans and provisions for guarantees and commitments rose by 28.8 % compared with 2014. The increase of €226 million is primarily explained by a one-off effect from the mandatory conversion of foreign currency loans at historical exchange rates in Croatia, resulting in a charge of €205 million. This largely accounted for the decline of a similar amount in net operating profit. Besides this development, the anticipated increase in loan loss provisions in Russia (and in loan loss provisions relating to customer loans in Ukraine which are booked in Vienna) was almost entirely offset by the improvement in all other CEE countries and especially in Austria. On this basis **net operating profit** (operating profit less net write-downs of loans and provisions for guarantees and commitments) in 2015 declined by 13.2 % over 2014 largely due to the conversion of foreign currency loans in Croatia; without this major one-off effect the decline was 3.3 %. Additionally adjusted for exchange rate movements, net operating profit increased slightly (+1.1 %).

▶ Net operating profit also remained stable in regional terms: in the three Austrian customer business segments net operating profit came to a combined €679 million in 2015, matching the level of the previous year (€678 million). This reflected the upturn in business with corporate customers and in the Corporate & Investment Banking business segment, while business with private customers recorded a loss due to the burden of high structural costs. In CEE, net operating profit was impacted by the mandatory conversion of foreign currency loans in Croatia, referred to above, and other special effects burdened the CEE Corporate Center. Without these two factors net operating profit in CEE came to €1,742 million, equalling the good performance of the previous year (+0.3 %). This is an impressive result as the foreseeable decline in Russia (–€168 million to a good €285 million) was more than offset by the excellent performance of

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the other CEE countries (+€173 million to €1,457 million). This once again underlines Bank Austria's good regional diversification.

Net operating profit 1)

(€ million, 2014 recast)

	2015	2014	+/–	+/– %
Austrian customer business	679	678	+0	+0.0%
Central Eastern Europe (CEE)	1,324	1,648	–324	–19.7%
… … without CEE Corporate Center, without FX/Croatia 2)	1,742	1,737	+5	+0.3%
… of which Russia	285	453	–168	–37.0%
… other CEE countries	1,457	1,284	+173	+13.5%
Corporate Center/Bank Austria	–210	–262	+52	–19.8%
Bank Austria	**1,792**	**2,064**	**–272**	**–13.2%**
… without FX/Croatia	1,997	2,064	–67	–3.3%

1) Operating profit less net write-downs of loans and provisions for guarantees and commitments. / 2) Without the Corporate Center of the CEE Division and the impact of the mandatory conversion of foreign currency loans in Croatia.

▶ **Non-operating items** in the income statement between net operating profit and net profit reflect strategic measures and decisions taken in 2015. The main factors are the withdrawal from Ukraine and the provisions required for restructuring the bank. In December 2015 UniCredit Bank Austria AG and UniCredit SpA signed a binding agreement to transfer Ukrsotsbank to the Alfa Group in exchange for shares. The closing of the transaction is expected for 2016. The current loss for 2015 and the impairment charges recognised in respect of Ukrsotsbank in accordance with IFRS 5 in June and December 2015 resulted in a combined charge of €408 million, which is reflected in the item "Total profit or loss after tax from discontinued operations". Of this total amount, €111 million was attributable to UniCredit SpA, which is a minority shareholder in Ukrsotsbank. (This is the main reason why the item "Non-controlling interests" shows a positive figure of €93 million.) Together with a further provision made by Bank Austria in the amount of €53 million and included in the item "Provisions for risks and charges", and with the inclusion of all other positive and negative effects (and after tax and non-controlling interests), the negative impact of Ukraine on profit for 2015 was –€367 million. This was partly offset by gains on the structured sale of the portfolio of the Immobilien Holding companies. On balance, total profit or loss after tax from discontinued operations was a loss of €303 million (–€408 million resulting from Ukraine, +€105 million in connection with Immobilien Holding).

In view of the medium-term targets set in the multi-year plan for Austrian customer business (including the future Corporate Center: a return on allocated capital, RoAC, of 13% and a cost/income ratio of 60%), the Management Board adopted resolutions on a package of measures in November 2015 (see page 31 of this report). An important component of these measures is the transfer to the state scheme under the Austrian General Social Insurance Act (ASVG) of those active employees for whom Bank Austria assumed the obligations of the mandatory social insurance scheme under employment contracts in the past. In the future, the transfer will reduce the volatility of provisioning requirements in this context, significantly relieving the impact on the income statement. Large provisions have been made for the transfer to the ASVG state scheme, for compensation payments to the employees concerned, and for initiatives on the revenue and costs sides under the Bank Austria Reloaded programme (with a view to meeting staffing targets, restructuring the branch network, digitalisation and enhancing efficiency in back-office activities). The transition from a defined benefit system to a defined contribution system enables the bank to release provisions for active employees who will be transferred to the ASVG state scheme. As a result the figure shown in the income statement for the item "Integration/restructuring costs" is positive, reflecting income of €312 million. The net effect of this transaction, taking into account the related tax expense and expenses recognised directly in equity, was slightly negative (–€27 million).

Non-operating items

(€ million, 2014 recast)

	2015	2014	+/–	+/– %
Net operating profit 1)	1,792	2,064	–272	–13.2%
Provisions for risks and charges	–137	–147	+10	–6.8%
Systemic charges 2)	–326	–237	–89	+37.7%
Integration/restructuring costs	312	–14	+326	n.m.
Net income from investments	–20	66	–86	n.m.
Profit before tax	1,621	1,733	–112	–6.5%
Income tax	–86	–296	+209	–70.9%
Discontinued operations 3)	–303	–132	–172	>100%
Non-controlling interests 4)	93	23	+70	>100%
Net profit 5	**1,325**	**1,329**	**–4**	**–0.3%**

1) Operating profit less net write-downs of loans and provisions for guarantees and commitments. / 2) Bank levies and other systemic charges (without FTT, which is included in net other expenses/income). / 3) Total profit or loss after tax from discontinued operations. / 4) Minority interests. / 5) Net profit attributable to the owners of the parent company. / n.m. = not meaningful

Among the other non-operating items, systemic charges including bank levies increased by 37.7% to €326 million in 2015. Without these charges, net profit would have been higher by one-quarter (24.6%).

● Bank Austria's **total assets** at the end of 2015 were **€194 billion**, up by €4.5 billion or 2.4% year-on-year. Expansion was supported by customer business with an increase of €2.6 billion or 2.3% in customer loans and growth of €8.1 billion or 7.9% in deposits. Direct funding (customer deposits and debt securities in issue) rose by 5.2%, covering lending volume to the extent of 120%. IFRS equity amounted to €15.4 billion, an increase of 3.3% over year-end 2014 on account of the inclusion of net profit although the foreign currency translation reserve and the change relating to pension provisions had negative impacts. At the end of 2015, the leverage ratio (based on the current status of transitional arrangements) was 5.8%, underlining the bank's conservative business policy focusing on customer business.

● **Capital resources** increased in the course of 2015: the total risk exposure amount was €128.3 billion, down by €2.1 billion (–1.6%) while credit risk remained more or less unchanged (+0.1%). Total regulatory capital rose by 8.8% to €19.1 billion on account of the inclusion of net profit and issues of Tier 2 capital. On this basis the **total capital ratio** rose from 13.4% at the end of 2014 to 14.9**%** at year-end 2015. The Common Equity Tier 1 capital ratio was 11.0% compared with 10.3% at the end of 2014.

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Quarterly trends in 2015

Bank Austria's operating performance in 2015 was characterised by a sideways movement, without any major peaks or slumps in the four quarters, except for a large-volume special effect in the third quarter of 2015 caused by the mandatory conversion of foreign currency loans in Croatia. A number of influences from a rather volatile environment (e.g. the repercussions of the oil price shock on Russia, with other countries benefiting from the same development) had varying impacts on the regions in the perimeter of Bank Austria's operations and offset each other in the aggregate totals and ultimately also in operating profit. Moreover, some items in the income statement showed trends which moved in opposite directions (e.g. net interest declined slightly while net fees and commissions increased). Exchange rate effects from the translation of the figures in local income statements also had a strong influence on quarterly trends; these effects related mainly to the exchange rate of the Russian rouble, which in the first quarter of 2015 temporarily fell to an extremely low level and subsequently recovered before declining again in the final quarter of 2015. Net operating profit fluctuated around a mean level from quarter to quarter while remaining more or less constant on an annual average. Net profit, on the other hand, showed a volatile development due to a number of one-off effects and non-operating measures taken by the bank.

● **Operating income** and operating profit reached peak levels in the second and third quarters of 2014. The figures for the fourth quarter of 2014 and for the first and third quarters of 2015 were disproportionately low, moving in parallel with the contribution from Russia, which was mainly determined by the rouble's exchange rate. Operating income for the fourth quarter of 2015 came close to the previous peaks, reaching €1,566 million – an increase of 8.3% over the relatively low figure for the fourth quarter of the previous year – and thus more or less matching the Q3 2014 level (€1,570 million). Operating profit showed a similar development as costs remained largely stable: at €768 million, **operating profit** for the fourth quarter of 2015 was up by 23.4% on the same period of the previous year, though lower than the peak figures for the second and third quarters of 2014.

● **Net operating profit**, additionally reflecting net write-downs of loans and provisions for guarantees and commitments, was more volatile. After a strong performance in the second and third quarters of 2014 (€636 million and €622 million, respectively), net operating profit declined significantly in the fourth quarter of 2014, to €373 million, providing a very low base for comparisons with developments in 2015 (see table on the next page). Net operating profit in the first and second quarters, and (adjusted for the FX effect in Croatia) also in the third quarter of 2015, increased and finally reached €518 million in Q4 2015 (+38.8% compared with Q4 2014). In 2015 as a whole, net operating profit (on an adjusted basis) was €1,997 million, down by 3.3% on 2014, despite the strong final quarter.

Net operating profit from **Austrian customer business** (Retail & Corporates, Private Banking and Corporate & Investment Banking business segments) in 2015 developed more or less steadily from quarter to quarter; the total figure for 2015 exactly matched the previous year's performance. A decline in net interest was offset by a rise in net fees and commissions, and the other components, primarily net write-downs of loans and provisions for guarantees and commitments, led to slight quarterly fluctuations in net operating profit. Net interest fell strongly in the first quarter of 2015 and remained at that level; the figure for the fourth quarter of 2015 was €312 million, down by 6.3% year-on-year. Business volume grew constantly, a remarkable development given the low level of demand in the market. This translated into market share gains: at the end of 2015 average lending was up by 4.5% on the previous year, and deposit growth was even stronger, reaching 6.2%. However, this growth compares with a significant narrowing of the interest margin in the first quarter of 2015, which affected all three segments of Austrian customer business and was further accentuated by the effect of strongly expanding deposits. Net fees and commissions, on the other hand, showed an upward trend, with growth of 5.1% in Q4 2015 over the same period of the previous year supported by all business segments. Securities business in Retail & Corporates and in Private Banking rose steadily and net fees and commissions were up by 5.1% in the fourth quarter of 2015, reflecting the placement of investment fund units and assets under management; net inflows of funds were recorded even in the third quarter of 2015 when a setback in China hit global stock markets. Assets under management, an area generating high net fees and commissions, were up by 6.0% at the end of 2015; within Private Banking, where a new fee model was launched very successfully, assets under management increased by a substantial 16.3%. Net fees and commissions from financial services also expanded; CIB benefited from the settlement of a major transaction in the second quarter and recorded a year-on-year increase of 43.7% in net fees and commissions in the fourth quarter of 2015. Quarterly fluctuations were mainly due to net write-downs of loans and provisions for guarantees and commitments: net additions to loan loss provisions were recorded only in the first quarter (€37 million) and in the third quarter of 2015 (€6 million), while the second and fourth quarters saw net releases of provisions of €37 million and €3 million, respectively.

Net operating profit generated by the **CEE Division** rose significantly from quarter to quarter in 2015 (see table on the next page). In the fourth quarter of 2015 it was €351 million, up by 12.7% on the same period of the previous year; the strong increase reflects the low level of €312 million achieved against the background of developments in Russia a year earlier. In each of the first to third quarters of 2015 net operating profit in CEE was at a high level of about €400 million, mainly due to a strong performance in the **Central European** countries (CE) and especially in **South-East Europe** (SEE). Overall, net operating profit in CESEE reached an adjusted level of €405 million in the third quarter of 2015. The figure for the fourth quarter, which reflects the impact of larger net write-downs of loans, amounted to €220 million, up by 22.1% on the same period of the previous year. This resulted in a strong increase of 18.6% for the year as a whole. Contributions to this development came from operating income, which was stable in CE and increased in SEE, and from significantly declining net write-downs of loans (if the FX conversion in Croatia is excluded). In the Central European countries, a narrowing interest margin was offset by strong volume growth as the year progressed, in line with the economic environment in this highly integrated group of countries. In SEE, volume rose mainly on the deposit side and interest rates declined in the absence of inflation and with stable exchange rates. Performance in Bulgaria includes a special effect (Greece is one of the country's neighbours) and our banking subsidiaries in the Western Balkan

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Net operating profit

(€ million)

	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	ADJ	Q4 15	2014	2015	ADJ
Bank Austria	**433**	**636**	**622**	**373**	**422**	**564**	**288**	**493**	**518**	**2,064**	**1,792**	**1,997**
Austrian customer business	**127**	**210**	**159**	**183**	**121**	**232**	**142**		**185**	**678**	**679**	
Retail & Corporates	61	110	99	114	57	141	79		86	383	363	
Private Banking	11	12	13	23	17	11	10		17	59	56	
Corporate & Investment Banking	56	88	47	45	47	80	52		81	236	260	
CEE	**370**	**437**	**529**	**312**	**382**	**390**	**200**	**405**	**351**	**1,648**	**1,324**	**1,529**
Central Europe/South-East Europe (CESEE)	*235*	*236*	*292*	*180*	*318*	*270*	*107*	*311*	*220*	*943*	*914*	*1,119*
Russia	*112*	*137*	*149*	*55*	*81*	*78*	*53*		*73*	*453*	*285*	
Turkey	*50*	*86*	*93*	*112*	*70*	*87*	*63*		*129*	*341*	*349*	
*Cross-regional *)*	*–27*	*–22*	*–4*	*–36*	*–88*	*–44*	*–22*		*–71*	*–89*	*–225*	
Bank Austria Corporate Center	–65	–11	–65	–121	–80	–58	–54		–18	–262	–210	

*) Cross-regional business (Profit Center Vienna, UCTAM restructuring unit etc.) and CEE Corporate Center sub-holding company functions (capitalisation, liquidity management, equity interest management). / ADJ = adjusted for the effect of –€204.8 million resulting from the conversion of foreign currency loans in Croatia.

countries benefited from their important role as international banks. The other components of operating income from commercial banking operations showed an upward trend throughout CESEE: net fees and commissions in CESEE rose steadily, with the Q4 2015 figure up by 8.1% on the same period of the previous year. Net trading income made positive contributions to operating income in every quarter of 2015, with the usual quarterly fluctuations reflecting commercial needs in the context of foreign exchange trading and interest rate risk management; net trading, hedging and fair value income for 2015 as a whole more or less matched the figure for the previous year. Our **Russian** banking subsidiary coped well in the difficult environment – characterised by recession, dramatic currency depreciation, sharp changes in capital movements as a result of sanctions, strong interest rate movements – thanks to its position as an international bank active in corporate banking: after a sharp fall in its net operating profit towards year-end 2014 (mainly on account of currency depreciation and a decline in net trading income), performance stabilised with some fluctuations (Q4 2015: €73 million/+32.5% year-on-year); in average terms for 2015, net operating profit was down by about 40% on the good results achieved in 2014. Exchange rate effects work in two directions: a large portion of corporate finance volume is denominated in foreign currency (US dollar) and therefore volume and income are inflated in rouble terms; this effect reverses upon translation of local income statement figures into euro. For example, adjusted for exchange rate movements, i.e. in local currency, lending volume rose strongly, by 11.1% from Q4 2014 to Q4 2015, while in euro terms it decreased by 13.3%. A similar though less dramatic effect was seen in the income statement: net interest in local currency rose by 6.5% in 2015 but declined by 11.1% in euro terms. In addition to the volatile net trading performance (which was positive throughout 2015), the Russian banking subsidiary's performance was determined by net write-downs of loans and provisions for guarantees and commitments, which rose as the year progressed. The cost of risk (provisioning charge/average lending volume), which had ranged between 50 and 60 basis points (bp) in the four quarters of 2014, increased to a level of 204bp in Q4 2015, exceeding the CEE average of 184bp. The **Turkish** bank in which we have a shareholding is a joint venture accounted for using the equity method. After the first three quarters of 2015, when a period of economic uncertainty ended, it made a stable contribution to profits, with its performance doubling to €129 million in the fourth quarter of 2015. On this basis the contribution from Turkey rose also for 2015 as a whole.

● Quarterly trends in the items below net operating profit were determined by the above-mentioned one-off effects and special factors (see table below). Total profit or loss after tax in Ukraine (including an impairment charge in the fourth quarter of 2015) led to a large loss in the CEE Division's cross-regional units (–€158 million in Q2 2015 and –€210 million in Q4 2015). The transactions described above and reflected in integration/restructuring costs (release of provisions, additions to provisions) and other factors related to year-end accounting procedures (e.g. deferred taxation) led to a positive contribution of €482 million in the Corporate Center of Bank Austria as a whole in Q4 2015. In the fourth quarter of 2015, **net profit** attributable to the owners of the parent company thus amounted to €664 million after an average €220 million in the three preceding quarters; for this reason, the trend in net profit is of limited informational value for a commercial evaluation of quarterly results.

Net profit

(€ million)

	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	2014	2015
Bank Austria	348	430	412	139	198	291	172	664	1,329	1,325
Austrian customer business	84	142	106	114	60	149	87	83	446	379
CEE	248	290	307	158	195	150	159	100	1,003	604
Countries	257	314	346	176	257	309	182	310	1,092	1,057
Cross-regional *)	–9	–24	–39	–17	–61	–158	–23	–210	–89	–453
Bank Austria Corporate Center	16	–1	–1	–134	–58	–8	–74	482	–120	342

*) Cross-regional business (Profit Center Vienna, UCTAM restructuring unit etc.) and CEE Corporate Center sub-holding company functions (capitalisation, liquidity management, equity interest management). Also includes the share of current profit or loss after tax (and impairment charge) of Ukraine.

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Note to the 2015 income statement

The income statement for the 2015 financial year reflects strategic measures and provisions for forthcoming structural changes.

● In November 2015, as part of the implementation of UniCredit's multi-year plan, the Management Board adopted a **package of measures** to **restructure** Bank Austria and to improve the cost/income ratio on a sustainable basis. The transformation of the retail banking business model is accompanied by a cost reduction programme. It focuses on reducing IT and settlement costs by raising the degree of standardisation and streamlining the product offering; downsizing the branch network while expanding the digital marketplace; and making capacity adjustments in the Corporate Center, comprising all of the bank's back-office and support functions.

The restructuring of Austrian business also involves removing a structural cost burden resulting from the bank's historical development: In the past, UniCredit Bank Austria AG assumed the obligations of the mandatory social insurance scheme for a number of its employees, especially with regard to **pension obligations**. In December 2015, UniCredit Bank Austria AG and the Employees' Council made an agreement to the effect that for almost all of the employees who have rights to future benefits (essentially the active employees covered by the bank's own pension scheme) the bank's own pension system is terminated and the rights to future pension benefits will consequently be transferred to the state scheme under the Austrian General Social Insurance Act (Allgemeines Sozialversicherungsgesetz – ASVG). The employees concerned will receive compensation, in the form of one-off lump-sum payments, for any disadvantages resulting from this transfer. In addition, UniCredit Bank Austria AG has to make a contribution, defined by law, to the state scheme under the Austrian General Social Insurance Act for the transfer of the rights to future pension benefits. The agreement with the Employees' Council was signed with legal effect in December 2015 and terminates the bank's own pension system for the employees concerned upon expiry of 29 February 2016. The employees concerned are automatically, by operation of law, taken over by the state scheme under the Austrian General Social Insurance Act. While the entitlements will not be transferred, and the payments will not be made, until the first quarter of 2016, the effect of this plan curtailment and the related reduction of the present value of the pension obligation are to be recognised in the financial statements in accordance with IAS 19 already in 2015.

Under a commitment to provide defined benefits, UniCredit Bank Austria AG continues to recognise a pension provision for the entitlements of employees who retired before the pension reform as at 31 December 1999 became effective, and – as a special feature of UniCredit Bank Austria AG's staff regulations – for the future benefits, equivalent to those under mandatory insurance, earned by active employees and pensioners for whom UniCredit Bank Austria AG has assumed the obligations of the mandatory pension insurance scheme pursuant to Section 5 of the Austrian General Social Insurance Act if these persons signed a pension agreement not later than 29 February 2016 and if they leave the company to take retirement by 31 December 2016.

● The equity interest in **Ukrsotsbank** continued to be classified as held for sale in the 2015 financial statements. Current profit or loss of Ukrsotsbank is included in the CEE business segment in the income statement item "Total profit or loss after tax from discontinued operations". In the course of exclusive negotiations, UniCredit Bank Austria AG and UniCredit SpA signed a binding agreement to transfer Ukrsotsbank to Alfa Group. According to the transaction structure, UniCredit Group (UCG) will contribute its exposure in Ukrsotsbank to ABHH, a Luxembourg-based company, in exchange for a 9.9% minority interest in ABHH. Bank Austria and UniCredit are thus transferring their direct ownership interest in Ukrsotsbank and will become a minority shareholder in a successful diversified banking group in the Commonwealth of Independent States (CIS). The planned transaction, which requires regulatory approval, will reduce UniCredit Group's business risk in Ukraine and enables the Group to further optimise its capital allocation. In the future, Bank Austria and UniCredit will cooperate with ABHH in banking business for their customers in Ukraine.

● The commentary in this management report refers to the **condensed income statement** as shown on the opposite page. The same format is used for segment reporting. This makes it possible to consistently explain the contributions made by the various business segments to the items in the income statement and to Bank Austria's overall development. A reconciliation of the condensed income statement to the mandatory reporting schedule is given in the notes to the consolidated financial statements on pages 194 to 195.

● Starting with the Interim Report at 30 June 2015, income and expenses arising from **sub-holding company functions** which are closely connected with operating activities of the commercial banks in CEE are assigned to the CEE business segment. Comparative figures for the previous year have been recast. These items, which have so far been reflected in the Corporate Center of Bank Austria as a whole, mainly include income and expenses arising from asset/liability management, items relating to equity interest management and results from the hedging of the annual profits of individual CEE banking subsidiaries.

● Starting with 2014 our equity interest in a bank in **Turkey**, Yapı Kredi ve Bankasi (a joint venture with our partner Koç Group) has been accounted for using the equity method instead of the previously used proportionate consolidation method. This reflects the implementation of IFRS 11. In the income statement, the contribution from Turkey is shown in a single line, with the share of profit being included in the item "Dividend income and other income from equity investments". For the calculation of regulatory RWAs and capital resources, however, the relevant companies continue to be included on a proportionate basis.

Management Report (CONTINUED)

Condensed income statement of Bank Austria[1]

(€ million)

RECAST [2]	QUARTERLY FIGURES					RECAST [2]	CHANGE	
	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2015	2014	+/– €	+/– %
Net interest	816	871	847	852	3,386	3,511	−125	−3.6%
Dividend income and other income from equity investments	98	136	107	193	535	496	+39	+7.8%
Net fees and commissions	341	373	350	375	1,439	1,364	+75	+5.5%
Net trading, hedging and fair value income	107	124	78	111	420	487	−67	−13.8%
Net other expenses/income	20	19	22	34	95	124	−29	−23.0%
Operating income	1,383	1,522	1,405	1,566	5,875	5,982	−107	−1.8%
Payroll costs	−390	−404	−384	−384	−1,562	−1,648	+86	−5.2%
Other administrative expenses	−320	−338	−331	−367	−1,356	−1,318	−39	+3.0%
Recovery of expenses	0	0	0	0	1	1	−0	−2.0%
Amortisation, depreciation and impairment losses on intangible and tangible assets	−41	−35	−36	−47	−159	−172	+14	−7.9%
Operating costs	−751	−776	−751	−798	−3,076	−3,136	+61	−1.9%
Operating profit	632	746	653	768	2,800	2,846	−47	−1.6%
Net write-downs of loans and provisions for guarantees and commitments	−210	−181	−366	−250	−1,007	−782	−226	+28.8%
Net operating profit	**422**	**564**	**288**	**518**	**1,792**	**2,064**	**−272**	**−13.2%**
Provisions for risks and charges	−8	0	−43	−85	−137	−147	+10	−6.8%
Systemic charges	−103	−72	−58	−94	−326	−237	−89	+37.7%
Integration/restructuring costs	−1	−1	−3	317	312	−14	+326	n.m.
Net income/loss from investments	0	2	1	−22	−20	66	−86	n.m.
Profit before tax	**310**	**493**	**184**	**634**	**1,621**	**1,733**	**−112**	**−6.5%**
Income tax for the period	−60	−69	−49	92	−86	−296	+209	−70.9%
Total profit or loss after tax from discontinued operations	−60	−123	25	−145	−303	−132	−172	>100%
Profit or loss for the period	190	301	160	581	1,232	1,306	−74	−5.7%
Non-controlling interests	7	−9	11	84	93	23	+70	>100%
Net profit or loss before PPA [3]	198	291	172	664	1,325	1,329	−4	−0.3%
Purchase Price Allocation effect	0	0	0	0	0	0	0	n.m.
Goodwill impairment	0	0	0	0	0	0	0	n.m.
Net profit or loss [3]	**198**	**291**	**172**	**664**	**1,325**	**1,329**	**−4**	**−0.3%**

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 2015. / 3) Attributable to the owners of the parent company.

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Details of the 2015 income statement

Bank Austria's **earnings position** in 2015 more or less matched the previous year's level. The economic recovery forecast for the euro area became more tangible only towards the end of the reporting period and did not yet stimulate demand to any significant extent, least of all in Austria or in Austrian retail banking business. In the Central Eastern Europe business segment, the advanced EU member countries achieved a stable performance and the banking operations in South-East European countries even further improved their operating income and profits. This helped offset shortfalls in Russia, which remained within limits in a difficult environment. Overall, a comparison of 2015 with the previous year shows stability without any dramatic changes.

● **Operating income** in 2015 totalled €5,875 million, a decrease of €107 million or 1.8% on 2014. Translated at constant exchange rates (adjusted for currrency movements) operating income increased slightly, by 2.5%. Net trading, hedging and fair value income declined on account of a base effect: the participation in profits of the UniCredit Markets product line, to which Bank Austria was entitled in the past five years under the terms of the sale of UniCredit CAIB, expired in 2014. This led to a decrease of €99 million in operating income; without this effect, operating profit would have matched the previous year's level. Net interest was lower by €125 million while net fees and commissions rose by €75 million and net trading, hedging and fair value income increased (on an adjusted basis) by €32 million.

Operating income by component € million (2014 recast)

	2015	2014	+/–	+/– %	*CONST*
Net interest	3,386	3,511	–125	–3.6%	*+2.3%*
Dividend income and other income from equity investments	535	496	+39	+7.8%	*+10.5%*
Net fees and commissions	1,439	1,364	+75	+5.5%	*+6.6%*
Net trading, hedging and fair value income	420	487	–67	–13.8%	*–7.0%*
*without compensation *)*	*421*	*389*	*+32*	*+8.3%*	
Net other expenses/income	95	124	–29	–23.0%	*–33.9%*
Operating income	5,875	5,982	–107	–1.8%	*+2.5%*
*without compensation *)*	*5,877*	*5,885*	*–8*	*–0.1%*	*+4.2%*

*) Without the participation in profits of the UniCredit Markets product line (compensation agreement related to the sale of UniCredit CAIB), which was included in the 2014 income statement for the last time.

Developments in 2015 show that higher growth of the real economy in Austria's neighbouring CEE countries and in CEE as a whole no longer simply translates into revenue growth at banks, as it did in previous years. Nevertheless, operating income and profits held up well, despite continued efforts of local companies and private households to reduce their debt. Our banks in South-East Europe benefited from their function as international banks and from their reputation and market shares of up to 20% (Bulgaria) and 27% (Croatia); their operating income and profits increased significantly. However, commercial banking business in CEE also reflects advanced convergence. Austrian customer business had been affected by an erosion of margins for a long time, with interest rates remaining close to zero. More recently, the advanced CEE countries also recorded a decline in customer interest rates and commercial spreads in the low interest rate environment. While net interest was unusually low – due to volume and margin trends –, net fees and commissions rose significantly, partly because of reviving investor interest, especially in Austria, and partly as a result of fee and commission income from guarantees, loan commissions and account/payment services in CEE (with varying trends and weights), and above all because digital services advanced.

Operating income by region € million (2014 recast)

	2015	2014	+/–	+/– %	*CONST*
Austrian customer business	2,114	2,162	–48	–2.2%	
Central Eastern Europe (CEE)	3,816	3,824	–8	–0.2%	*+6.7%*
Central Europe (CE)	1,066	1,047	+19	+1.8%	*+1.5%*
South-East Europe (SEE)	1,599	1,543	+55	+3.6%	*+3.8%*
At-equity contribution from Turkey	349	341	+8	+2.4%	*+6.3%*
Russia	715	796	–81	–10.2%	*+20.0%*
CEE cross-regional 1)	87	96	–9	–9.8%	*–11.1%*
Corporate Center	–55	–3	–51	n.m.	
without compensation 2)	–53	–101	+48	–47.3%	
Bank Austria as a whole	**5,875**	**5,982**	**–107**	**–1.8%**	***+2.5%***

CONST = adjusted for exchange rate movements = translated at constant exchange rates. / 1) Cross-regional business (Profit Center Vienna, UCTAM restructuring unit etc.) and CEE Corporate Center sub-holding company functions (capitalisation, liquidity management, equity interest management). / 2) Without the participation in profits of the UniCredit Markets product line (compensation agreement related to the sale of UniCredit CAIB), which was included in the 2014 income statement for the last time. / n.m. = not meaningful

An analysis by region and division shows that volatile business developments in Russia were the main factor determining trends in operating income in 2015. The Russian rouble depreciated strongly in the first few months of the year, then strengthened temporarily before starting to lose in value again in autumn and towards the end of the reporting year. The average exchange rate of the Russian rouble in 2015 was 25.2% lower than in 2014. Moreover, monetary trends (inflation and interest rates) moved in the opposite direction compared with developments in Western countries. In this environment, our highly professional Russian banking subsidiary strengthened its market position as a local and international bank. Despite restrictions on international capital movements, an economic slump and volatile interest rates, the Russian banking subsidiary achieved revenue growth in local currency and generated a net profit of €224 million. Turkey was again the fastest-growing economy, with a surprisingly strong performance towards year-end 2015. Our joint venture in Turkey, accounted for using the equity method in accordance with IFRS 11 and thus reflected in the income statement only in the item "dividend income and other income from equity investments", again strongly supported operating performance with a stable contribution of €349 million.

▶ Among the revenue components, **net interest** accounted for 58% of total operating income with a contribution of **€3,386 million**, down by 3.6% on the previous year. While underlying average lending volume grew by 1.5 %, interest margins declined. Measured against all interest-bearing assets, net interest in 2015 was 189 basis points (bp), down by 13 bp on the previous year (203 bp); the net interest margin on customer loans / deposits declined even more significantly, by 27 bp to 196 bp (2014: 222 bp). In addition to interest rate and margin developments on the assets and liabilities sides in 2015, a volume effect should also be noted: average deposits rose more strongly than loans (+ 10.5 % compared with + 1.5 %).

These trends apply especially to the mature Austrian market, where net interest declined across all customer segments (overall down by 6.9 %, see table). In the wake of the accelerated convergence process of the past two years, interest margins narrowed also in CEE countries, where deposits increased at a disproportionately fast pace in 2015 (deposits: + 12.9 % / loans: + 1.8 %; adjusted for exchange rate movements, deposits: + 20.9 % / loans: + 12.9 %). Net interest therefore also declined in the CEE business segment (– 3.1 %); without Russia, net interest in CEE rose by a low 1.8 %.

Net interest

€ million (2014 recast)

	2015	2014	+/–	+/– %	*CONST*
Austrian customer business	1,247	1,340	– 93	– 6.9 %	
Retail & Corporates	895	974	– 79	– 8.1 %	
Private Banking	58	64	– 5	– 8.0 %	
CIB	294	302	– 8	– 2.8 %	
Central Eastern Europe (CEE)	2,381	2,456	– 75	– 3.1 %	*+ 5.3 %*
Central Europe (CE)	627	625	+ 2	+ 0.3 %	*– 0.1 %*
South-East Europe (SEE)	1,053	1,002	+ 52	+ 5.2 %	*+ 5.4 %*
Russia	590	697	– 106	– 15.3 %	*+ 13.2 %*
Cross-regional *)	110	132	– 22	– 16.8 %	*– 16.8 %*
Corporate Center	– 242	– 285	+ 43	– 15.1 %	
Bank Austria as a whole	3,386	3,511	– 125	– 3.6 %	*+ 2.3 %*

*) Cross-regional business (Profit Center Vienna, UCTAM restructuring unit etc.) and CEE Corporate Center sub-holding company functions (capitalisation, liquidity management, equity interest management).

In the three segments of **Austrian** customer business, net interest continued to decline in 2015, by €93 million or 6.9 % to €1,274 million, although lending volume increased again (+ 2.8 %). The low level of interest rates seen in the past years has a strong impact on the mature Austrian market: customer interest rates fell to new lows as there is intense competitive pressure on the assets side and interest rates on the liabilities side can hardly be reduced further. In 2015, customer interest rates in lending business fell more strongly than those on deposits. The resulting narrowing of the interest margin was further accentuated by a volume effect: deposits increased more strongly (+ 8.3 %) than loans (+ 2.8 %).

All business segments in Austria achieved significant growth in new business. As a result of repayments, however, total business volume rose only slightly. Disproportionately strong growth was recorded in construction and housing finance in the retail banking sector, even after the higher valuation of loans following appreciation of the Swiss franc in the middle of January 2015; this resulted in slight market share gains for Bank Austria. On the other hand, short-term finance and consumer loans declined. Among deposits, growth was seen especially in demand deposits. The Retail subdivision recorded the strongest decline in net interest (– 9.5 %), mainly because the interest margin narrowed (– 44 bp). Developments in the Corporates subdivision were slightly better: business with corporate customers was impacted by the fact that key euro reference interest rates moved into negative territory, with the 3-month Euribor remaining negative from April onwards; this led to historically low levels of interest rates on loans and deposits. Although financing terms were extremely favourable in 2015, companies' investment propensity remained moderate and credit demand was weak. Nevertheless, Bank Austria recorded slight growth in loans to corporate customers, thereby gaining market share. The improvement was supported by successful marketing initiatives (including the energy efficiency package, which helps companies identify financial assistance schemes and links them with financing transactions, or loans for investment purposes backed by a Risk-Sharing guarantee under an EIF framework agreement). Deposits from corporate customers rose more strongly than loans (+ 9.6 % compared with + 1.9 %); this was one of the reasons why net interest was down by 7.6 % on the previous year and the interest margin also declined (– 18 bp).

In the CIB Division's business with large customers, lending volume rose again after a long interval (year-end 2015 / 2014: + 9.5 %, annual average growth: + 2.4 %). Demand for structured export finance and working capital solutions increased while trends in standard lending business were weak as customers remained reluctant to take up loans and companies preferred liquidity. Funding activities of corporate customers were at a very low level in 2015 while new business in export finance and trade finance showed a favourable development. Substantial excess liquidity in the corporate sector translated into a strong increase in deposits (+ 23.3 % year-on-year / average growth: + 15.2 %), all of which in the area of sight deposits, where interest rates are very low. Net interest came close to the previous year's level (– 2.8 %) although the interest margin narrowed (– 12 bp). **Net interest** generated by the **CEE Division** was also lower than in the previous year (– €75 million / – 3.1 % to €2,381 million). Without the special case of Russia net interest in CEE increased moderately, by €31 million or 1.8 %, to €1,791 million although volume based on this definition was up by 4.4 % on the previous year. While interest margins narrowed in all country groups, they are still wide enough for net interest to grow at a disproportionately high rate the next time volume increases again. In euro terms, net interest generated in Russia (€590 million) fell by €106 million or 15.3 % on the previous year, with average lending down by 5.7 %. Adjusted for exchange rate movements (translated at constant exchange rates prevailing at the end of 2013), net interest in Russia rose by 13.2 %, with volume

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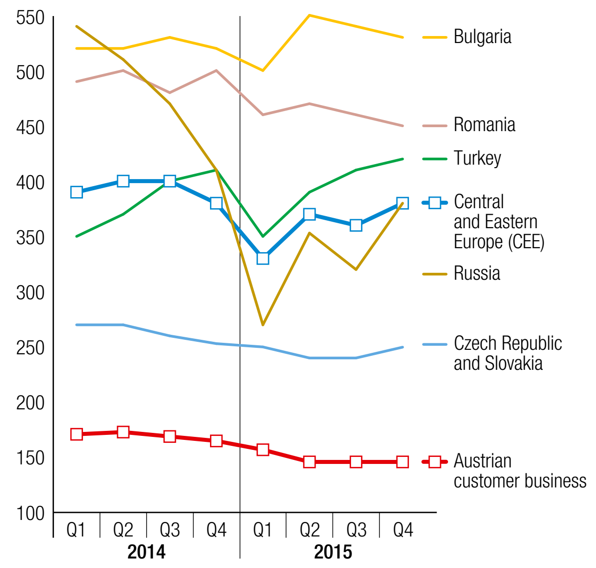
growing by 25.9 %. Both figures, especially volume, reflect the higher valuation of foreign currency loans in rouble terms as a result of exchange rate movements. In economic terms, the underlying development is more likely to move in line with euro figures; about one-half of lending volume is denominated in US dollar, for which exchange rate movements against the rouble were similar to those of the euro. Net interest in Central Europe (CE: + 0.3 %) was stable, due to expansion in the Czech Republic and in Slovakia (+ 2.8 %) which offset the effect of persistently low interest rates. Special mention should be made of the net interest performance of South-East European countries (combined growth: + 5.2 %), especially Bulgaria but also the Western Balkan countries. In these countries, interest rates are declining from a very high level (with inflation close to zero and partly fixed exchange rates), enabling the local banks to reduce interest rates on the deposit side. Bulgaria additionally benefits from special effects (destination country adjacent to Greece, market position after the end of the previous year's local banking crisis). Apart from developments in day-to-day commercial banking activities, net interest was lower in some countries because in 2014, when interest rates started to decline significantly, the local banks (mainly in Romania and Hungary) had realised gains on substantial holdings of available-for-sale investments.

In 2015, net interest was strongly impacted by the higher cost, reflecting market conditions, of maintaining liquidity and by the cost of Tier 2 capital.

Total commercial spread

(customer rate loans less customer rate deposits in basis points of lending volume and deposit volume; selection)



Net fees and commissions

€ million (2014 recast)

	2015	2014	+/–	+/– %	*CONST*
Austrian customer business	724	672	+ 53	+ 7.8 %	
Retail & Corporates	506	479	+ 28	+ 5.8 %	
Private Banking	114	109	+ 5	+ 4.6 %	
CIB	104	84	+ 20	+ 23.8 %	
Central Eastern Europe (CEE)	718	702	+ 16	+ 2.2 %	*+ 4.5 %*
Central Europe (CE)	295	276	+ 20	+ 7.1 %	*+ 6.8 %*
South-East Europe (SEE)	360	346	+ 14	+ 4.0 %	*+ 4.1 %*
Russia	64	126	– 62	– 48.9 %	*– 31.8 %*
Cross-regional *)	– 2	– 46	+ 44	– 96.6 %	*– 97.4 %*
Corporate Center	– 3	– 10	+ 6	– 64.0 %	
Bank Austria as a whole	1,439	1,364	+ 75	+ 5.5 %	*+ 6.6 %*

*) Cross-regional business (Profit Center Vienna, UCTAM restructuring unit etc.) and CEE Corporate Center sub-holding company functions (capitalisation, liquidity management, equity interest management).

▶ **Net fees and commissions** increased by € 75 million or 5.5 % to **€ 1,439 million**. This may be interpreted as a sign of stronger commercial activity as the general wait-and-see attitude has partly been overcome, if not in the financing sector at least in the area of transactions. Particularly gratifying growth of € 53 million or 7.8 % to € 724 million was achieved in Austrian customer business, with the Retail subdivision making the largest contribution to growth (+ € 27 million/+ 8.8 % to € 329 million). Private Banking achieved a further increase of 4.6 % on the high level of the previous year. In both divisions, growth was driven by customers' stronger propensity to invest; while this is partly to be seen in the context of currently unattractive interest rates on deposits, efforts to win new business in mutual fund investments and asset management were successful. The volume of mutual funds (at current prices) placed with retail customers rose by 5.7 % year-on-year, to € 6.0 billion at the end of 2015. As direct investments declined, growth in mutual fund investments indicates higher value creation. Private Banking recorded very strong expansion of 16.3 % in assets under management, to a total of € 8.3 billion (if safe-custody business is included, + 10.0 % to € 14.4 billion). Despite sharp movements in share prices (in August/ September and towards year-end 2015), net inflows of funds were recorded throughout the year. A new flat-rate fee model giving investors considerable leeway also contributed to the favourable development (see commentary on the Private Banking business segment). The Corporate & Investment Banking (CIB) Division generated net fees and commissions of € 104 million in 2015, an increase of € 20 million or 23.8 % over the previous year. This was mainly due to significant growth (+ 73.1 %) of financing services, which accounted for one-half of net fees and commissions in CIB. Moreover, a large-volume arrangement was settled in June 2015.

Net fees and commissions in the **CEE business segment** were € 718 million, slightly higher than in the previous year; without Russia, a special case, net fees and commissions in CEE were up by € 77 million or 13.4 % on 2014. Within CEE, trends vary from country to country on account of structural differences as the significance of

Management Report (CONTINUED)

sources of net fees and commissions differs. In the Central European countries, investment in mutual funds – currently supported by rising disposable income – is a growing business line; significant increases were achieved especially in the Czech Republic (+9.1%) and in Hungary (+5.8%). In South-East Europe (+4.0%), growth in net fees and commissions was partly driven by loan/guarantee commissions and transaction services. In Russia, a strong decline was due to technical reasons (commission paid for intra-group guarantees to assume credit risk associated with major international customers).

▶ **Net trading, hedging and fair value income** again reached a substantial amount of **€420 million** in 2015, reflecting a number of factors with effects partly offsetting one another. All of the decline of €67 million or 13.8% on the previous year was accounted for by the Corporate Center, where net trading, hedging and fair value income was €7 million after €143 million. As mentioned before, the main reason was the expiry of the participation in profits of the UniCredit Markets product line (effect: –€99 million year-on-year). Net trading income from Austrian customer business came to €84 million in 2015, up from €78 million in the previous year. The underlying trading volume is low, largely complementary to commercial banking business, and the change was due to a more favourable view of counterparty risk (CVA).

Net trading, hedging and fair value income € million (2014 recast)

	2015	2014	+/–	+/– %	*CONST*
Austrian customer business	84	78	+6	+7.8%	
Retail & Corporates	34	24	+10	+40.1%	
Private Banking	3	2	+1	+38.8%	
CIB	48	52	–4	–8.3%	
Central Eastern Europe (CEE)	329	266	+63	+23.9%	*+36.8%*
CE	118	128	–10	–7.7%	*–8.6%*
SEE	163	152	+12	+7.7%	*+8.1%*
Russia	62	–30	+92	n.m.	*n.m.*
Cross-regional	–14	16	–31	n.m.	*n.m.*
Corporate Center	7	143	–137	–95.4%	
*compensation agreement *)*	*–2*	*98*	*–99*		
*without compensation *)*	*8*	*45*	*–37*	*–82.1%*	
Bank Austria as a whole	420	487	–67	–13.8%	*–7.0%*
*without compensation *)*	*421*	*389*	*+32*	*+8.3%*	

*) Without the participation in profits of the UniCredit Markets product line (compensation agreement related to the sale of UniCredit CAIB), which was included in the income statement in 2014 for the last time.

For the banking subsidiaries in **CEE**, net trading, hedging and fair value income is of greater significance because of local interest-rate and exchange-rate volatility, management of larger foreign currency volume and the related customer needs: the CEE Division's contribution to net trading, hedging and fair value income totalled €329 million in 2015, an increase of €63 million or 23.9% (adjusted for exchange rate movements: +36.8%), although the sub-holding company functions assigned to the CEE business segment had an adverse impact on net trading performance. Trading in interest-rate/foreign-exchange derivatives developed very favourably against the background of volatile market conditions. Securities trading, on the other hand, was lagging behind the trend seen in the previous year, when strong interest rate reductions made it possible to realise gains in the trading book. In regional terms, all country groups reported positive trading results: Central Europe (CE) generated net trading income of €118 million, with growth in the Czech Republic/Slovakia being offset by a decline in Hungary (after large gains realised in 2014). Our banking subsidiaries in South-East Europe (SEE) achieved strong increases in net trading income (+7.7% to €163 million); commercial foreign exchange trading made the largest contribution in this context. Our Russian bank recovered from the setback in the turbulent fourth quarter of 2014 (–€51 million) and achieved a turnaround in 2015, with net trading income of €62 million (after a net trading loss of €30 million in the previous year) thanks to a good performance from derivatives and bond trading, despite the adverse environment in foreign exchange trading and rising negative valuation effects (CVA) in trading operations.

▶ **Dividend income and other income from equity investments** came to **€535 million** in 2015, up by €39 million or 7.8%. The pro-rata profit contribution of €349 million from Yapı Kredi ve Bankasi, a joint venture in Turkey with our partner Koç Group, is included in this item in accordance with IFRS 11. The amount contributed by the Turkish bank was again slightly above the level of the previous year (+€8 million or +2.4%; adjusted for exchange rate movements: +6.3%) despite unfavourable economic conditions in much of 2015 and depreciation of the local currency. This good performance resulted from very strong volume expansion (loans: +29.6%), with a favourable development of net interest, and from continued growth of fee and commission income. The other companies accounted for using the equity method, mostly financial services providers in Austria, also performed well.

▶ **Net other expenses/income** covers many minor items not included in core banking business. This item showed net income of €95 million in 2015, a decline of €29 million on the figure for the previous year. The decrease reflects the sale of Istraturist, a Croatian tourism company, in November 2014, so that income from the 2015 season was no longer received.

● The trend in **operating costs** reflects the success of various cost reduction initiatives in Austria and CEE. In 2015 operating costs were €3,076 million, down by €61 million or 1.9% compared with 2014. Even when adjusted for (in this case favourable) exchange rate effects, costs present a stable picture (+0.5%). An analysis by type of costs shows that payroll costs (€1,562 million) were reduced by €86 million or 5.2% year-on-year, and this was the main factor in overall cost reduction. Other administrative expenses, depreciation/amortisation and recovery of expenses rose only slightly, by a combined 1.7%, despite modernisation initiatives in customer business (digitalisation, implementation of the new branch concept in Austria and several other countries, development of new software).

Management Report (CONTINUED)

Operating costs (increase = +) € million (2014 recast)

	2015	2014	+/–	+/– %	CONST
Austrian customer business	1,433	1,431	+1	+0.1%	
…with the Corporate Center	*1,601*	*1,635*	*−35*	*−2.1%*	
Central Eastern Europe (CEE)	1,475	1,501	−26	−1.7%	*+3.2%*
Bank Austria as a whole	3,076	3,136	−61	−1.9%	*+0.5%*
Cost / income ratio					
Austrian customer business	67.8%	66.2%		+1.6 pp	
…with the Corporate Center	*77.7%*	*79.3%* 1)		*−1.6 pp*	
Central Eastern Europe (CEE)	38.7%	39.3%		−0.6 pp	
… without at-equity contribution from Turkey 2)	*42.5%*	*43.1%*		*−0.6 pp*	
Bank Austria as a whole	52.3%	52.4%		−0.1 pp	
… without at-equity contribution from Turkey 2)	55.7%	55.6%		+0.1 pp	
Types of costs					
Payroll costs	1,562	1,648	−86	−5.2%	*−2.7%*
… average FTEs 3)	*30,946*	*31,543*	*−597*	*−1.9%*	
Other administrative expenses	1,356	1,318	+39	+3.0%	*+4.9%*
Depreciation/amortisation on tangible/intangible assets	159	172	−14	−7.9%	*−2.7%*

1) Figures are comparable as 2014 data were adjusted for the share in profits of the UniCredit Markets product line. / 2) The contribution from Turkey is accounted for using the equity method. It is included in operating income but not in operating costs. / 3) Without operations classified as held for sale (Ukraine and Immobilien Holding). / pp = percentage points

Total costs in **Austria** (customer business including the Corporate Center) declined by €35 million or 2.1% to €1,601 million, with payroll costs decreasing by €56 million or 6.1%. Our Initiative 2020, implemented from 2014 until the middle of 2015, helped to reduce effective employment, primarily through part-time models, and provided flexible working arrangements. In average terms for 2015, and without Immobilien Holding which was classified as held for sale, payroll costs in Austria reflected a decrease of 307 full-time equivalents (FTEs, −4.3%) in the reporting period compared with the previous year. Staff reductions were most pronounced in the Retail subdivision of the Retail & Corporates business segment (down by an average 272 FTEs). The cost/income ratio in this business segment was nevertheless much too high at 99.2% and, on account of lower revenues in 2015, higher than in 2014 (96.4%). The retail banking operations are to be restructured on a sustainable basis with the package of measures adopted at the end of 2015 with the aim of increasing revenue and cutting costs. The cost/income ratio for Austria as a whole (customer business segments including the Corporate Center) was 77.7% compared with 79.3% in 2014 (without income from the compensation agreement).

In euro terms, operating costs in the **CEE Division** amounted to €1,475 million. At this level they were 1.7% lower compared with the previous year and up by 3.2% at constant exchange rates, with both effects being due to developments in Russia (down by 16.3% in euro terms/up by 11.8% in rouble terms). Payroll costs in Russia rose as a result of higher social charges, and other administrative expenses increased in connection with IT projects; moreover, rent agreements denominated in US dollars had an impact on account of exchange rate movements. Without Russia, operating costs rose by only 1.3% (adjusted for exchange rate movements: +1.2%). In average terms for 2015, staff numbers in the CEE Division (without Turkey and Ukraine) were 24,088 FTEs, more or less unchanged. The decline of 289 FTEs (–1.2%) was accounted for by Croatia (–303 FTEs) following the deconsolidation of Istraturist. The cost/income ratio in CEE – without Turkey, whose contribution is accounted for using the equity method and is therefore included in operating income but not in operating costs – declined by 0.6 percentage points to 42.5%. In 2015, the cost/income ratio for Bank Austria as a whole remained more or less constant at 55.7% (2014: 55.6%).

▶ **Net write-downs of loans and provisions for guarantees and commitments** in 2015 were **€1,007 million**, up by €226 million or 28.8% on the previous year (€782 million). The increase is largely due to a special effect: the **mandatory conversion** of foreign currency loans at historical exchange rates in Croatia, required to be carried out with retroactive effect, resulted in a charge of €205 million in 2015. This one-off effect was recognised in net write-downs of loans as the loans concerned thereby became impaired. Without the one-off effect, the provisioning charge amounted to €803 million, an increase of €21 million or **2.7%.** In **Russia** the provisioning charge started to rise in 2015, from €85 million in 2014 to €214 million in the reporting year. The increase is not that surprising in view of the challenging environment. In addition, net write-downs of loans and provisions for guarantees and commitments in the **cross-regional** loan portfolio rose from €24 million to €148 million. This development reflected specific loans granted in Central and Eastern Europe, including Ukraine, which were booked by UniCredit Bank Austria AG.

➔ Besides this development, 2015 saw **net write-downs of loans and provisions for guarantees and commitments** decline **in all countries**, Austria and CEE, with the exception of Russia and the cross-regional loan portfolio booked in the Profit Center Vienna (PCV). Without Russia and the cross-regional loan portfolio the provisioning charge amounted to €441 million, **one-third (–34.5%) lower** than in the previous year.

Net write-downs of loans and provisions for guarantees and commitments (increase = +, decrease = –) € million (2014 recast)

	2015	2014	+/–	+/– %	CONST
Austrian customer business	3	52	−50	−94.7%	
Corporate Center	−12 1)	55	−67	n.m.	
… Austria incl. Corporate Center	−10 1)	107	*−117*	n.m.	
Central Eastern Europe (CEE)	1,017	675	+343	+50.8%	*+63.9%*
…without FX, Russia, PCV 2)	450	565	*−115*	−20.3%	
… Central Europe (CE)	109	149	−39	−26.3%	*−26.4%*
… South-East Europe (SEE) without FX	341	417	−76	−18.2%	*−18.2%*
… FX conversion Croatia	205		*+205*	n.m.	
… Russia	214	85	+129	>100%	*>100%*
… cross-regional	148	24	+124	>100%	*>100%*
Bank Austria as a whole	**1,007**	**782**	**+226**	**+28.8%**	***+40.2%***
…without FX, Russia, PCV 2)	*441*	*673*	*+232*	*−34.5%*	

1) Negative amount = income from net release of provisions / 2) Without mandatory conversion in Croatia (“FX”), without Russia and without “cross-regional”, i.e. without the cross-regional portfolio booked in the Profit Center Vienna. / n.m. = not meaningful

In **Austria** (customer business including the Corporate Center) a net release of provisions led to income of €10 million; this compared with a provisioning charge of €107 million in the previous year. The cost of risk (provisioning charge/income in per cent of average lending volume) is a negative 2 basis points (bp) after 19bp in 2014. The high asset quality of the loan portfolio was underlined across all Austrian customer business segments: in the Retail subdivision net write-downs of loans and provisions for guarantees and commitments temporarily increased in early 2015 as the Swiss franc's link to the euro ended and the currency appreciated. The Corporates subdivision benefited from a net release of provisions, reflecting the very good quality of its loan portfolio. Overall, the provisioning charge in Retail & Corporates declined significantly to €28 million compared with €56 million in 2014. In the Corporate & Investment Banking (CIB) business segment, where additions to loan loss provisions remained at a generally low level, the release of a provision for a major customer in the middle of the year resulted in a net release of loan loss provisions in 2015 as a whole (positive contribution of €25 million). In view of market developments and Bank Austria's experienced risk management, the risk situation in Austria is favourable even without the above-mentioned effects.

In the **CEE** business segment net write-downs of loans and provisions for guarantees and commitments in 2015 were €1,017 million, significantly higher than the previous year's figure (+€343 million or +50.8%, adjusted for exchange rate movements: +63.9%). Besides the one-off effect in Croatia (+€205 million), the increase – as mentioned earlier – was due to developments in Russia (+€129 million) and in the cross-regional CEE portfolio (+€124 million), which was impacted by the Russia/Ukraine conflict. In the other countries the provisioning charge declined by a combined €115 million or 20.3%. Contributions to the decline came from the Central European countries – reflecting their good economic performance –, led by our banking subsidiary in the Czech Republic/Slovakia with a reduction of one-third (–32.4%) and by Slovenia and Hungary, following the reduction of foreign currency exposure in these countries. In South-East Europe (SEE) the combined charge for loan loss provisions (without the special effect in Croatia) declined by 18.2%; the decrease was strongest in Bulgaria and Romania, but also in Serbia. The improvement in the cost of risk was most pronounced in the latter two countries, although it was still one of the highest at 225bp (Romania) and 182bp (Serbia). In Russia, the provisioning charge came to €214 million, two and a half times the 2014 figure (€85 million). The increase reflects the commercial impact of the depreciation of the rouble, the recession and the sanctions on the balance sheets of corporate customers. Until the crisis started, Russia was among the countries with the lowest cost-of-risk levels and in 2014 the cost of risk was still as low as 66bp of average lending volume; in the reporting year, however, the cost of risk rose to 177bp. On this basis it was already above the CEE average (without FX Croatia) of 140bp.

Asset quality of Bank Austria's portfolio improved in the course of 2015, despite adverse impacts from Russia and the cross-regional portfolio: non-performing exposures declined by 6.1% to €10.4 billion and lending volume rose by 2.1% (gross) or 2.3% (net of loan loss provisions).

Most recently, non-performing exposures (NPE) accounted for 8.4% of gross loans to customers compared with 9.2% at the end of December 2014. In net terms, i.e. measured by lending volume after deduction of loan loss provisions, the NPE ratio was 3.9% after 4.3%. While specific write-downs were also reduced, as a result of developments in Austria, they declined more slowly than non-performing exposures. As a result, the coverage ratio improved from 55.4% to 56.3% compared with the previous year.

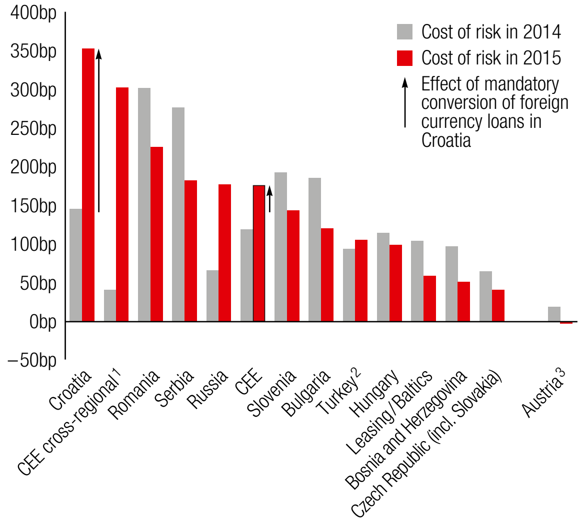
In **CEE** the NPE ratio was 11.8% (in net terms, 5.9%) at the end of 2015, down by 0.6 percentage points on year-end 2014. The CEE business segment also benefited from a significant reduction of

Lending volume and asset quality*)

(€ million)	31 DEC. 2015	31 DEC. 2014	+/–	+/– %
Bank Austria as a whole				
Gross loans to customers	123,068	120,536	+2,532	+2.1%
Total write-downs	–6,691	–6,804	+113	–1.7%
Net loans to customers	116,377	113,732	+2,645	+2.3%
Gross non-performing exposures	10,381	11,057	–675	–6.1%
… % of gross loans to customers	*8.4%*	*9.2%*		*–0.7 pp*
Specific write-downs	–5,842	–6,130	+287	–4.7%
Coverage ratio	*56.3%*	*55.4%*		*+0.8 pp*
Net non-performing exposures	4,539	4,927	–388	–7.9%
… % of net loans to customers	*3.9%*	*4.3%*		*–0.4 pp*
Central Eastern Europe (CEE)				
Gross loans to customers	61,439	60,544	+896	+1.5%
Total write-downs	–4,337	–4,165	–172	+4.1%
Net loans to customers	57,102	56,378	+724	+1.3%
Gross non-performing exposures	7,220	7,499	–279	–3.7%
… % of gross loans to customers	*11.8%*	*12.4%*		*–0.6 pp*
Specific write-downs	–3,857	–3,836	–21	+0.5%
Coverage ratio	*53.4%*	*51.2%*		*+2.3 pp*
Net non-performing exposures	3,363	3,662	–300	–8.2%
… % of net loans to customers	*5.9%*	*6.5%*		*–0.6 pp*
Austria (incl. Corporate Center)				
Gross loans to customers	61,629	59,992	+1,636	+2.7%
Total write-downs	–2,354	–2,639	+284	–10.8%
Net loans to customers	59,274	57,353	+1,921	+3.3%
Gross non-performing exposures	3,162	3,557	–396	–11.1%
… % of gross loans to customers	*5.1%*	*5.9%*		*–0.8 pp*
Specific write-downs	–1,985	–2,293	+308	–13.4%
Coverage ratio	*62.8%*	*64.5%*		*–1.7 pp*
Net non-performing exposures	1,177	1,264	–88	–7.0%
… % of net loans to customers	*2.0%*	*2.2%*		*–0.2 pp*

*) Ukraine (classified as held for sale) and Turkey (accounted for using the equity method) are no longer included in the relevant items of the statement of financial position and of the income statement. Comparative figures for 2014 reflect the figures in the statement of financial position. / pp = percentage points

Cost of risk by country (Cost of risk = net write-downs of loans expressed as basis points of average lending volume)



1) CEE Corporate Center and Profit Center Vienna (also includes the Ukraine portfolio).
2) Turkey not included in the total because it is accounted for using the equity method.
3) Austrian customer business including the Corporate Center.

non-performing exposures (–3.7 %). The coverage ratio improved to 53.4 % after 51.2 % in the previous year. Non-performing exposures in **Austria** declined substantially, by 11.1 % to €3.2 billion. As total lending volume in Austria amounted to €61.6 billion, the NPE ratio declined to 5.1 % (year-end 2014: 5.9 %). In net terms, the NPE ratio in Austria continued to fall to 2.0 % (after 2.2 % at year-end 2014); at the end of 2015, the coverage ratio was 62.8 % after 64.5 %.

➔ Operating income less costs and net write-downs of loans and provisions for guarantees and commitments gives a **net operating profit** of €1,792 million for 2015. The figure was down by €272 million or 13.2 % on the previous year because of the impact of various one-off effects explained above (expiry of the participation in profits of UniCredit Markets, foreign currency conversion in Croatia) and was partly also lower due to exchange rate movements. In purely economic terms, net operating profit slightly exceeded the previous year's level.

Net operating profit *) € million (2014 recast)

	2015	2014	+/–	+/– %	*CONST*
Operating profit	2,800	2,846	–47	–1.6 %	*4.8 %*
… without participation in profits of UniCredit Markets	*2,801*	*2,748*	*53*	*1.9 %*	*8.6 %*
Net write-downs of loans	–1,007	–782	–226	28.8 %	*40.2 %*
… without FX/Croatia	*–803*	*–782*	*–21*	*2.7 %*	*14.6 %*
Net operating profit	**1,792**	**2,064**	**–272**	**–13.2 %**	***–8.5 %***
… without one-off effects	*1,998*	*1,967*	*32*	*1.6 %*	*6.2 %*

*) Operating profit less net write-downs of loans and provisions for guarantees and commitments.

Net operating profit in Austrian customer business exactly matched the previous year's figure; a decline in operating income was offset by cost reductions and the improvement in net write-downs of loans. The banking subsidiaries in CEE countries (CEE Division without cross-regional items) also achieved a net operating profit which – without the Croatia effect – matched the figure for the previous year. This means that the bank's wide diversification helped to balance out a weaker performance in Russia and increased expenses related to overall bank management.

Net operating profit 1) by region and division € million (2014 recast)

	2015	2014	+/–	+/– %	*CONST*
Austrian customer business	679	678	+0	+0.0 %	
Central Eastern Europe (CEE)	1,324	1,648	–324	–19.7 %	*–13.2 %*
… CEE countries without FX/Croatia 2)	*1,754*	*1,737*	*+16*	*+0.9 %*	*+6.5 %*
… cross-regional + FX/Croatia 3)	*–430*	*–89*	*–341*	*>100 %*	
Corporate Center	–210	–262	+52	–19.8 %	
… without participation in profits of UniCredit Markets	*–209*	*–360*	*+151*	*–42.0 %*	
Net operating profit	**1,792**	**2,064**	**–272**	**–13.2 %**	***–8.5 %***
… without one-off effects	*1,998*	*1,967*	*+32*	*+1.6 %*	*+6.2 %*

1) Operating profit less net write-downs of loans and provisions for guarantees and commitments. / 2) FX/Croatia = effect from the conversion of foreign currency loans. / 3) Cross-regional business (Profit Center Vienna, UCTAM restructuring unit etc.) and CEE Corporate Center sub-holding company functions (capitalisation, liquidity management, equity interest management) plus effect from the conversion of foreign currency loans (FX/Croatia).

● In addition to a number of minor items, the **non-operating items** from net operating profit to net profit attributable to the owners of the parent company in the 2015 income statement reflect three factors which had a strong impact on performance: first, the effects and provisions related to the package of measures which was adopted at the end of 2015 for restructuring Austrian operations and enhancing their profitability; second, the withdrawal from Ukraine; and third, large systemic charges.

Among the items between net operating profit and profit before tax, **provisions for risks and charges** were €137 million, slightly lower than in the previous year (2014: €147 million). The total figure includes a charge of €42 million resulting from a tax risk associated with a transaction in 2010 involving an equity interest. A provision of €53 million was made for risks arising from the workout of Ukraine-related exposure. Without these two factors, provisions for risks and charges in 2015 amounted to only €42 million, mainly relating to legal risks and litigation.

Systemic charges including bank levies had the strongest impact on net operating profit in 2015. These charges increased by 37.7 % to €326 million (2014: €237 million). In Austria (after allocation for segment reporting purposes), bank levies and other systemic charges totalled €171 million, of which €126 million related to the bank levy (2014: €116 million) and €45 million related to contributions to the deposit guarantee scheme and the bank resolution fund. In CEE the total charge was €155 million, of which bank levies (in Hungary and Slovakia and in the PCV) accounted for €41 million and other systemic charges totalled €114 million, of which €86 million contributed to the deposit guarantee schemes and €28 million contributed to the bank resolution funds in Hungary, Croatia, Slovenia, Bulgaria and Romania. Without these systemic charges, profit before tax would have been 17.0% higher.

The item **integration/restructuring costs** reflects the above-mentioned package of strategic measures and, as part of the measures, the transfer of pension entitlements to the state scheme under the Austrian General Social Insurance Act (Allgemeines Sozialversicherungsgesetz – ASVG). In December 2015, UniCredit Bank Austria AG and the Employees' Council made an agreement to the effect that for almost all of the employees who have rights to future benefits (essentially the active employees covered by the bank's own pension scheme) the bank's own pension system is terminated and the rights to future pension benefits will consequently be transferred to the state scheme under the Austrian General Social Insurance Act. The employees concerned will receive compensation, in the form of one-off lump-sum payments, for any disadvantages resulting from this transfer. In addition, UniCredit Bank Austria AG has to make a payment, defined by law, to the state scheme under the Austrian General Social Insurance Act for the transfer of the rights to future pension benefits. The agreement with the Employees' Council was signed with legal effect in December 2015 and terminates the bank's own pension system for the employees concerned upon expiry of 29 February 2016. The employees concerned are automatically, by operation of law, taken over by the ASVG state scheme. While the entitlements will not be transferred, and the payments will not be made, until the first quarter of 2016, the effect of this plan curtailment and the related reduction of the present value of the pension obligation are to be recognised in the financial statements in accordance with IAS 19 already in 2015. The relevant pension provision was released and the related effect on the income statement is reflected in the item "Integration/restructuring costs". This effect was offset by provisions for the transfer to the ASVG state scheme and for compensation payments to the employees concerned. Integration/restructuring costs also include provisions made for the restructuring of the Austrian business model in the next three years and for the resulting need for adjusting effective employment figures (FTEs). The measures are aimed at implementing a new advisory services model for retail banking operations, based on a leaner product range and further digitalisation, and at extensively overhauling the Corporate Center, including the related expenses for staff reductions. Outdated software which is no longer needed for the new strategy will be written off. The item "Integration/restructuring costs" in 2015 therefore reflects income of €312 million, after a small expense of €14 million in the previous year. As a result of expenses which had to be recognised directly in equity, the balance of effects in the income statement and in equity was slightly negative.

The item **"Net income/loss from investments"** shows a small loss of €20 million, while the comparative figure for the previous year shows income of €66 million, reflecting gains on the sale of real estate (including the head office building) in 2014.

➔ **Profit before tax** for 2015 was **€1,621 million**, €112 million or 6.5% down on the figure for the previous year.

Non-operating items

€ million (2014 recast)

	2015	2014	+/–	+/– %
Net operating profit 1)	1,792	2,064	–272	–13.2%
Provisions for risks and charges	–137	–147	+10	–6.8%
Systemic charges 2)	–326	–237	–89	+37.7%
Integration/restructuring costs	312	–14	+326	n.m.
Net income/loss from investments	–20	66	–86	n.m.
Sub-total 1	*–171*	*–331*	*+160*	*–48.4%*
Profit before tax	1,621	1,733	–112	–6.5%
Income tax	–86	–296	+209	–70.9%
Discontinued operations 3)	–303	–132	–172	>100%
Non-controlling interests 4)	93	23	+70	>100%
Sub-total 2	*–296*	*–405*	*+108*	*–26.7%*
… non-operating items 1+2	*–467*	*–736*	*+268*	*–36.5%*
Net profit 5)	**1,325**	**1,329**	**–4**	**–0.3%**

1) Operating profit less net write-downs of loans and provisions for guarantees and commitments. / 2) Bank levies and other systemic charges (without FTT, which is included in net other expenses/income). / 3) Total profit or loss after tax from discontinued operations. / 4) Minority interests / 5) Net profit attributable to the owners of the parent company. / n.m. = not meaningful

● Among the items to be deducted from profit before tax to determine net profit, the largest impact came from "Total profit or loss after tax from discontinued operations": in line with Group strategy, which focuses on growth – and the required allocation of capital – in CEE countries with higher sustainable growth and earnings potential, and on further reducing risk, UniCredit Bank Austria AG and UniCredit SpA have signed a binding agreement for the transfer of Ukrsotsbank to the Alfa Group in exchange for shares. Ukrsotsbank, the banking subsidiary in Ukraine, will continue to be classified in the statement of financial position as a disposal group held for sale until the transaction is completed; the closing of the transaction, subject to resolutions adopted by the corporate bodies in this context, is expected for the current year. The income statement items applicable to Ukrsotsbank were combined and are included, together with write-downs and additional expenses, in the item **"Total profit or loss after tax from discontinued operations"**. The current loss in 2015 and impairment charges recognised in respect of Ukrsotsbank in June and December 2015 in accordance with IFRS 5 (€298 million), together with the effects from consolidation, had a negative impact of €408 million (2014: –€180 million) on the item "Total profit or loss after tax from discontinued operations". A second asset group classified as held for sale is the Immobilien Holding GmbH Group (with its subsidiaries and Wien Mitte Immobilien GmbH and that company's

Management Report (CONTINUED)

parent company Wien Mitte Holding GmbH), which has an extensive portfolio of properties throughout Austria. This portfolio is gradually being sold in a structured sales process. Gains on sales amounted to €105 million in 2015 (2014: €48 million). On balance, total profit or loss after tax from discontinued operations shows a loss of €303 million compared with a loss of €132 million in 2014.

The item **"Non-controlling interests"** shows income of €93 million for 2015 (2014: +€23 million). This is explained by the fact that of the total loss arising from Ukrsotsbank, €111 million – including a pro-rata share of the impairment charges – was attributable to UniCredit SpA, which is a minority shareholder in Ukrsotsbank.

Income tax was €86 million in 2015, significantly lower than in 2014 (€296 million) because the balance of changes in deferred tax assets (+€290 million) and deferred tax liabilities (–€284 million) was slightly positive (+€6 million) after a negative amount in the previous year (–€108 million). Moreover a significant amount of €252 million in deferred tax liabilities is offset directly against equity.

➔ With the inclusion of non-operating items after profit before tax (a combined charge of €296 million after €405 million in 2014), **net profit** attributable to the owners of the parent company for 2015 was **€1,325 million**, only €4 million or 0.3% below the level of the previous year.

Net profit 1) € million (2014 recast)

	2015	2014	+/–	+/– %
Austrian customer business	379	446	–67	–15.1%
Retail subdivision	–62	20	–83	n.m.
Corporates subdivision	236	218	+18	+8.4%
… Retail & Corporates 2)	184	250	–66	–26.5%
… Private Banking	38	40	–2	–4.9%
… Corporates & Investment Banking	157	156	+1	+0.5%
Central Eastern Europe (CEE)	604	1,003	–399	–39.7%
… CEE countries 3)	1,194	1,250	–55	–4.4%
… cross-regional 4)	–590	–247	–343	>100%
Corporate Center	342	–120	+462	n.m.
Bank Austria as a whole	**1,325**	**1,329**	**–4**	**–0.3%**

1) Net profit attributable to the owners of the parent company. / 2) The Retail & Corporates Division includes Leasing and Factoring. / 3) Total for banking subsidiaries in CEE. / 4) Cross-regional business (Profit Center Vienna etc.) and CEE Corporate Center sub-holding company functions. Includes total profit or loss after tax and valuation processes from discontinued operations in Ukraine.

Return on equity (ROE after tax), based on average equity (after deduction of the cash flow hedge reserve and the available-for-sale reserve in accordance with IAS 39, of actuarial losses in accordance with IAS 19 and of non-controlling interests) was **9.4%** for 2015 (2014: 9.7%).

● The three **Austrian customer business segments** contributed €379 million to net profit in 2015. The €67 million decline over the previous year was due to developments in the Retail & Corporates Division (–€66 million), within which the Retail subsegment experienced a deterioration of €83 million and posted a net loss of €62 million. Performance of the other business segments was stable (see table), with the Corporates subsegment showing a very favourable improvement and the Private Banking Division and the Corporate & Investment Banking Division again achieving good results and high returns (also in a comparison within the banking sector).

The **Central Eastern Europe Division** (CEE) contributed €604 million to net profit in 2015 (2014: €1,003 million); it should be noted that the figure reflects exceptional burdens (Ukraine) and one-off effects (mandatory conversion of foreign currency loans in Croatia). Operations in the CEE countries made a combined net profit of €1,194 million. This is only 4.4% below the previous year's figure; given the mixed environment, an impressive performance made possible by the CEE Division's broad diversification. The results of the cross-regional units in CEE (a combined –€590 million) reflect the impacts from divisional steering functions, the management of the cross-regional loan portfolio and of international guarantees, but first and foremost the charge related to the workout of exposures in Ukraine, which – with all related positive and negative effects after tax and non-controlling interests and including consolidation effects – had an adverse impact of €367 million on net profit in 2015.

The favourable contribution to net profit by the Corporate Center (+€342 million after –€120 million) reflects the aforementioned changes in provisions in connection with the transfer of some of the pension obligations to the state scheme, as well as provisions made for the comprehensive restructuring programme in Austria. These measures are taken with a view to increasing, on a sustainable basis, the profitability of Austrian retail banking business and the efficiency of operations in Austria.

Management Report (CONTINUED)

Financial position and capital resources

As at 31 December 2015, Bank Austria's **total assets** were **€ 193.6 billion**, up by **€ 4.5 billion or 2.4 %** on year-end 2014. This development reflects moderate growth in loans and receivables with customers and a strong rise in deposits from customers. Growth/declines in other areas partly offset one another. Hedging derivatives on the assets side and the liabilities side declined from their year-end 2014 levels, as did financial assets/liabilities held for trading. Financial market investments, including holdings of government bonds, which are important for the bank's liquidity management, rose strongly. Growth was also seen in loans and receivables with banks. Non-current assets and disposal groups classified as held for sale were lower than in the previous year. A significant change on the liabilities side was the release of provisions for risks and charges. Equity increased slightly, reflecting the net profit for 2015.

● On the assets side, **loans and receivables with customers** amounted to € 116.4 billion at the end of 2015, accounting for 60.1 % of total assets. The increase of € 2.6 billion or 2.3 % came mostly from Austrian customer business, where lending volume rose by 5.1 %, while credit expansion in the CEE business segment (in most country groups and in overall terms) remained unusually low (+ 0.6 %; at constant exchange rates: + 2.6 %). In **Austria**, lending volume picked up during the year, a development seen in all segments. At + 6.0 %, growth was most pronounced in the Retail subsegment, although this was largely due to a statistical effect when the Swiss franc's link to the euro was discontinued in the middle of January 2015 and the currency appreciated, leading to a higher valuation of loans. 2015 was characterised by large volumes of repayments and new loans. In the Corporates subsegment, credit growth was positive though moderate (+ 2.9 %), reflecting the restraint exercised by corporates and the ample liquidity of companies; growth was supported by a number of initiatives and by loans made available through financial assistance schemes. Lending volume in the Corporates & Investment Banking business segment expanded at a disproportionately strong rate of 9.5 %. Demand for structured export finance and working capital solutions picked up, while standard lending business grew much more slowly on account of continued investment restraint by corporate customers and their preference for liquidity. In **CEE**, loans expanded by a slow 0.6 % during the year, although the growth pattern differed considerably among the various regions. Loans and receivables with customers grew by 6.3 % and 6.7 % at our banking subsidiaries in the Czech Republic/Slovakia and Hungary, respectively, reflecting the good economic performance of these countries, and strong growth was also seen in Bosnia and Herzegovina, and in Serbia; lending volume contracted in Bulgaria and Croatia. Loans and

Major items in the statement of financial position

(€ million)

	31 DEC. 2015	31 DEC. 2014	CHANGE	
			+/−	+/− %
ASSETS				
Financial market investments*)	25,383	22,830	+ 2,553	+ 11.2 %
Financial assets held for trading and hedging derivatives	6,303	7,484	− 1,182	− 15.8 %
Loans and receivables with banks	32,214	30,542	+ 1,672	+ 5.5 %
Loans and receivables with customers	116,377	113,732	+ 2,645	+ 2.3 %
Investments in associates and joint ventures	4,741	4,644	+ 97	+ 2.1 %
Intangible assets	221	171	+ 49	+ 28.9 %
Non-current assets and disposal groups classified as held for sale	2,467	3,600	− 1,134	− 31.5 %
Other asset items	5,933	6,114	− 181	− 3.0 %
Total assets	**193,638**	**189,118**	**+ 4,520**	**+ 2.4 %**
LIABILITIES AND EQUITY				
Financial liabilities held for trading and hedging derivatives	5,424	6,755	− 1,332	− 19.7 %
Deposits from banks	23,432	23,696	− 263	− 1.1 %
Deposits from customers	110,346	102,271	+ 8,075	+ 7.9 %
Debt securities in issue	28,802	30,014	− 1,212	− 4.0 %
… Direct funding (deposits from customers and debt securities in issue)	*139,148*	*132,285*	*+ 6,864*	*+ 5.2 %*
Liabilities included in disposal groups classified as held for sale	1,977	1,845	+ 133	+ 7.2 %
Provisions for risks and charges	4,830	6,076	− 1,247	− 20.5 %
Equity	15,394	14,925	+ 469	+ 3.1 %
Other liability items	3,433	3,536	− 103	− 2.9 %
Total liabilities and equity	**193,638**	**189,118**	**+ 4,520**	**+ 2.4 %**

*) Financial assets at fair value through profit or loss + available-for-sale financial assets + held-to-maturity investments.

Management Report (CONTINUED)

receivables with customers in Russia are difficult to interpret on account of exchange rate effects: the euro and the US dollar appreciated against the Russian rouble by 11.5 % and 24.4 %, respectively, in 2015, resulting in a higher valuation of foreign currency loans, which account for a substantial proportion of total loans. Lending volume in local currency in Russia was up by 5.2 %, while contracting by 5.7 % in euro terms. Without Russia, lending volume in CEE had expanded by only 2.1 % at year-end 2015.

Loans and receivables with banks (€ 32.2 billion) were up by 5.5 % at the end of 2015 compared with year-end 2014. The increase was of a technical nature and related to deposits with central banks (also reflecting compliance with minimum reserve requirements). At the end of 2015, **financial market investments** (€ 25.4 billion) were € 2.6 billion or 11.2 % up on the figure at year-end 2014. This mainly reflects larger holdings of liquid funds in the form of sovereign debt securities (+ € 3.1 billion or + 16.4 % to € 22.7 billion). The holdings are widely diversified and are almost all included in the category "available-for-sale financial assets". The increase in 2015 resulted from larger holdings of Hungarian (+ € 1.0 billion) and Spanish (+ € 0.8 billion) bonds, as well as of supranational bonds (Luxembourg + € 0.8 billion). The total amount of Russian government bonds was € 0.9 billion (4 % of total volume) at the end of 2015, an increase of € 0.4 billion. Holdings of Austrian government bonds (€ 9.1 billion) declined (– € 0.5 billion); at the end of 2015 they accounted for 40 % of total holdings of sovereign debt securities compared with 49 % at the end of 2014.

● On the **liabilities side**, deposits from customers totalled € 110.3 billion, increasing by € 8.1 billion or 7.9 % in 2015 and thereby making the strongest contribution to growth. All of the increase related to deposits repayable on demand, which accounted for 59 % of total deposits. The yield curve (market interest rates over the maturity range) is currently very low and flat, providing no incentive to make deposits for longer periods. Deposits in the Austrian customer business segments rose by € 2.3 billion or 4.2 % to € 56.2 billion. The strongest increase was recorded in the Corporate & Investment Banking (CIB) business segment, where deposits grew by 23.3 %. Growth in sight deposits in 2015 reflected excess liquidity in the corporate sector; in the previous year, attractive terms and conditions had been offered on deposits for terms exceeding 30 days ("Basel 3 products"), and therefore time deposits rose strongly. The other Austrian segments recorded moderate deposit growth. The CEE business segment experienced very strong growth of € 6.2 billion or 12.6 % (adjusted for exchange rates, + 14.7 %) in customer deposits in 2015, which rose to a total of € 55.8 billion, almost closing the gap compared with outstanding loans. In percentage terms, all countries saw double-digit growth in deposits: Central Europe + 17.6 %, Bulgaria + 24.6 % (also because the country is adjacent to Greece and the local banking subsidiary won new deposits within Bulgaria after the end of the local banking crisis in 2014), Romania + 11.5 % and the Western Balkan countries + 17.3 %. (Russia was an exception, with growth of only 3.0 % in euro terms but 14.9 % in rouble terms).

Debt securities in issue totalled € 28.8 billion at the end of 2015, a decline of € 1.2 billion or 4.0 % on year-end 2014 resulting from redemptions in the Corporate Center (asset/liability management). In February and September 2015, UniCredit Bank Austria AG issued benchmark covered bonds with a volume of € 500 million each at very low spreads (between 3 and 5 basis points over mid-swap) with maturities of seven and ten years (in 2014, the bank had launched four new issues of € 500 million each). Three covered bond issues were also launched in the Czech Republic, with a total volume of € 616 million (the large-volume issues in Turkey are not included in the calculation because the shareholding interest in the Turkish bank is accounted for using the equity method).

Direct funding (deposits from customers and debt securities in issue) totalled € 139.1 billion (+ € 6.9 billion/+ 5.2 % compared with year-end 2014). This means that direct funding covers lending volume to the extent of 120 %.

Provisions for risks and charges declined by € 1.2 billion or 20.5 % to € 4.8 billion in 2015 as a result of a net release of provisions. This movement in provisions for risks and charges is explained by the reduction of € 2.0 billion in provisions for post-retirement benefit obligations (in addition to uses of € 0.9 billion for the forthcoming payments to the Austrian Pension Insurance Institution and to employees, the settlement gain on the release of provisions for pension entitlements which will be transferred to the state scheme under the Austrian General Social Insurance Act amounted to € 1.2 billion) and by the increase of € 0.7 billion in other provisions resulting from additions of € 0.8 billion to restructuring provisions.

IFRS equity increased by € 0.5 billion or 3.1 % to € 15.4 billion in 2015. Profit for the period (including non-controlling interests) amounted to € 1,232 million. A number of items were to be deducted: the release of pension provisions due to the transfer of pension entitlements to the state scheme under the Austrian General Social Insurance Act had a negative effect of – € 298 million on equity. Other items within other comprehensive income had a combined impact of – € 465 million. Among these items, the negative foreign currency translation reserve increased by – € 626 million (after non-controlling interests) to a total of – € 4,917 million, with the increase mainly reflecting exchange rate movements in Russia, Turkey and Ukraine.

Management Report (CONTINUED)

Capital resources and risk-weighted assets

Regulatory capital and capital requirements 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 of 11 December 2013, these provisions are not yet fully applicable but will be gradually introduced over several years. For example, new deductions from Common Equity Tier 1 capital or capital components which are no longer eligible for inclusion under Basel 3 are not yet allowed to be fully taken into account pursuant to CRR/CRD IV in the second year of the transition period but to the extent defined for 2015 in the Austrian CRR Supplementary Regulation.

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

● **Movements in capital resources:** At year-end 2015, **total regulatory capital** was €19.1 billion, up by €1.5 billion on year-end 2014. **Common Equity Tier 1 capital** (CET1) rose by €0.7 billion to €14.2 billion.

The year-on-year increase in Common Equity Tier 1 capital was mainly due to the inclusion of eligible net profit for 2015 and to the fact that unrealised gains on assets and liabilities measured at fair value (e.g. available-for-sale reserves) were eligible for inclusion for the first time under Section 2 of the Austrian CRR Supplementary Regulation. Exchange rate movements partly offset the positive effects. In addition, Tier 2 capital was strengthened through three new issues totalling €0.9 billion.

● The **total risk exposure amount** (RWAs) was **€128.3 billion**, down by **€2.1 billion** or 1.6% year-on-year. The decrease resulted mainly from operational risk and also reflects lower market risk and lower credit valuation adjustments (CVA) while credit risk rose slightly.

▶ The risk exposure amount for **credit risk** increased by **€0.2 billion** (+0.1%) to **€113.2 billion**. The contribution from portfolios under the standardised approach rose by €0.3 billion while that from the internal ratings-based approach remained more or less unchanged and the contribution to the default fund of a central counterparty declined by €0.2 billion.

The largest changes in credit risk were recorded in the exposure classes “Retail” (+€1.0 billion), “Claims on institutions and corporates with a short-term credit assessment” (+€0.7 billion), “Institutions” (–€0.8 billion) and “Exposure in default” (–€0.6 billion). In addition to the development of business, the main factor accounting for an RWA increase was the fact that the Swiss National Bank discontinued the Swiss franc’s link to the euro in January 2015. Exchange rate movements in the Turkish lira, the Russian rouble and the Ukrainian hryvnia had an RWA-reducing effect compared with December 2014.

▶ **Market risk and operational risk:** The risk exposure amount for **market risk** declined by €0.7 billion to **€4.0 billion.** The decrease was mainly due to the expiry, without renewal, of FX hedging transactions relating to CEE operations in the course of 2015.

The risk exposure amount for **operational risk** was **€10.7 billion**, down by €1.4 billion on the previous year, a development which reflects various factors: the advanced measurement approach (AMA) model was adapted to meet requirements in 2015; losses from operational risk declined in the past two years; the standardised approach (TSA) and the basic indicator approach (BIA) were recalculated on an ongoing basis; and considering the assets held for sale of the Ukrainian subsidiary Public Joint Stock Company “Ukrsotsbank”.

● As the total risk exposure amount declined and Common Equity Tier 1 capital increased, the Common Equity Tier 1 capital ratio rose to 11.0%.

The **total capital ratio** improved from 13.4% to **14.9%**, reflecting the increase in total capital and the lower total risk exposure amount.

Capital ratios based on all risks

	31 DEC. 2015	31 DEC. 2014
Common Equity Tier 1 capital ratio	11.0%	10.3%
Tier 1 capital ratio	11.0%	10.3%
Total capital ratio	14.9%	13.4%

● As at 31 December 2015, the **leverage ratio** pursuant to the Delegated Regulation (EU) 2015/62, based on the current status of transitional arrangements, was 5.8%.

Management Report (CONTINUED)

Financial and non-financial performance indicators

Volume, profitability and resources

The 2015 financial year saw moderately rising volume in Austrian customer business and in the Central Eastern Europe (CEE) business segment. Commercial banking business in Austria continued to be characterised by customer restraint, excess liquidity in the business sector and low demand. The banking subsidiaries in CEE, on the other hand, achieved expansion, which was strong on the deposit side and less significant on the lending side as exchange rate movements and local developments in Russia dampened growth. Earnings in both large sectors of Bank Austria's business were weighed down by an interest rate environment that was close to zero, and countries where interest rates are higher are increasingly experiencing convergent trends. The significant difference in the risk profile between Austria and CEE is ultimately reflected in profitability ratios.

● Average **loans and receivables with customers** rose moderately in the reporting year, by 1.5 % to **€ 116.6 billion**, after a slight decline in 2014. Average volume in the three Austrian customer business segments increased by a combined 2.7 % on the previous year and by 1.9 % in CEE; adjusted for exchange rate movements, volume in CEE rose by 9.7 %. In 2015, deposits increased much more strongly than loans. **Direct funding** (the sum total of deposits from customers and debt securities in issue; the latter declined slightly) grew by 6.6 % in Austria and by 12.4 % in CEE (adjusted for exchange rate movements: + 21.0 %).

Average **risk-weighted assets** (RWAs) in 2015 reached **€ 133.2 billion**, an expansion of 7.8 % over the previous year, with a slight increase of 0.9 % in Austrian customer business and strong growth in CEE (+ 13.1 %). The RWA increase in CEE was stronger than credit expansion, a development which is explained by higher risk intensity and by the fact that risk-weighted assets in Turkey and Ukraine are included in RWAs but not in lending volume (because Turkey is accounted for using the equity method and the operations in Ukraine are held for sale). If these two items are excluded from the calculation, RWAs in CEE rose by 6.8 % (and in Bank Austria as a whole by 2.6 %).

The interest margin narrowed, reflecting the impact of monetary policy. This has adversely affected the **earnings position** over the past years. Operating income less net write-downs of loans, expressed as a percentage of average risk-weighted assets (RACE) in the bank as a whole was 3.65 % in 2015 after 4.21 % in 2014. This key figure is **7.3 %** for Austrian customer business and **2.9 %** for CEE (or 3.1 % if adjusted for the special effect of mandatory conversion of foreign currency loans in Croatia).

The **structural differences** between Austria and CEE with regard to the **cost/income ratio** (Austrian customer business: 67.8 %, CEE: 42.5 %) and **risk/earnings ratio** (0.1 % versus 19.4 %), both figures without Turkey and without the FX effect/Croatia, are characteristic features in a comparison of mature countries and growth markets, and of the difference in capital absorption.

Marginal **Economic Value Added** (EVA), one of the long-term indicators used by UniCredit Group for value creation, is linked to net operating profit after tax (NOPAT). In this context positive and negative one-off effects are eliminated as these do not reflect sustainable profitability. In 2015 the CEE business segment generated an EVA of € 387 million and the combined EVA for the three Austrian business segments was € 117 million. Risk-adjusted return on risk-adjusted capital (RARORAC) in CEE was 4.9 %, reflecting the relatively large amount of equity (target Tier 1 capital ratio multiplied by RWAs) absorbed by the segment and the high cost of capital (averaging 12.2 %) to be earned on it. RARORAC in Austrian customer business was 4.6 %, based on an average cost of capital of 10.8 %. (For Bank Austria as a whole, EVA is no longer shown until further notice as this key figure is not meaningful at overall bank level in

Key financial indicators (2014 recast)

	BANK AUSTRIA	AUSTRIAN CUSTOMER BUSINESS 1)	CEE
Relative size 2)			
Average loans to customers (€ billion)	116.6	58.1	57.9
Change over previous year	+ 1.5 %	+ 2.7 %	+ 1.9 %
Average risk-weighted assets (RWAs, € billion)	133.2	29.0	96.8
Change over previous year	+ 7.8 %	+ 0.9 %	+ 13.1 %
Average risk-weighted assets without Turkey/Ukraine	101.4	29.0	65.0
Change over previous year	+ 2.6 %	+ 0.9 %	+ 6.8 %
Average direct funding (€ billion)	137.1	62.4	56.0
Change over previous year	+ 8.1 %	+ 6.6 %	+ 12.4 %
Cost/income ratio and risk intensity 3)			
Cost/income ratio	55.7 %	67.8 %	42.5 %
Risk/earnings ratio	13.2 %	0.1 %	19.4 %
Cost of risk	0.69 %	0.00 %	1.40 %
Results, profitability and value creation 2)			
Operating income (€ million)	5,875	2,114	3,816
Change over previous year	+ 2.5 %	– 2.2 %	– 0.2 %
… less net write-downs of loans in % of average RWAs	3.7 %	7.3 %	2.8 %
Profit before tax (€ million)	1,621	528	1,094
Change over previous year	– 1.1 %	– 10.2 %	– 14.0 %
ROE before tax 4)	11.3 %	17.9 %	7.7 %
EVA (€ million)	… 5)	117	387 6)
Cost of capital in %	11.9 %	10.8 %	12.2 %
RARORAC	… 5)	4.6 %	4.9 % 6)

1) Retail & Corporates, Private Banking and Corporate & Investment Banking (CIB) Divisions; the difference to the total amount is allocated to the Corporate Center – see "Description of segment reporting" on pages 196 and 197 of this report. / 2) Turkey is included on a proportionate basis in RWAs and with its at-equity contribution in the income statement. / 3) Without the at-equity contribution from Turkey and without the effect from mandatory FX conversion/Croatia. / 4) ROE = profit before tax divided by average allocated capital of the business segments. / 5) Not meaningful at overall bank level in light of the current situation in capital markets, see text. / 6) Without cross-regional units (Profit Center Vienna and CEE Corporate Center), adjusted for Ukraine and the FX Croatia effect.

view of the high risk premiums and structurally weak profitability in the banking sector, and also because of the higher capital requirements imposed on banks.)

- The most recent **numbers of branches and employees** reflect the effects of modernisation in branch-based sales activities and of the Bank Austria 2020 initiative in Austria, selective streamlining of the branch network in CEE and reductions in Ukraine.

	BANK AUSTRIA	3 AUSTRIAN SEGMENTS 1)	CEE 2)	UKRAINE 3)	CORPORATE CENTER 4)
Branches					
Year-end 2015	1,510	205	1,065	240	…
Year-end 2014	1,664	243	1,130	291	…
Employees (FTEs)					
Year-end 2015	35,534	4,887	24,143	4,343	2,161
Year-end 2014 (recast)	36,192	5,056	24,124	4,830	2,172

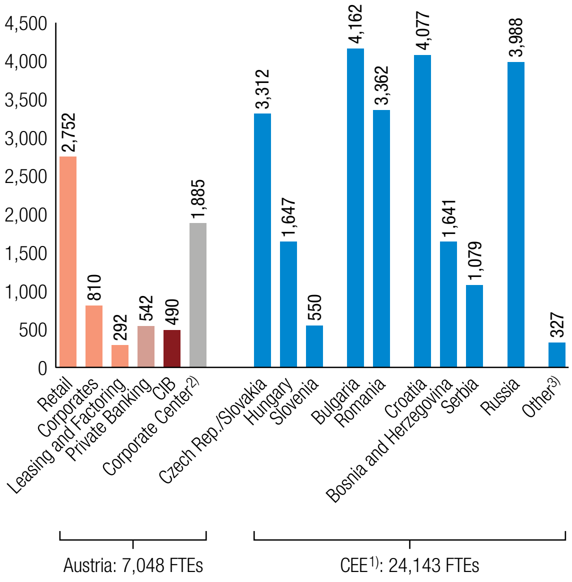
1) Retail & Corporates, Private Banking and Corporate & Investment Banking (CIB) Divisions. / 2) CEE without Turkey and Ukraine. / 3) Ukraine classified as held for sale / 4) Corporate Center = Global Banking Services plus Competence Lines, also includes Immobilien GmbH (held for sale) with 276 FTEs.

At the end of 2015, Bank Austria had 1,510 **branches**. The number of branches in Austria was 205 after 243 in the previous year. The significant decline is due to the fact that 43 branches serving retail customers were integrated in other branches, reducing the total number of locations to 174. (The number of customer service units is significantly larger than the number of branches because units serving corporate customers or Private Banking customers are accessible to customers via branches in many locations, and self-service units are not included in the calculation.) In CEE (without Ukraine), the number of branches declined by 65 to a total of 1,065 as a result of selective streamlining of networks in almost all countries. The strongest reductions were made in Hungary (–29) and Bulgaria (–18). The number of branches in Ukraine was down by 51.

In 2015, **staff numbers** declined by 658 full-time equivalents (FTEs) or 1.8 % to 35,534 FTEs, following a significant reduction of 1,614 FTEs or 4.3 % in the previous year. The largest reduction (–487 FTEs) took place at Ukrsotsbank, the Ukrainian banking subsidiary, which is classified as held for sale. The total number of employees in the other CEE units remained more or less constant at 24,143 FTEs (+19 FTEs or +0.1 %). The only CEE countries where staff numbers declined were Croatia (–97 FTEs), Hungary (–86 FTEs) and Romania (–7 FTEs). Employment in Austrian customer business continued to decline by 178 FTEs or 3.5 % (after a reduction of 365 FTEs or 7.0 % in the previous year). The number of employees in the Corporate Center was down by 11 FTEs. Staff reductions mainly reflect the Bank Austria 2020 initiative, under which all employees were offered innovative part-time working arrangements in 2014 and until the middle of 2015.

Employees – Austria and CEE1)

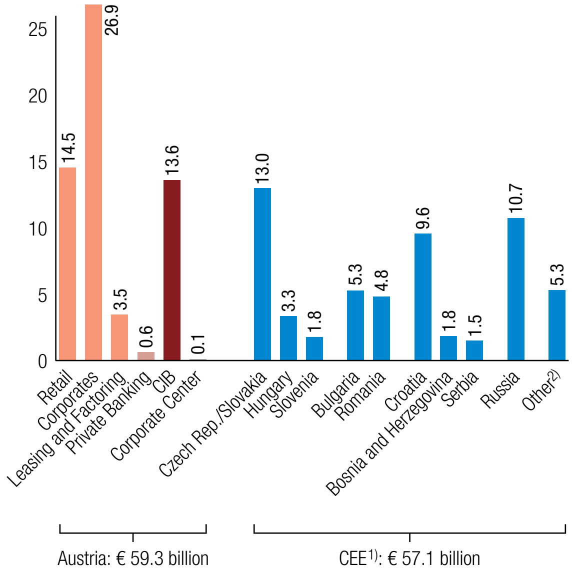
Year-end 2015 in full-time equivalents (FTEs)



1) CEE without Turkey (18,976) and without Ukraine (held for sale, 4,343)
2) Without Immobilien Holding GmbH (held for sale)
3) Other = Profit Center Vienna, Leasing, Baltics, UCTAM

Lending volume – Austria and CEE1)

Customer loans at year-end 2015 in € billion



1) CEE without Turkey (€20.9 billion at 40.9%) and without Ukraine (€1.3 billion)
2) Other = Profit Center Vienna, Leasing, Baltics, UCTAM

Strategic evolution

● Bank Austria sees itself as a **universal bank** which holds leading positions in the countries where it operates. In its long history the bank has always had an international outlook; today it is a member of **UniCredit**, which has a network spanning 17 countries and has been classified as a global systemically important bank. Bank Austria's most important **economic objective** is to create value in a sustainable manner, i.e. to achieve a level of profitability exceeding the cost of capital. In this way Bank Austria aims to secure its existence and market position in the long term while meeting the expectations of shareholders and, last but not least, putting in place the equity capital base required for further growth. Optimum capital allocation, a transparent use of resources in the various business segments – without cross-subsidies – and professional risk management are the main factors required for the bank to make full use of its growth potential.

Customer business has top priority in the **business model** for implementing these objectives. This involves limiting proprietary business to the tasks relating to overall bank management. Bank Austria's lending business is mainly funded by resources entrusted to the bank by customers. **Customer centricity** is key to sustainable success in several respects: we aim to be very close to customers by using the channels preferred by them – be they classic or digital channels – in a timely manner and speaking customers' language. With regard to product design and services, our top priority is to keep them simple and transparent and to meet customers' specific needs. Identifying long-term trends in customer behaviour and responding to them through innovation and adjustments also requires close contact with customers. Permanent feedback from customers is essential to operational excellence and service efficiency; ways to provide feedback have become increasingly institutionalised and digitalised. Moreover, the **Bank of the Future** needs a simpler structure and more efficient back-office processes. We have launched a streamlining initiative to screen all areas of the bank and make our internal procedures leaner, eliminate inefficiency and improve the cost/income ratio.

We use various HR measures to train our **employees** with a view to enhancing professionalism, establishing a distinct service culture and introducing an entrepreneurial mindset. Permanent adjustment to the rapid changes in banking requires flexibility and mobility, which we support with new forms of working arrangements and measures focusing on staff development and mobility. We are strengthening the work-life balance of our employees to enable them to develop their performance capabilities in a sustainable manner. Openness, diversity and the values defined in our Integrity Charter guide our activities. Bank Austria is the only large Austrian bank that coped with the financial market crisis without using state aid. One of the lessons learnt from those difficult years is that the **trust** of customers and other stakeholders as well as the bank's reputation are of vital importance. We see our **social responsibility** as an integral component of our financial success and we want to support the development of communities in which we operate as an active corporate citizen.

● The corporate objectives, principles and values apply to the Austrian business segments in the same way as to our banks in CEE countries and their business segments. However, the potential of a mature, overbanked market differs from that of the banking sectors in CEE, which continue to expand strongly. And this calls for different measures to be taken in each case for the further development of the business model.

The profitability of traditional banking business in **Western Europe** has come under sustained pressure through the combined impact of several trends: interest rates have been low over the past few years (and will remain so in the foreseeable future); this has led to an erosion of margins on traditional banking products. Weak growth has translated into stagnant credit demand, and this is proving to be a structural phenomenon rather than reflecting the business cycle. The resulting loss of income makes it difficult, in view of tighter capital requirements, to earn the cost of capital and other compliance costs. Moreover, structural changes in customer preferences and demand for end-to-end and easy-to-use products, driven by the advance of digitalisation, are challenging traditional sales methods. And disintermediation tendencies are again making themselves felt as new competitors (fintechs, crowdfunding and IT companies) expand their activities.

The unfavourable overall environment in Europe is further aggravated in **Austria**, where the bank levy is the highest in Europe and based on assets. More detailed regulatory requirements are making business more expensive and strongly restricting it in some areas. Price regulation based on far-reaching consumer protection rules limits the leeway for pricing and impacts banks' earning power in retail banking, which is also affected by terms and conditions which are unfavourable for banks by international comparison, due to irrational competition.

As a result, profitability in the **Austrian business segments** including the Corporate Center, which reflects expenses relating to overall bank management, has fallen; the **retail banking** subsegment in particular is making a loss, despite the intensive countermeasures that have been taken.

➔ As part of the implementation of UniCredit's multi-year plan (MYP 2.0), the Management Board adopted a package of measures in November 2015 to **restructure** retail banking operations, i.e. business with private customers and small businesses, and to improve the cost/income ratio on a sustainable basis. This under-

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lines Bank Austria's commitment to a universal banking business model as sound retail banking operations are necessary for successfully conducting business with corporate customers and high net worth individuals as well as Corporate & Investment Banking activities in the long term; in this context retail banking is an important source of direct funding, ensures a broad customer base and acts as a key driver of the brand presence in the market.

→ When UniCredit presented its multi-year plan in November 2015, it announced its intention to transfer direct shareholding control of CEE business to UniCredit S. p. A. The transfer of equity interests in CEE companies from Bank Austria to the Group holding company, subject to resolutions adopted by the corporate bodies, is to take place by the end of 2016. This move is intended to streamline the organisation of UniCredit Group. It will also enhance UniCredit's ability to manage liquidity and capital for the Group, and also for CEE business, in the current regulatory environment (global SIFI, banking union etc.). This change in governance will not in any way affect the close links between Austrian corporate banking business and the CEE network.

Restructuring Austrian customer business

● Bank Austria aims to further expand its leading market positions in Austria in the following three areas: business with corporate customers, Corporate & Investment Banking and Private Banking. Almost one in two small and medium-sized companies is a customer of Bank Austria's **Corporates** subsegment, and 7 out of 10 companies use the services available in **Corporate & Investment Banking**. Bank Austria is the clear market leader in corporate bonds and loans against borrowers' notes, in export finance and in documentary credit business. Bank Austria acted as lead manager for 6 out of 10 corporate bond issues in Austria in 2014, and for 5 out of 6 corporate bond issues in 2015. The **Private Banking** Division is number one in the Austrian market, with €22.8 billion in assets managed on behalf of customers and a market share of 19 %. These three profitable business segments currently account for three-quarters of the bank's total assets in Austria. Based on the combination of customer satisfaction, a good earnings position and cost efficiency, these business segments may be expected to achieve further growth of business volume and profits.

● In its **retail banking operations** Bank Austria has pursued the digital modernisation of its sales network which was initiated two years ago. The SmartBanking projects implemented in this context aimed at giving branches and the digital marketplace (with the Online-Shop and the online branch) equal weight as channels for product sales and advisory services in the medium term. Among Bank Austria customers who maintain accounts at the bank, about three-quarters currently use Online-Banking, and over one-third of them use MobileBanking via a smartphone, with a significantly rising trend. Digitalisation has gone hand in hand with an upgrading of branch-based sales and a reduction of the number of locations: following the integration of 18 branches serving private customers in 2013, 36 branches were integrated in 2014 and 43 in 2015, thereby reducing the total number to 174 by the end of 2015. One-fifth of our branches currently displays the new design and has been equipped with the latest technology. We also operate a number of state-of-the-art advisory service centres where we serve more than one customer segment. At the end of 2015 the Management Board launched the **Bank Austria Reloaded** project, which will be implemented over the years to 2018 with a view to achieving the income/cost targets defined in the multi-year plan. In addition to offering longer opening hours, we will complete the process of modernising all branches and enhancing their efficiency. While the number of branches serving private customers will decline to about 120 by the end of 2018, a number of these branches will be significantly larger and offer a wider range of advisory services. Starting in 2016 we will transfer small business customers (with an annual turnover of up to €3 million) and independent professionals from the Corporates to the Retail sub-segment (project name: CREDO), moving them closer to local decentralised sales units. Services for small businesses will be significantly expanded, including the possibility to draw on the expertise of specialists via video calls, and offered in 55 locations in the future, up from the 29 units where services have so far been available to this customer group.

We will strongly expand our digital offering. This will involve further standardising the range of products and expanding the digital marketplace with personal advisory services in the online branch and with the Online-Shop, where all key banking products are available. We aim to offer all products and services to meet daily needs 7 days a week and 24 hours a day, in the branches and in the digital marketplace via the online branch and the Online-Shop. Some 255 employees currently work in the online branch. Advisory services focus on high-grade and more complex banking products, for example, with the use of video-based advisory services provided by specialists both online and at branches, drawing on the expertise of highly qualified real-estate and investment specialists.

● The transformation of the retail banking business model will be accompanied by a **cost reduction programme** aimed at cutting payroll costs and other administrative expenses by 18 % or €300 million by 2018, through the following measures:

▶ Reducing IT and processing costs through a higher degree of standardisation and streamlining of the product offering.

▶ Downsizing the branch network while expanding the digital marketplace.

▶ Significant capacity adjustments in the Corporate Center, comprising all of the bank's back-office and support functions.

▶ The number of related job reductions will depend on progress made in expanding the digital offering, streamlining the product range and adjusting processes, and on the models agreed with the Employees' Council. The job reductions will be made in a socially acceptable manner on the basis of mutual agreement.

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▶ The restructuring of Austrian business will also involve removing a **structural cost burden** of the past: under a special legal arrangement and an internal service regulation going back many years, Bank Austria has assumed the obligations of the mandatory social and pension insurance scheme pursuant to the Austrian General Social Insurance Act (ASVG) for about 3,300 employees. This "BA-ASVG" arrangement is intended to be transferred to the general Austrian state pension system within the legal framework and with the contributions required to be paid by law. An internal service regulation to this effect has been signed with the Employees' Council and communicated internally. In this context there will be fair compensation for the employees concerned, in respect of both pension and health insurance. (Bank Austria will continue to act as pension insurance institution only for the current Bank Austria pensioners.) The complete changeover from a provision-based pension system to a defined-contribution pension scheme for **all** active employees will lead to further significant cost savings.

➔ We will increase the return on allocated capital (RoAC) in Austria (including the Corporate Center) to about **13%** by 2018 while improving our cost/income ratio to **60%**. With total assets of about €100 billion and 1.6 million customers, Bank Austria will remain the largest individual bank active in Austrian customer business.

Initiatives in Central and Eastern Europe

As part of the implementation of the multi-year plan, the **shareholding interests in UniCredit banks** in Central and Eastern Europe (CEE) are intended to be transferred, subject to resolutions adopted by the corporate bodies, from UniCredit Bank Austria AG, which acts as sub-holding company, directly to UniCredit S.p.A., the Group holding company. This transaction is to be completed by the end of 2016. The related simplification of governance will eliminate duplication and facilitate capital management and liquidity management of the CEE Division. The transfer of CEE business with the related management activities will also enhance transparency between the high-growth and capital-intensive CEE Division and the remaining Austrian business.

Regardless of where the equity interests in the CEE banking subsidiaries are held in the future, it is important to state that local service continuity and the banks' full expertise and customary high service quality are preserved for the Group's internationally active corporate customers. The CEE Division will continue to work with the successful team. This move will not affect the **strategic importance of the CEE Division:** being the undisputed number one in the CEE market, with positions among the five largest local banks in ten countries, the CEE Division is UniCredit's **key growth driver**. The wide regional diversification of the CEE presence has proved to be an advantage over the past years. Following the withdrawal from Kazakhstan (2013) and Ukraine (where the local bank has been held for sale since 2014), the **regional presence** rests on three main pillars: the innovative banks in Central Europe (CE) and South-East Europe (SEE), together referred to as CESEE, which are either highly integrated in the EU or have large market shares; the banking subsidiary in Russia, which has coped well even in difficult years thanks to its concentration on international corporate customers and high net worth individuals; and the highly profitable joint venture in Turkey, operating in the banking sector which is currently achieving the strongest expansion. The **outlook** remains promising: based on economic growth of +2.5% expected for CESEE in 2016, and +1% if Russia and Turkey are included in the calculation, the banking sector will continue to expand strongly in terms of lending volume, by 8.3% in CESEE and by 3.2% in CEE as a whole. We expect profitability (profit before tax/average total assets) in the period from 2015 to 2018 to average 1.0% for CESEE and 1.2% for the CEE Division – double the figure for the three West European countries (A, G, I). This growth outlook is coupled with a high capital requirement and will be supported by UniCredit with an appropriate capital allocation.

In 2015 we continued to successfully develop **commercial** banking business in CEE with a special programme (CEE 2020) taking advantage of best practice transfer in particular. In combination with the twelve initiatives which are still underway and five other initiatives, the project is being continued under the name of **CEE 2020 Plus**. The various approaches to **customer acquisition** will be deployed in the participating CEE countries with due regard to specific local circumstances. Special attention will be given to providing companies which are active in several countries with homogeneous services offered by Corporate & Investment Banking on a cross-border basis, regardless of the location of the corporate headquarters. **Digitalisation** plays an important role in this context: in CEE this does not support a restructuring programme but has been implemented from the very start in the course of the growth process, now reaching an advanced stage in an international peer comparison. Retail banking operations are gradually becoming a digital bank, with a unified **multi-channel front end** being on the agenda. Here, as in CIB, we expect to benefit strongly from **big-data** analyses to get closer to customers and their needs and win new customers, especially in Group Transaction Banking (payments, cash management). In addition to methods used for taking full advantage of customer potential, campaign management and other activities, the programme is complemented by training initiatives (including the Talent Pool) and projects to enhance process efficiency.

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➔ Supported by systemic growth and our investment in CEE 2020+, the multi-year plan envisages annual growth of 5.7% in operating profit (at constant exchange rates) in the years to 2018.

Customer centricity and change

"Digitalisation – 24 hours/7 days – mobile – social networking – personalised & configurable": these are some of the key words signalling the dramatic changes in society and in our business model and service approach. These changes also influence our measures to support customer centricity, which has top priority in Bank Austria's business model. The customer experience is taking centre stage. Our ambition is clearly reflected in our **promise to customers** – "Wir möchten die Besten für Sie sein!" (We want to be the best for you) – and in the slogan "Life is full of ups and downs – we're there for both". This is guiding the further development of our **multi-channel bank**. Receiving the **Top Service Österreich 2015** award and the **Service Champion 2015 in der Bankenbranche** award, we were again among the winners in Austria in 2015, underlining that our new business models are an appropriate response to changes in customer behaviour.

Bank Austria customers' satisfaction with services, reliability and quality of advice is measured with the **TRI*M** index. This is an important factor which we have used in scorecards at all levels of hierarchy, from top management to branches, over many years. In the first nine months of 2015, Bank Austria's aggregated TRI*M improved by 1 point, reaching an overall level of 72 and an all-time high in specific customer groups, including a TRI*M of 83 in Private Banking. In the fourth quarter of 2015, rumours circulated in daily newspapers that the Austrian retail banking operations would be sold pushed this key indicator down to a level just below that of the previous year. In 2015 we continued to use telephone **interviews** (about 25,000 calls per year) and online questionnaires (about 10,000 responses per year) to measure customer satisfaction while also conducting mystery shopping at branches. Moreover, our customers made intensive use of the possibility to provide feedback on their satisfaction via digital and mobile channels. Tools such as **myFeedback**, which can be used to give feedback quickly and easily via a smartphone, or **Feedback Kundenerlebnis** (automated @mail feedback upon completion of banking transactions) are being further developed and offered at various points of contact in our multi-channel bank.

A high level of external service quality requires excellent internal cooperation. Since 2009, **internal service quality** provided by our head office units has been evaluated by their colleagues, using the results to sharpen the focus on internal customer needs in their processes and services. In 2015, the aggregated **internal TRI*M** of all 39 units and service providers increased by 4 points to a level of 66. Around the turn of the year 2014/2015, we again conducted the Group-wide **People Survey**, giving our employees an opportunity to let us know what they think about such topics as commitment to the company, leadership, clarity of strategy and objectives, customer orientation and contributions to the community. The participation rate of 64% and an increase of 1 point to 72 in the **engagement index** showed good developments at a stable level, with a significant improvement of 7 points in a multi-year comparison.

CoCreation in the digital and real worlds. With our Bank Austria **Mitarbeiterforum** and **Kundenforum** (www.kundenforum.at) developed in 2013, we are using an open social media platform for surveys, forum discussions, quick polls and votings to involve our customers in corporate processes. In 2015, about 20,000 responses via questionnaires and over 700 forum contributions on over 50 topics (including "The Branch of the Future", mobile banking apps, Cashback Online and cashless payments) from about 3,000 customers and employees were processed, evaluated and discussed in the digital sphere. In the real world we have standardised customer integration in product and process development (using CoCreation workshops, in-depth interviews, customer dialogue …) and established it as a mandatory process.

The **BeschwerdeExzellenz** project launched in 2013 enables us to improve all internal and external complaint management processes on an ongoing basis with a view to optimising the handling of complaints for our customers at all points of contact (branch, @mail, CallCenter etc.). We aim to offer top standards with regard to response time (within 48 hours) and solution competence. Moreover, we have bundled specific competencies in the **ombudsperson's office for persons experiencing social hardship**, where customers in financial difficulty receive assistance in reducing their debt, or are granted additional time for payment, etc. In 2015 we again maintained close contact with consumer protection organisations, the Chamber of Labour, debtor associations and special interest groups in order to deal with specific issues such as complaints concerning foreign currency loans and to find solutions together with our customers.

Human Resources (HR)

Human Resources Management supports the ongoing change processes in the company and acts as **strategic partner and change agent for all business units**. These activities also make a significant contribution to creating the best possible environment for all employees on our way to the "Bank of the Future". Creating optimal conditions to identify and use potential, investing in training and supporting employees in all areas with a view to establishing a work-life balance are key requirements met by HR Management in living up to its claim to be a leading player in the banking sector.

Human Resources Austria

● The **business model reorientation** continued in 2015, accompanied by measures to reduce payroll costs and other administrative expenses. Strategic projects launched in 2013 – primarily SmartBanking and the Bank Austria 2020 initiative – enabled us to respond effectively to rapid changes in customer behaviour and technology as well as to demographic changes and the new communication media, in the banking business and in the working environment quite generally. The implementation of these projects relied on our employees' qualifications and flexibility, backed by intensive HR support.

The declared target was to reduce payroll costs by €70 million in the period to the middle of 2015; this target was achieved and even exceeded. The reductions were made, as planned, by offering employees attractive HR instruments, without operational layoffs. The focus was on innovative part-time working arrangements under the Bank Austria 2020 initiative, from which employees could choose, enabling them to benefit from newly won leisure time according to their own preferences. 1,451 employees selected one of the models offered. Of the total number, 48 % are women and 52 % men, 46 % are below the age of 50 and 54 % are more than 50 years old. This means that there is a well-balanced gender and age distribution. The participation ratio among managers reached 12 %, four times the figure recorded in the previous year.

This measure helped us achieve essential objectives: making the organisation leaner by the defined target factor, raising the company's flexibility and enhancing the work-life balance of our employees. As a result, the proportion of part-time employees in the bank as a whole reached 41 % by the end of 2015. The initiative led to a reduction of 685 full-time equivalents in the period starting in 2014, of which 20 % resulted from natural staff turnover and retirement. Special attention is being given to making processes leaner and streamlining internal administrative activities so that service quality for our customers can be further enhanced with reduced staff numbers.

● **Internal recruiting:** The **Move On** initiative (previously referred to as "Movement Management") is an integral part of HR strategy. Against the background of the new HR instruments (part-time working arrangements, new working world etc.) and the related impact on the internal job market, we have adjusted and expanded this initiative. All vacant positions in the bank are now offered internally via the new "Move On" job platform, an innovative approach. The objective of this cloud-based recruiting solution is to make employees aware of new oppportunities through the automated analysis of their personality and subsequent job matching. Finding the right job no longer depends on employees' curriculum vitae and training alone but also on their personality. Several hundred employees make daily use of Move On and appreciate the opportunities which the platform offers, including direct availability of a personal assessment report. Move On brings the internal job market to life, with employees being able to view new job opportunities with ease. These activities are aimed at supporting a more effective use of employee potential and raising employee satisfaction.

● **Assessment of staff performance: UniCredit Performance Management** is a modern, fair and transparent performance evaluation and development system for all employees of Bank Austria. All employees can easily view their evaluation and the feedback documentation in their personal electronic archives. Performance Management thus makes an essential contribution to a feedback culture. The goals of each employee are discussed between the employee and the manager and then captured in the Performance Management tool. The employee's performance is evaluated after a maximum period of 12 months and feedback on development is provided. The information obtained from feedback and evaluation serves as a basis for personal development measures and further steps in Bank Austria.

● **Staff development:** The pleasure of learning – **UniCredit Academy Austria**. Sharing knowledge and experience – in an entertaining, informal and timely manner – is an essential feature of the "Bank of the Future". Against this background we created the UniCredit Academy Austria in autumn 2013, which bundles all Learning & Development activities of UniCredit in Austria. The UniCredit Academy Austria offers our employees a wide range of programmes to acquire and develop know-how required for an employee's sphere of activities by using the appropriate learning method. Seminars, simulations, eLearning, game-based learning, podcasts (audio files), coaching, mentoring, shadowing and internships are among the methods used for promoting and supporting a person's individual learning style. This gives the learner a more active role in his/her learning process.

The UniCredit Academy Austria supports the transformation into the "Bank of the Future". Advancing **digitalisation** opens up new channels for our customers to do banking business with us; it also offers our employees new ways of cooperating and learning. In 2015 the UniCredit Academy Austria therefore started to expand digital self-study media and methods by introducing a comprehensive portfolio of learning media, putting emphasis on needs-oriented real-time learning. We also encourage learning from and with one another, and learning on the job. The UniCredit Academy Austria is thereby following the **70/20/10 principle** of what is called "new learning" (70 per cent learning on the job, 20 per cent learning by sharing, and

10 per cent formal learning). Employees can learn on a self-determined basis and are not tied to specific time schedules, thereby enhancing the return on learning for everyone – in line with the motto: higher earnings through effective learning. www.unicreditacademy.at

- **Succession planning:** Our **Executive Development Plan (EDP)** and **Talent Management** programme support our managers in developing the relevant qualities and skills for the “Bank of the Future”. We focus on the development of management potential from within the bank, in line with the motto “Investing in People”, while giving special attention to raising the percentage of female managers on a sustainable basis. We thereby ensure forward-looking and effective personnel planning for managers and talents who can get along well in a changing digitalised society and who can make sustainable contributions to shaping the “Bank of the Future”. Uniform Group-wide quality criteria are applied in the evaluation process, with a focus on feedback exchange. Moreover, as part of UniCredit, Bank Austria offers the opportunity to gain and use international experience in a Group-wide process of filling vacancies.

- **Compensation & Benefits:** Our human resources activities, especially those in the area of Compensation & Benefits, are based on and guided by the **Global Job Model**, the Group-wide job evaluation system used for describing and categorising all roles and activities within UniCredit, and the **UniCredit Competency Model**, which defines essential skills and employee conduct in our company.

The proper mix: our **Total Compensation** system. Our Group-wide remuneration system provides for a balanced mix of fixed and variable monetary and non-monetary components. Regular communication to our employees and information available on “myHR”, the HR Intranet site, provide an overview of all components of compensation while linking this to the related compensation processes including the merit review and the bonus. Remuneration of **top management** is determined within UniCredit by way of a Group Compensation System, which has been in place for several years and has also been implemented at Bank Austria. Parts of the variable components of compensation are withheld in line with regulatory requirements, and deferred payments are made subject to sustainability. This may also be in the form of UniCredit shares. The bonus pool method introduced across the Group in 2014 ensures that variable components of remuneration are subject to the achievement of sustainable, long-term financial and non-financial performance criteria. The introduction of this method further strengthens the link between variable remuneration and risk-weighted results of Bank Austria.

- **Diversity & equal opportunity:** Bank Austria employs persons who differ from one another in their background, culture, language, religion, training, state of health and sexual orientation. With our **diversity management** activities we want to use opportunities in this context and unlock underlying potential for the bank. The corporate culture of Bank Austria therefore encompasses mutual respect, openness, recognition and appreciation. This enables us to benefit greatly from the manifold qualities, talents and personality facets of our employees in all their diversity. Implementing these objectives is facilitated by an innovative design of the work environment. With the “Job and Family” audit we use assessments by external auditors to make further improvements. Bank Austria is the only Austrian company to which the European Commission made specific reference as a best-practice model in its publication on diversity management of 19 November 2015.

Structural data

	AUSTRIA 1)		CEE 2)	
Employees by gender (headcount)	10,545		26,632	
female	54.11 %		71.63 %	
male	45.89 %		28.37 %	
Employees by tier and gender	female	male	female	male
top management and executive	0.25 %	1.22 %	0.09 %	0.53 %
middle management	7.45 %	21.64 %	3.42 %	9.57 %
staff	92.31 %	77.14 %	96.49 %	89.90 %
total	100.00 %	100.00 %	100.00 %	100.00 %
Employees by age				
up to 30 years	9.46 %		21.71 %	
31 – 40 years	18.22 %		42.39 %	
41 – 50 years	40.10 %		22.89 %	
51 years and more	32.22 %		13.01 %	
Turnover				
external hirings	2.43 %		12.18 %	
external leaves	5.53 %		12.09 %	

1) Including local subsidiaries and UBIS. / 2) Bank Austria perimeter (Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Latvia, Romania, Russia, Serbia, Slovakia, Slovenia).

Gender balance: In 2012, UniCredit launched the Group-wide **Gender Balance Programme** with a view to creating fair workplaces, based on equal rights, for women and men and ensuring that these values are firmly anchored in the corporate culture. The degree to which this objective is reached, especially at managerial levels, is measured by means of a dashboard on a half-yearly basis. The programme has proved effective: the proportion of women at senior management level in Bank Austria has increased by 3 % since 2012. Female members of the Supervisory Board currently account for 24 % of the total number, a strong improvement compared with 5 % in 2013.

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This progress reflects the strong commitment of the Gender Balance Programme members. A total of 24 **diversity managers** are currently active, supported by their **ambassadors**, within the framework of five global workstreams. Bank Austria has developed a divisional ambassador concept. To support career planning by women, advertisements of vacant managerial positions are presented to female candidates in particular. Specific communication activities focus on women who have already been promoted to managerial positions and act as models for other talents. Cooperation across countries and divisions is being intensified through regular meetings and the involvement of subsidiaries in the Gender Balance Programme. “Diversity Manager Couples” are formed for the purpose of regularly sharing experience with UniCredit Bank (HVB) in Germany in order to learn from one another. Targeted training programmes underline the importance of equal opportunities. The **Inclusion@work Workshop** focuses on various aspects including the combination of individual and organisational dimensions, the influence of stereotypes on corporate performance, the encouragement of self-assurance, an understanding of a person’s own strengths and attitudes, and the relevance of networks and self-marketing; the objective is to use this information as input in each process. The purpose of the Gender Salon is to enhance awareness of stereotypes, the self-assessment of men and women, and gender-specific language.

● **Cross-regional IT platform for efficient human resources management and lean HR processes:** Over the past three years we have simplified HR processes in our new working environment in cooperation with HP and SAP. Our **HR services** are settled at hp’s international **Employee Shared Service Center** (ESSSC) in Poland. Following the transfer of performance management processes, we migrated our HR tools for travel management and time management to a state-of-the-art IT systems landscape at the turn of the year 2014/15. In 2015 we further deepened our strategic partnership with hp by analysing and refining processes. The **Employee Self-Service** function available on HR Gate covers travel management and time management (holidays, presence entries), performance management (arranging review meetings with employees, performance evaluation) and further career, development and job tools. At the turn of the year 2015/16 we migrated the payroll to our new HR IT platform. Our employees now have access to their electronic payslips and can change personal data, specify transfers within the company and make other entries. We are thereby also making available to our managers a new advanced HR information and reporting tool. These milestones are two very important steps towards simplifying our HR services and making them more transparent.

● **Awards:** Our human resources activities received several awards in the year under review. The **Reverse Mentoring** initiative, launched in May 2015, aims at transforming internal digitalisation expertise. Reverse mentoring is an exciting new approach: young talents and digital natives are training senior managers. This programme attracts strong interest, not only within the bank. In November 2015 the initiative won the gold **European Change Communication Award**.

In 2015, Bank Austria received the **Top Employer Award** (Austria & Europe) and the silver **Best Recruiter Award** for its numerous recruiting activities.

HR Central and Eastern Europe

● The CEE Human Resources team in Vienna plays an important role for **human resources management** with regard to the **CEE Division** and **UniCredit banks** in Central and Eastern Europe (CEE). In both the CEE HR team in Vienna and the HR department of CEE banks, the skills and organisational structure in place ensure effective professional coverage of the main HR topics and processes with a focus on HR Business Partner activities – to provide the operating units with the support required to achieve their objectives – and expertise centres such as Learning & Development, Compensation and HR Planning. The CEE HR team in Vienna also plays a key role in steering the main processes across the region and ensuring the exchange of best practice among the various countries. Since 2014, the CEE HR team has been engaged in the CEE 2020 and CEE 2020 PLUS programme – the CEE Division’s strategic programme for sustainable growth of our business, aimed at accelerating the development of the best people through different initiatives like Functional Academies, Development Centres and innovative learning tools. All the initiatives focus on creating the next leader generation for CEE banks based on an international background, rounded banking knowledge, risk awareness and agility to perform in different geographies.

● **CEE 2020 & CEE 2020 Plus.** The year 2015 saw the successful implementation of HR measures under the CEE 2020 project aimed at accelerating executive development and strengthening the succession pipeline. Based on this success, attention is now being given to CEE 2020 Plus, which encompasses three major initiatives to enhance commercial performance capability and human capital:

▶ Dynamic and flexible recruiting to use the skills of employees in an efficient manner.

▶ Accelerating the development of competencies required to use new technologies and working methods.

▶ Strengthening employee engagement with regard to recognition, growth opportunities, innovation and virtual cooperation. In this context HR provides innovative solutions with a sharp focus on best practice and taking external trends into account.

● **CEE Learning & Development:** The development potential of our CEE talents and successors for managerial positions in Corporate & Investment Banking, Global Transaction Banking, Retail

Management Report (CONTINUED)

Banking, Global Business Solutions and in the Internal Audit competence line was analysed at newly designed **Development Centers**, and professional support was given for the implementation of their individual development plans. In 2015, 185 employees from all CEE countries took part in these development programmes.

November 2015 saw the first **CEE Conference for Modelling**, an innovative conference organised and serviced by the Croatian colleagues in Zagreb in cooperation with CEE HR L&D. This three-day event provided an opportunity for experts from the entire UniCredit Group to share experience, participate in training, and design future business models and solutions to meet customer needs. 130 employees from different divisions of UniCredit Group – mainly from CEE countries – attended the conference and the presentations made by external and internal experts. The programme was rounded off with panel discussions and mini workshops.

The **CEE Private Banking Functional Academy** was successfully rolled out to all CEE markets and further optimised. In 2015, this effective concept was also implemented in the form of a **Global Transaction Academy** for over 500 employees in specialist areas (including cash management, trade finance and processing) in 12 CEE countries. Recognised experts from Austria and CEE countries are also available as an **internal specialist trainer community**. Some 500 employees from CEE were trained within the framework of 40 internal seminars; this approach helped to achieve a significant reduction of costs associated with external consultants. Following the widely recognised **70:20:10 concept** (learning on the job accounts for 70 % of total training, other learning methods – e.g. mentoring, coaching – represent 20 %, and formal learning settings, e.g. classroom training, account for 10 %), functional academy training and seminars are an integral part of on-the-job training and the day-to-day application of what has been learned.

New working world at the Austria Campus

Building new headquarters. Construction work on the Austria Campus started in January 2015. This means that our project involving the construction of new headquarters is now being implemented. Historic representational buildings are no longer suitable for banks, such buildings lack flexibility and are associated with high costs. Moreover, our head office units are accommodated in several locations throughout Vienna. We are therefore investing in new headquarters for Bank Austria and about 20 other UniCredit Group companies in Austria. For this purpose we have developed the Austria Campus at Vienna's former Northern Railway Station, one of the city's key development areas. In addition to office space covering a gross area of about 200,000 square metres, the buildings which are under construction there will also accommodate infrastructure facilities and shops. SIGNA, an Austrian company specialising in real estate, acts as developer in respect of the relevant construction work, which is scheduled for completion in 2019. Two of the new buildings (construction sites 5 and 8) will be used by Bank Austria under a long-term rent agreement. Construction of the basement storeys of this office landscape for some 6,000 employees started at the end of 2015; the offices account for about 45 per cent of the Austria Campus and are due for completion in 2018. Bank Austria itself will be responsible for the interior of the buildings so that it can design the headquarters in line with its own plans.

More than a construction project: The new headquarters are intended to unlock synergies totalling an annual €25 million from 2020, through time savings and shorter distances, more efficient use of space and lower operating and maintenance costs. Besides strengthening the team spirit among employees, the new design of our headquarters will result in efficient and attractive working methods for head office banking functions. This modernisation project is being implemented hand in hand with the reorganisation of our branch network, which started in 2013.

➔ **The new working world** will be realised through office architecture which can be used on an individual basis, state-of-the-art technology and processes with low paper consumption. A **test office** opened in autumn 2015 – called "Campino" and set up in one of the bank's office buildings, with equipment reflecting the latest planning stage of the Austria Campus – provides all employees with an insight into the new working methods. More than 120 employees use about 1,250 square metres of office space and test the new workplace concept, including desk sharing and the clean desk principle. Users of Campino are also offered greater work flexibility in terms of time and location. There are plans to offer these flexible arrangements, which are referred to as "Remote Work", to all head office units and their employees after the test period.

Communication via digital channels

Digital change is permeating corporate communications, with intensive use being made of the new channels in combination with links to classic communication instruments, and with content management also reflecting this profound change. Digital channels are advancing at all levels of the company and in communication with all external and internal stakeholders, accelerating the pace of communication and enhancing transparency. Banking business itself is also undergoing a digital transformation, especially at Bank Austria with its SmartBanking service approach.

▶ Bank Austria maintains a broadly-based **social media presence** enabling the bank to reach many groups of people with different interests and to provide them with targeted information and support. Facebook and Google+ focus on services and infotainment while Twitter offers information covering press releases, economic affairs and banking. Our YouTube channel presents Bank Austria via videos and images. We maintain company profiles on the Xing, LinkedIn, Watchado and Kununu platforms, where we concentrate on training and jobs. The BusinessForum on XING is a platform offered by Bank Austria for dialogue between its customers and employees. Our eBooks are available for download free of charge.

▶ Bank Austria's **Wirtschaft Online portal**, introduced in January 2014, was extended in 2015 to include the new **Bank exklusiv Online magazine**. "Bank exklusiv", Bank Austria's customer magazine, was redesigned in autumn 2015: the print edition was reduced and now includes links to contributions on Wirtschaft Online. Readers can access our Wirtschaft Online portal for information, detailed analyses and in-depth reports which complement and expand on articles in the print edition of "Bank exklusiv". In 2015 we recorded strong interest in Bank Austria's "Sicherheit Online" **security portal**. Given the large number of cases of attempted fraud, especially in online banking, the security portal provides notices warning against phishing attacks, viruses etc. Also included is information on tricks used by internet fraudsters and guidance on how users can protect themselves against fraud. Both "Sicherheit Online" and "Wirtschaft Online" are available in versions optimised for **all mobile devices**.

Sustainability management

Sustainability, social responsibility and sparing use of natural resources guide our day-to-day activities. The balance between economic, ecological and social objectives has been a highly significant factor at Bank Austria for many years. Bank Austria's **stakeholder management** activities play a crucial role in our pursuit of sustainability. It is a question of identifying, within and outside the bank, the needs of important stakeholders and including them in the measures to improve corporate sustainability. This also requires open and transparent communication: Bank Austria's sustainability report, entitled "Unser Engagement" ("Our Commitment"), can be viewed in the "Sustainability" section at www.bankaustria.at; it provides an overview of our commitment to society and the environment.

Social commitment is an essential component of our sustainability strategy. "Acting together for a respectful society" (www.gemeinsammiteinander.bankaustria.at) is an initiative which we have launched to make a broader public familiar with our social commitment and stimulate discussion on such important topics as tolerance, respect and social interaction.

● In our **social sponsoring** activities we pursue a clear strategy by primarily supporting initiatives which help children and young people in need, and which also focus on integration/migration. Every year, we present the Bank Austria Social Prize, with prize money of €10,000, in each of Austria's federal provinces to award outstanding initiatives in the social sphere. The €30,000 Bank Austria Social Innovation Award was presented for the first time in 2013. It focuses on innovations in the social sector, with a different target region selected every year. The region chosen in 2015 was Upper Austria, with plans and ideas for the successful integration of refugees; attention in the two preceding years had focused on the Tyrol and on Lower Austria. The two prizes were made possible by support provided by UniCredit Foundation.

Long-term partnerships which we have developed over many years with well-known **social care organisations** are a particularly important aspect of our activities in the social sector. Focusing on continuity, this strategy has been pursued in our cooperation with SOS Children's Villages, where we act as house sponsor in Children's Villages throughout Austria. Caritas is another partner with which we have maintained close cooperation in Vienna and throughout Austria for many years. This covers proven projects such as young Caritas Käfig League, the Bank Austria Volunteers Day and cooperation in disaster relief activities; in 2015, our long-standing cooperation with Caritas also concentrated on **refugee aid**. In view of current developments we saw the importance of providing quick help, without excessive bureaucracy, to those who arrived. A number of refugee aid activities were launched in cooperation with Caritas, the initial reception centre in eastern Austria, the Red Cross and many other institutions, with the involvement of active helpers.

Bank Austria's **"Gift Matching Programme"** is an annual initiative which promotes the social commitment of the bank's employees. Private donations made by employees are increased by funds held by UniCredit Foundation if the initiating employees succeed in inspiring at least 10 colleagues to donate to the same charity and exceed a threshold. The donor groups formed among employees ensure stimulating internal communication on social issues. The Gift Matching Programme 2015 raised over €300,000 for more than 70 projects, an amount which will now be significantly increased by the Foundation.

● **Financial education** is another important initiative, targeted mainly at young people. Our website www.finanz-bildung.at has been created to provide young people, students and teachers with information on various aspects of money. With a renowned partner, the Austrian Museum for Social and Economic Affairs, we offer free workshops to interested schools throughout Austria. The topics discussed range from the functions of money and banks to banking products and distributive justice. The objective is to give young people an overview of the various types of financial transactions, to draw their attention to opportunities and risks, and to inform them of their rights and duties as consumers of financial products. In addition to passing on knowledge, the workshops are aimed at encouraging young people to critically examine how they themselves handle money and the significance of money in their social environment. Some 10,000 schoolchildren attend the workshops every year.

- For an international and diverse company like Bank Austria, **diversity management** is an integral component of its corporate culture while also promoting productivity, creativity and innovation. Our employees differ from one another in their gender, the colour of their skin, in their language, ethnic, cultural and religious values, marital status, age, disabilities, social status and sexual orientation. We see the diversity of our employees as a major asset for the company. Numerous initiatives are being implemented to promote a work-life balance and equal opportunities for men and women. Looking at all levels of management is key to the success of these efforts. Qualitative objectives and quantitative targets in respect of gender are defined and measured with regard to (almost) any activity.

Bank Austria's **disability management** activities are seen as a model across borders. Two disability managers are responsible for planning and implementing numerous disability-related measures. They are supported by a network of about 60 disability employees, and awareness of this issue is raised by employee training programmes. In pilot projects we are testing various possibilities for helping disabled persons to settle their banking business. Measures that have already been implemented include a special bank card for visually impaired persons, sections of Bank Austria's website which enable customers to listen to spoken information and watch videos in sign language or read texts in simple language, and a shuttle service introduced in 2010 for customers with limited mobility, which is steadily being expanded to cover the whole of Austria. Most of our bank's buildings and branches already offer barrier-free access, and we plan to make all of them barrier-free by the end of 2016 as branches are redesigned. Since autumn 2015 our SmartBanking services have been available in sign language to deaf people. They can now use Bank Austria's advisory services via video calls, benefiting from simultaneous translation into sign language by interpreters employed by ServiceCenter ÖGS.barrierefrei.

Environmental management

- An **environmental management system** (EMS) has been in place at Bank Austria since 2009. In May 2011, Bank Austria's EMS was **certified in accordance with ISO 14001**, a standard that is widely recognised internationally. The EMS covers the head office buildings and all branches. By complying with this important standard, a company can prove that it operates in harmony with the environment. Environmental management benefits the community while also involving advantages for the company in the form of cost savings resulting from more efficient use of resources. The company thus makes an important contribution to reducing CO_2.

Over the past two years, "focus groups" composed of members of specialised units have been very successful in four strategic areas of environmental issues. They have drawn up concrete measures to reduce direct environmental impacts (consumption of natural resources, generation of waste) and indirect impacts (caused by the behaviour of third parties). The great importance given to ecological sustainability and a sparing use of resources is reflected in the organisational set-up of the EMS: the steering committee is headed by the Chief Executive Officer of UniCredit Bank Austria AG.

In **CEE** we enhance environmental awareness through the cross-regional UniCredit sustainability network of central and local contacts. Specific CEE initiatives are described in the UniCredit Sustainability Report, which corresponds to the highest Global Reporting Initiative (GRI) standard.

- In regard to **operational climate protection** considerations, Bank Austria, as one of the six founding members, has since November 2011 been a partner of klima:aktiv pakt2020, which was created by the Austrian Ministry of Life. The participating companies undertake, through a voluntary agreement on objectives, to meet the Austrian climate-related targets for 2020. Bank Austria has additionally committed itself to reducing CO_2 emissions by 45% and achieving a 51% share of renewable energies. Bank Austria further reduced business travel through the use of video conferencing facilities and the trend towards digitalisation in the working world. A positive secondary effect of the gradual expansion of "remote work" is that it reduces environmental pollution, especially the pollution caused by commuters who use cars. Last but not least, Bank Austria is taking measures to enhance awareness among its employees: the most recent example is a training instrument for all employees in the form of an interactive film on energy efficiency.

Key environmental indicators 1)

	2015	2014	2013
CO_2 emissions in t 2)	19,876	20,204	21,896
Electricity consumption in MWh	65,750	68,243	68,900 3)
Heating in MWh	44,500	43,954	52,000 3)
Business travel in thsd km	14,233	14,059	12,935
of which: air travel	*8,506*	*8,461*	*8,334*
by car 4)	*4,001*	*3,918*	*2,702*
by train	*1,725*	*1,680*	*1,899*
Water consumption in m^3	246,810 5)	217,429	215,358
Waste in kg	2,514,074 6)	2,418,726	2,508,311
Paper consumption in kg	424,566	517,682	591,958
of which copying paper	*278,179*	*317,225*	*390,343*

1) All branches, head office buildings and subsidiaries located therein. / 2) Since 2010, all electricity supplied to Bank Austria has come from renewable sources of energy. / 3) Projection. / 4) UniCredit Bank Austria AG only. / 5) Increased consumption due to repair and renewal of water pipes. / 6) Increase caused by waste disposal initiative.

In the past few years, our measures to improve **energy efficiency** focused on reducing consumption of electricity (which

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accounts for about 60 % of overall energy consumption); these include the areas of refrigeration and IT. All electricity supplied to Bank Austria comes from renewable sources of energy, which is guaranteed by a certificate issued by the bank's energy supplier confirming that 100 % of the electricity supplied is hydroelectric power. As a contribution to increasing the proportion of renewable energy, the bank has installed **photovoltaic systems** at branches in Innsbruck and Hirschstetten / Vienna and a solar power installation in Vienna's second district, on the roof of the Lassallestrasse 5 office building, which enables Bank Austria to save a CO_2 equivalent of about 35 tonnes annually. The Austria Campus, where the new office building for our headquarters is under construction, is expected to result in a significant improvement in energy efficiency from 2019.

Report on research and development

Bank Austria's business purpose is to provide banking services. The production process of a bank does not involve research and development in an industrial sense. But day-to-day business operations continuously benefit from **development activities**. Generally, Bank Austria aims to meet the needs of different customer groups with simple products. In addition, there is an ongoing need for new developments and adjustments to meet regulatory requirements. Current expenses include those on product development, methodological progress in the areas of risk management and finance, and on support for compliance-related activities.

In the area of **information and communication technology** (ICT), **investment planning** takes place at UniCredit level. It is based on local requests and considers synergies which may be unlocked by the cross-regional approach. Expenditure on information and communication technology (investment budgets) which can be capitalised represents cash outflows at UBIS. This is different to the current expenses which are charged to the bank and the individual business segments (via Global Banking Services, which is part of the Corporate Center).

In **2015** we invested about €70 million in various strategic projects (including Bank Austria's share of UniCredit projects managed on a cross-regional basis). These projects focus on several core areas:

▶ As in 2014, a number of **retail banking initiatives** and, to a lesser extent, preparations for the Campus accounted for a large proportion (about one-quarter) of total investments. Focal areas were the development of digital channels such as SmartBanking and the upgrading of OnlineBanking services. Moreover, significant investments were made in the expansion of self-service facilities (equipment in self-service zones, cash recyclers …).

▶ Development costs associated with **regulatory requirements** have increased strongly over the years. Such costs, including investments to enhance risk instruments, remained at a high level of about 20 % in 2015. Significant costs were associated with implementing regulatory requirements in the area of financial reporting and with providing IT support for Compliance (Anti Money Laundering & Fraud Detection). Including adjustments to the SEPA environment, investments to meet regulatory requirements accounted for about 45 % of the total amount.

▶ Software updates, process optimisation and various development activities, including innovative solutions for advisory services and settlement in business with large customers and capital market activities of the CIB Division, accounted for about 30 %. Long-term strategic projects include initial Big Data initiatives.

Operations, ICT, Infrastructure

A cross-regional infrastructure for settlement, IT and internal services is a key component of UniCredit's operating model. The objective is to provide optimum support to the bank's customer service units with a view to creating value, bundling technical expertise, strengthening the bank's innovative power and improving cost efficiency. The need for such measures is underlined by the growing relevance of IT and back-office activities (taxation of securities, reporting requirements, regulatory requirements etc.). Moreover, the operating model is a major factor helping to achieve strategic objectives, including the reorientation of retail banking operations. A general cross-regional service model is consistent with the logic of an international banking group. This function is performed by UniCredit Business Integrated Solutions S. C. p. A. (UBIS S. C. p. A.), a wholly-owned company of UniCredit.

UBIS and UBIS Austria

● **UniCredit Business Integrated Solutions S.C.p.A.** (UBIS) offers the customer service units flexible and integrated banking services with an end-to-end logic. The company thus provides a timely response to changes in customer needs while assuring innovation, transparency, flexibility and time-to-market. With this unique service model UBIS is positioning itself among the most important service providers for the banking sector in Europe.

In Austria, UBIS is represented through its wholly-owned subsidiary **UniCredit Business Integrated Solutions Austria GmbH** (UBIS Austria). The company's main customer is UniCredit Bank Austria AG (Bank Austria), which uses services in the areas of Information and Communication Technology (ICT), Back Office, Operations, Real Estate, Security and Procurement.

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At the end of 2015, UniCredit Business Integrated Solutions Austria GmbH had about 2,000 employees, including branches in Poland and Romania. Overall, UniCredit Business Integrated Solutions has around 10,000 employees, who work in two legal entities and several branches in nine European countries and in New York and Singapore.

● In **2015** UBIS continued its activities, started in 2014, to stabilise **internet banking**; the company also further developed and expanded **direct banking** functions. UBIS was closely involved in modernising Bank Austria's sales network in line with the **multichannel strategy** (SmartBanking initiative, new design of branches to support product sales and advisory services via video calls, digital marketplace, OnlineShop and online branch). The system currently used for **payment settlement** is fragmented and outdated; there are plans to replace it with a modern market solution featuring a high degree of automation and optimised processes. Among the other **projects**, attention continued to focus on the Austria Campus in 2015, specifically in connection with construction of the new buildings and activities to prepare employees for changes in working methods and processes ("New Work"). Moreover, in the area of **operations**, UBIS started to build global competence centres in nearshore countries, which will help to further reduce settlement costs relating to customer products.

Campino is a pilot project under which the Group's SmartWorking principles have been implemented in office space for about 120 employees located in Vienna's Lassallestrasse. UBIS was responsible for two key parts of the project: the Real Estate service line carried out structural alterations of the office space designated for the Campino project and it also designed and implemented the new office landscape (modules for office and communication zones) and the management concept. The ICT service line of UBIS arranged for all Campino employees to be provided with a notebook and a flexible new telephone solution to support the required mobility. The various office modules were equipped with advanced media technology. "Follow-me printing" was introduced on a pilot basis enabling all employees to collect printouts of their documents at any follow-me printer in a secure manner by using their Bank Austria identity cards. This helped to reduce the number of printers from previously 57 to 3 machines. Feedback from Campino employees provides valuable information to be used as input for the workplace of the future.

dIPS – for a paperless office: Under the dIPS project, a strategy was drawn up jointly with UniCredit Bank Austria to create a paperless working environment for employees of Bank Austria and UBIS Austria. The required technical components will be selected, and the functional requirements will be defined, in cooperation with UniCredit Group. Started in 2015, implementation of the project will continue in 2016 under the new project name "SmartOffice". Some of the technical implementation activities have been transferred to UniCredit's Digital Agenda project to unlock Group synergies.

EuroMIB, a global end-to-end trading platform set up by UBIS S.C.p.A. in 2014 for Bank Austria and banks in CEE countries, was completed in 2015 with the **Global Murex Support** model of the Markets and F&A AT business line. Serving as first point of contact for Bank Austria and the local banks in CEE countries (Bulgaria, Czech Republic, Hungary, Romania, Serbia, Slovakia, Slovenia, Bosnia and Herzegovina) the main objective of the support team was to build trust-based relationships with the local business units to provide coordinated IT solutions for the global platform.

● **Outlook:** UBIS is working intensively to further improve its services, despite the need to reduce its own costs. These efforts rely on the further development and stronger use of new technologies. From a customer perspective, i.e. from Bank Austria's point of view, business has changed substantially – as a result of the restrictive market environment (trends in interest rates and demand) and of tighter regulatory requirements, and also on account of new technologies (digitalisation, customer preferences). Bank Austria has decided to give its retail banking operations a completely new orientation and to streamline administrative activities performed by head office units within the Corporate Center. This means that UBIS, as a service provider maintaining close business relations with Bank Austria, is presented with new challenges and the need to provide new solutions. UBIS and UBIS Austria, especially the Real Estate, IT and Operations business lines, will strongly support Bank Austria in its restructuring projects by optimising settlement costs, especially through increased nearshoring and digitalisation.

Further information

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

▶ Events after the end of the reporting period are included in Section F.15 within "F – Additional disclosures" of the notes to the consolidated financial statements on page 274.

▶ The risk report is a separate chapter ("E – Risk report") in the notes to the consolidated financial statements (pages 205 to 257).

▶ The report on key features of the internal control and risk management systems in relation to the financial reporting process is contained in section E.16 of the risk report (pages 256 and 257).

▶ Information on the use of financial instruments is included in the notes to the consolidated financial statements, parts B, C and E in particular.

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Development of business segments

Retail & Corporates

	Business segment as a whole (incl. Leasing and FactorBank)				**of which: Retail**				**of which: Corporates**			
(€ million)	2015	2014 1)	CHANGE		2015	2014 1)	CHANGE		2015	2014 1)	CHANGE	
Operating income	1,486	1,548	−61	−3.9%	727	747	−20	−2.7%	700	735	−35	−4.8%
Operating costs	−1,096	−1,108	+12	−1.1%	−721	−720	−1	+0.1%	−340	−352	+13	−3.6%
Operating profit	390	440	−49	−11.2%	6	27	−21	n.m.	360	383	−23	−6.0%
Net write-downs of loans	−28	−56	+29	−50.9%	−19	24	−43	n.m.	2	−66	+68	n.m.
Net operating profit	363	383	−21	−5.4%	−13	51	−64	n.m.	362	316	+45	+14.2%
Profit before tax	**269**	**327**	**−58**	**−17.7%**	**−50**	**34**	**−84**	**n.m.**	**304**	**277**	**+27**	**+9.7%**
Loans to customers (avg.)	44,308	43,042	+1,265	+2.9%	14,529	13,741	+788	+5.7%	26,446	25,955	+492	+1.9%
Direct funding (avg.)	43,188	41,192	+1,996	+4.8%	21,762	21,460	+302	+1.4%	21,324	19,642	+1,681	+8.6%
Risk-weighted assets (avg.) 2)	19,671	19,696	−25	−0.1%	8,026	7,772	+254	+3.3%	9,195	9,461	−266	−2.8%
Average equity 3)	1,966	2,060	−95	−4.6%	691	751	−60	−8.0%	899	919	−21	−2.3%

1) For segment reporting purposes, the comparative figures for 2014 were recast to reflect the structure and methodology of the 2015 reporting period (see the segment reporting section in the notes to the consolidated financial statements on pages 196 and 197 of this report. / 2) Average risk-weighted assets (all risks) under Basel 3. / 3) Standardised capital; capital allocation to subsidiaries reflects actual IFRS capital. The difference compared with the consolidated IFRS equity of Bank Austria is included in the Corporate Center./This information applies to all business segment tables. / n.m. = not meaningful

The Retail & Corporates business segment covers two large subdivisions: Retail, which comprises customer segments ranging from mass-market to affluent customers; and Corporates, the subdivision serving the entire range of business customers, SMEs and medium-sized and large companies which do not access capital markets (including Real Estate and Public Sector). The Division also includes the specialised FactorBank AG and UniCredit Leasing (Austria) GmbH, our Austrian leasing subsidiary. With 11% of all employees and an 14% share of allocated capital, Retail & Corporates generated 25% of the bank's total revenues (70% of total operating income from Austrian customer business). This business segment also has to absorb substantial costs which are in structural terms related to branch operations. Retail & Corporates contributed about 17% to profit before tax generated by the bank as a whole and accounted for 51% of profit before tax from Austrian customer business. Average direct funding of €43 billion in Retail & Corporates makes the business segment an important source of funding for the bank.

In 2015, the Retail & Corporates Division generated a **profit before tax** of €269 million, a decrease of 17.7% on the previous year. Operating income was down by €61 million (–3.9%) although lending volume and direct funding increased. This significant decline in operating income was not offset by cost savings or by an improvement in net write-downs of loans and provisions for guarantees and commitments. A strong increase in systemic charges had an additional negative impact on operating profit.

2015 was characterised by persistently low interest rates and, as a consequence, a further decline in **net interest**. In the Retail subdivision, construction and housing finance increased, a development which also reflected appreciation of the Swiss franc. Growth in direct funding (+4.8%) came mainly from business with corporate customers. The decline in customer interest rates in lending business was significantly stronger than on the deposit side. Overall, therefore, the interest margin continued to narrow. Although the other components of operating income developed favourably, especially net fees and commissions (+5.8%), total **operating income** was 3.9% lower than in the previous year. **Operating costs** declined by 1.1%, reflecting lower payroll costs and strict cost management. **Net write-downs of loans and provisions for guarantees and commitments** in the Retail subdivision increased in the first quarter of 2015 as the Swiss franc appreciated; in the subsequent quarters the provisioning charge remained low. The Corporates subdivision benefited from a net release of provisions, which reflects the very good quality of its loan portfolio. Overall, the provisioning charge in Retail & Corporates was down by €29 million on the previous year. Net operating profit declined by €21 million or 5.4% to €363 million. However, the total charge for the bank levy and other systemic charges was significantly higher (€70 million after €48 million in 2014), contributing to the €58 million decline in profit before tax (–17.7%) to €269 million.

● Significant changes in customer behaviour present major challenges to **retail banking** operations. Customers visit branches less frequently and the number of customers who use branches for their banking transactions is declining. Strong growth is recorded in OnlineBanking and MobileBanking services. Two in three customers who maintain accounts at the bank use OnlineBanking, with one in two log-ins being made via mobile devices. It is therefore essential to make available the right mix of branches – which are larger, with a modern design and better equipment, though their number is lower – and a future-oriented online offering. In 2015, the Retail subdivision won 85,000 new customers.

Bank Austria pursued its **transformation**, initiated in 2014, **into a modern universal bank**, in which branches and the digital marketplace, comprising the Online-Shop and the online branch, will have equal weight as channels for product sales and advisory services in the medium term. In 2015, 43 smaller branches were combined to form significantly larger branches with a wider offering of advisory services. More than 40 branches currently have extended opening hours, with 30 branches in Vienna being available to customers from 9 a.m. to 6 p.m. and 10 branches in other Austrian regions offering their services from 8.30 a.m. to 5.30 p.m. in most cases. Moreover, some **35 branches** throughout Austria were **modernised according to the new branch design**. Bank Austria's new branches offer a completely new customer experience, with specialist teams for finance and investments, cash manager machines, information tablets, digital signage, reception managers welcoming customers and many other features. Planning activities for the conversion of a large number of other branches are underway. Bank Austria has become the first bank in Austria to serve its customers with a complete offering via various channels: from personal advisory services at branches and advisory services via video calls as part of the SmartBanking approach all the way to OnlineBanking, MobileBanking and TelefonBanking.

The services offered by the **SmartBanking Online Branch** have been expanded: personal advisory services via video calls are now available until 8.00 p.m. and customers can use various services via telephone, SMS and e-mail. SmartBanking services are now also available to deaf customers, who thereby benefit from added value. The new version of the Bank Austria **MobileBanking app** turns a smartphone into a personal financial centre. The app gives access to information on key banking products, an overview of the customer's account balances, an overview of nearby cash dispensers, management of bank cards and limits, up-to-date information on securities holdings and the possibility to make transfers via QR code. Customers who need additional advice can use the app to arrange an appointment with their relationship managers. Bank Austria is the first bank in Austria to provide users of its MobileBanking app with a brief overview of recent transactions via widgets without a need to log in: customers can see their account balance and recent transactions at a glance.

Another first for a bank in Austria is **BankCard Mobil**, a virtual bank card offered by Bank Austria for smartphones. Customers can use their mobile phones to make contactless payments of up to 25 euros at NFC payment terminals in shops around the world. The new feature also enables customers to do their online shopping and, in the future, to make contactless cash withdrawals at cash dispensers.

Since autumn 2014, Bank Austria has been offering **CashBack**, a highly attractive and unique customer loyalty programme, which was extended in October 2015 to include CashBack Online. This enables our customers to benefit from discounts on online purchases at over 500 online shops of benefitWorld, our cooperation partner, and at travel portals. CashBack has so far led to over one million euros being credited to our customers' accounts.

As part of its market initiative in 2015, Bank Austria decided to apply variable **interest rates on overdraft facilities**, charging EURIBOR plus 7 per cent p.a. The bank previously applied fixed interest rates, a practice which was maintained over several decades. This change ensures that interest rates on debit balances in customers' accounts always reflect market conditions. Customers who hold current accounts at Bank Austria can switch to one of the new accounts easily and conveniently to benefit from the new lower interest rate on overruns.

Customers using advisory services at a branch in connection with construction or housing loans can additionally benefit from the expertise of **real estate specialists**, who can take part in the advisory talk via a video call. As a rule, lending decisions can thus be made while the customer is talking with his or her relationship manager, and residential property is accurately appraised using a real estate valuation system developed together with Vienna's University of Technology (TU Wien). New business increased by 64.1% over the previous year.

Marketing and sales activities in the fourth quarter of 2015 focused on a **"fitness check for optimised savings, investments and retirement planning"**. To support customers in making their financial plans, attention is given to a balanced interplay of various options for savings, investments and retirement planning. Using various types of investment will enhance stability and earnings potential. The fitness check builds on these elements to cover all needs of private customers. Various online and offline advertising channels were used to ensure a very wide reach. In the area of investments, UniCredit Bank Austria AG works closely with Pioneer Investments Austria GmbH. The **Komfort Invest family of funds of funds** is the product focus in this context. Komfort Invest funds enable customers to enter the large investment universe with a mix of various asset classes and markets in the form of mutual funds. Five different versions offer the appropriate mix of return and risk. A customer's objectives and risk appetite are discussed during an advisory talk. This strategy proved effective also in 2015. **Pioneer Funds Austria – Protect**

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Invest Europe is a new fund launched by Pioneer Investments Austria GmbH which combines various security mechanisms. The fund offers a variable 80 % peak-value guarantee by UniCredit Bank Austria AG. Soon after its launch the new fund proved that the built-in security mechanisms work. The fund coped well with the phases of market turbulence in the second half of 2015 and also performed very well compared with competing products. The total volume of sales of mutual funds was up by 27.6 % on the previous year.

Outlook: To implement the adopted restructuring measures on the revenue and cost sides (see the "Strategic evolution" section on page 30 of this report) we will take advantage of advancing digitalisation in the coming years to serve customers and streamline internal processes. Branches and the digital marketplace, with the Online-Shop and the online branch, will be given equal weight as channels for product sales and advisory services. In the medium term, banking services and advisory services will be available at branches and in the digital marketplace 24 hours a day and 7 days a week, at a significantly higher level of cost efficiency than has been the case so far. Branches will be fewer in number but considerably larger and offer a significantly wider range of advisory services. Services for small businesses and independent professionals will also be expanded and offered in some 70 locations from 2016.

● In the **Corporates** subdivision, 2015 marked the first year in which major euro interest rate indicators moved into negative territory. From April onwards, for example, the 3-month EURIBOR was negative, leading to historically low levels of interest rates on loans and deposits.

Although financing terms were extremely favourable in 2015, the year continued to see only moderate investment propensity on the part of corporate customers and credit demand was low. Total **lending volume** in business with Austrian companies remained more or less constant. Bank Austria recorded slight growth in loans to corporate customers, enabling the bank to gain market share.

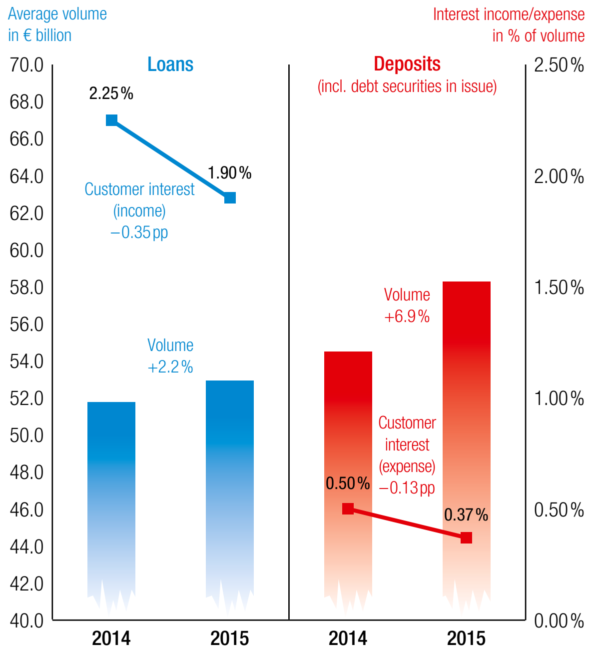
In this environment Bank Austria placed emphasis on one of the main investment topics: with the **energy efficiency package** for companies we support our corporate customers in developing effective measures to save energy and help them identify suitable financial assistance schemes while offering financing solutions which take account of companies' specific circumstances.

Another USP of Bank Austria in lending business is investment finance for innovative Austrian companies using a **Risk-Sharing Instrument** (RSI) guarantee. Bank Austria is currently the only Austrian commercial bank to have concluded a framework agreement with the European Investment Fund (EIF) and can thus grant specific loans guaranteed by the EIF via the RSI. This enables innovative companies to finance their investments at significantly lower cost.

Unlike the trend in loans, the market for **deposits** from companies grew by about 5 % in 2015. Bank Austria benefited from this development and achieved gains in market share beyond average market growth. Companies preferred sight deposits, which recorded the strongest growth despite very low interest rates.

In 2015 we continued our **initiative aimed at internationalisation**, a key driver of growth. We provided our corporate customers with product-specific know-how and made our international network available to them worldwide. Experts from UniCredit Group were present at a number of events organised for customers and held personal talks with customers on country-specific features and business opportunities. In regional terms, the focus was on Central and Eastern Europe and China. Conversely, we also provided extensive assistance to companies from other countries in expanding their business and setting up operations in Austria. Our customers appreciated especially the services available within our

Austrian customer business: components of commercial spread



Managerial data. / pp = percentage points

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international UniCredit network, the simplified account-opening and lending processes across various countries, and our tailor-made solutions. In 2016 we aim to further expand our position as market leader in international business. The UniCredit International Centers have been established as internationalisation hubs: they help medium-sized companies which are active in our core markets in Europe and also in Asia and America to benefit from the advantages of a comprehensive cross-border business relationship with UniCredit Group.

Bank Austria is aware of its social responsibility also in business with corporate customers and institutions. With a specific **offering for non-governmental organisations** – the "NGO Bonus" – the bank is underlining its commitment to sustainability.

BusinessCenter24 is a newly created unit which, in combination with **improved SmartBanking Business** services, makes our range of services significantly more attractive to small businesses and companies. Many customers can now settle day-to-day transactions easily and conveniently from their homes or offices, from Monday to Friday, 8 a.m. to 6 p.m. Competent relationship managers and assistants are available to customers by telephone and by video call to help them with their daily business needs.

Demand for **real estate** was again supported by extremely low interest rates in 2015. Although returns generated by real estate continued to decline, they remained highly attractive when compared with alternative investments such as government bonds. As a result, commercial real estate transactions reached a record volume. In this dynamic environment, and in the face of intense competition, the Real Estate department achieved a new record level of €3.1 billion in investment and development finance in Austria. Financing activities focused on commercial real estate, with office space accounting for 36% of total volume, followed by residential property with 28%, retail shops with about 25% and other/logistics with 11%. Hedging transactions were used for a large proportion of new business to hedge against an increase in interest rates. A number of initiatives launched by Real Estate in the area of investments led to a strong expansion of investment volume.

Public Sector had a very good year, with deposits exceeding expectations (in terms of both volume and income contribution) while developments in lending business more or less met expectations. The ratio of public finance tenders awarded to Bank Austria underlines the bank's market leadership position in this segment. While financing volume was in line with the moderate forecasts, hopes were not fulfilled as public investors showed restraint on account of the stability pact. We will probably see no easing of the austerity policy for the time being, and therefore marketing efforts are focusing on public private partnerships, which ease the burden of public debt. Bank Austria commissioned a study on this topic, which is available to the Austrian public sector for download free of charge. Another free service for the public sector, presented at the traditional forums organised by Bank Austria for municipal authorities in autumn 2015, is a tool which will help Austrian municipalities with the valuation of assets required for the first time under new budgeting regulations.

UniCredit Leasing (Austria) GmbH covers all areas of the leasing market. It is among Austria's top 3 leasing companies, financing real estate, aviation, renewables and all types of machinery and equipment. In addition the company offers motor vehicle leasing and fleet management services. New business in the entire Austrian leasing market is growing at a single-digit rate (forecast: between 6% and 8%). This compares with a 15% expansion of UniCredit Leasing's new business in the 2015 financial year, double the rate of market growth.

FactorBank AG, a wholly-owned subsidiary of Bank Austria, offers companies in the services, trading and manufacturing sectors with an annual turnover of at least €5 million a modern instrument to optimise their financing structure. Factoring can be used by almost any company. Total factoring turnover in Austria rose by 11.3% to €18.3 billion in 2015. FactorBank AG maintained its position as market leader in Austria, with a market share of over 43%.

Private Banking

(€ million)	2015	2014	CHANGE	
Operating income	177	175	+2	+1.3%
Operating costs	–121	–116	–5	+4.7%
Operating profit	56	59	–3	–5.2%
Net write-downs of loans	0	0	–0.2	n.m.
Net operating profit	56	59	–3	–5.5%
Profit before tax	**51**	**53**	**–3**	**–4.9%**
Total financial assets (avg.)	22,631	20,593	+2,039	+9.9%
Direct funding (avg.)	9,297	8,610	+688	+8.0%
Loans to customers (avg.)	609	622	–12	–2.0%
Risk-weighted assets (avg.)	524	600	–76	–12.7%
Average equity	200	170	+30	+17.4%

n.m. = not meaningful

The Private Banking segment, with the two well-known brands Bank Austria Private Banking – the private banking arm of a major bank – and Schoellerbank – a traditional private banking institution – is the undisputed market leader in Austria's private banking market. At the end of 2015, total financial assets were €22.8 billion. Two-thirds of the customers of Bank Austria Private Banking use the bank's extensive range of services, while Schoellerbank is perceived primarily as an institution providing asset management and other specialist services. With a presence in 24 locations throughout Austria, the Private Banking Division's 542 employees (FTEs, year-end 2015) serve about 34,000 high net worth individuals with an investment potential of €500,000 or more and 1,172 foundations.

2015 was a very successful year for the Private Banking Division: total financial assets grew by 6.7% to €22.8 billion and operating income rose by 1.3% from €175 million to €177 million. Profit before tax was €2.6 million below the level of the previous year, declining from €53 million to €51 million. Higher systemic charges (e.g. bank levy) accounted for more than one half of this decline. The strategy of focusing on asset management, a value creation-intensive service, and on a service approach which concentrates on providing holistic but flexible customer services and a wide range of products which includes commercial banking products, has been very successful – all the more so in an environment of interest rates close to zero and investment conditions which are perceived as being generally unfavourable.

● In 2015, **total financial assets** (TFA) rose by 9.9% to an average €22.6 billion (see table); as of 31 December 2015 they came to €22.8 billion, 6.7% up on the previous year. The increase of €1.4 billion was mainly driven by assets under management, while assets under custody and direct deposits rose slightly.

The expansion of the leading market position in asset management, the Private Banking Division's core objective, is reflected in an increase in the volume of **assets under management** over the past years to a current share of over one-third (36%) of TFA. One-third of the 16.3% increase in assets under management to €8.3 billion in 2015 is explained by good performance and two-thirds by ongoing net inflows of funds, which were positive in every quarter of the reporting period. At €6.2 billion, assets under custody (classic safe-custody business) slightly exceeded the figure of the previous year (+2.5%). **Direct deposits**, more volatile from quarter to quarter, totalled €8.3 billion at the end of 2015, 1.4% up on the previous year. Time deposits with long maturities and competitive terms (Basel 3 products) met with a strong response from Private Banking customers, partly at the expense of sight deposits. The attractive interest rates offered by these time deposits were particularly popular with major customers with ample liquidity.

● **Operating income** of the Private Banking business segment rose by 1.3% to €177 million in 2015, in parallel with the expansion of volume and turnover. Net interest declined by 8.0% to €58 million, reflecting the environment of low interest rates in the banking sector in 2015; strong deposit activity in the business segment was accompanied by narrowing margins. Given the nature of private banking business, **net fees and commissions** were again the largest income component (64%), contributing €114 million to operating income. This was an increase of 4.6% on the previous year. In line with the Division's business strategy, fee-based income from asset management, including fund products, was up by 8.6% and most recently accounted for over three-quarters of net fees and commissions. This compared with a year-on-year decline of 11.9% in income from custody services (safe-custody charges, commission from trading activities etc.). Fee-based income from other banking services rose by 8.4%. **Operating costs** in the reporting period rose by 4.7% compared with the previous year, with non-staff expenses (+6.8%) accounting for two-thirds of the increase and payroll costs (+3.5%) for the remaining one-third.

➔ After deduction of costs (and after the release of a small loan loss provision) and inclusion of non-operating items (–€6 million, with the bank levy accounting for €4 million of this amount), **profit before tax** came to **€51 million**, a decline of 4.9% on 2014. Over one half of the decrease is due to systemic charges (e.g. bank levy). As capital allocation to this service-intensive business segment is low, and thanks to the high profitability and competitiveness of Bank Austria's Private Banking activities, ROE before tax was disproportionately high at 25.4% (2014: 31.3%).

● A long-term, sustainable business policy is of particular relevance after a successful year such as 2015, in which our performance more or less matched the good result of the previous year in the face of a highly volatile market environment and economic uncertainty for our customers and the bank. With the Bank Austria **Private Banking business model** we embrace a holistic service philosophy geared to

Management Report (CONTINUED)

meeting clients' specific needs. This is complemented by a broad range of services which includes commercial banking products. This approach proved to be very successful during the financial market crisis. In a time which is characterised by historically low interest rates and volatile markets for the foreseeable future, we give priority to maintaining and optimising the value of our customers' assets over short-term performance targets and focus on managing risk through wide diversification. Our holistic advisory approach includes adjusting a customer's portfolio to his or her personal needs. This is achieved through liquidity planning, analyses of financial and portfolio structures, customised plans for asset transfers and retirement planning. This approach reduces the Private Banking Division's dependence on current market developments.

These activities are based on a sound market view obtained through comprehensive analyses by our experts in the Division. We pass this information lead on to our clients each day by means of an active information service provided in the form of online newsletters and regular specialist publications. Investment advisory and asset management services are also based on our market view as a component of our advisory approach. Under our **Preferred Partners concept** we cooperate closely with eleven of the largest and most renowned fund partners, who were carefully selected by us. On this basis we can offer our clients a selection of mutual funds which meet their needs while reflecting our market view and our quality criteria.

As in the previous years, the Preferred Partners concept has met with a very favourable response from our customers. The **Customer Advisory Index** (CAI), which is determined on the basis of a customer satisfaction survey and is a key measure of the quality of advisory services, rose by a further two points in 2015 to an excellent level of 86.

2015 saw the launching of the **"UNIVERS"** service model in Bank Austria's Private Banking Division: based on a transparent one-off fee, the customer can make investment decisions without considering the transaction costs. Customers with an overall investment volume of over €600 million had opted for this model by the end of 2015. It is targeted at investors looking for professional advice and execution, while preferring to take investment decisions themselves.

Bank Austria's Private Banking Division serves 1,172 out of a total of 3,257 private foundations and 460 foundations set up by Austrian federal and provincial government agencies. On this basis, Bank Austria is the market leader in **services for foundations**, with a market share of 31 %. Under its special initiative focusing on foundations, Bank Austria is committed to innovation as a factor helping to maintain Austria's attraction as a business location: the bank collected ideas and demands for modernising Austria's legislation on foundations and for improving the overall framework for private providers of risk capital. The ideas and demands were then presented to the relevant decision-makers. We will continue our efforts in this area in 2016, in cooperation with the Austrian Association of Charitable Foundations.

Schoellerbank, founded in 1833, is one of Austria's largest private banking institutions and serves private individuals, corporate customers and institutional investors. It specialises in meeting the demands of exacting investors, focusing on its core competencies of providing investment advisory services, asset management and retirement planning. Its investment philosophy is based on the motto: "It is better to invest than to speculate". Schoellerbank is a wholly-owned subsidiary of UniCredit Bank Austria AG and with its offices it maintains a presence throughout Austria.

Classic asset management, set up in 1992, together with investment advisory services and retirement planning, belongs to the core competencies of Schoellerbank and achieved very good results, especially in the last few challenging years. As a growing number of clients are entrusting Schoellerbank with the management of their assets, managed products account for two-thirds of total portfolio volume. This is in large part attributable to Schoellerbank's own investment management company, whose investment funds are regularly recognised for their good performance.

Schoellerbank's customers also give the bank a high rating: in 2014 the **"TRI*M-Index"**, which is determined on the basis of customer satisfaction surveys, for the first time moved into three-digit territory with 104 points. This excellent result was repeated with the survey in 2015. And the **Customer Advisory Index**, a key measure of advisory service quality, rose by two points to an excellent level of 90. This represents a level of customer satisfaction which is well above that found among comparable banks in the private banking sector.

In 2015, Schoellerbank's overall client service approach gained recognition on both a national and international level. For the fourth consecutive year Schoellerbank reached first place in the asset manager test of the German **Elite Report**. The **"Fuchsbriefe"**, independent raters of asset management quality, again ranked Schoellerbank as "recommended without reservation" in their most recent report. The bank also received an award from the **"WirtschaftsWoche"** business magazine and from the **MMD analysis company** as one of the best asset managers in 2015. The British specialist magazine **"The Banker"** and **"PWM Professional Wealth Management"**, published by the Financial Times, named Schoellerbank "Best Private Bank in Austria 2015". The US magazine **"Global Finance"** also awarded the bank the title "Best Private Bank 2015" in Austria. And at the end of 2015 Schoellerbank won recognition from "**DerBörsianer"**, an Austrian specialist magazine, as "Beste Privatbank in Österreich 2015" from among 51 banks.

Corporate & Investment Banking (CIB)

(€ million)	2015	2014	CHANGE	
Operating income	451	440	+11	+2.4%
Operating costs	–215	–208	–8	+3.8%
Operating profit	235	232	+3	+1.2%
Net write-downs of loans	25	3	+21	n.m.
Net operating profit	260	236	+24	+10.2%
Profit before tax	**208**	**208**	**+0**	**+0.2%**
Loans to customers (avg.)	13,210	12,899	+311	+2.4%
Direct funding (avg.)	9,907	8,736	+1,171	+13.4%
Risk-weighted assets (avg.)	8,766	8,394	+372	+4.4%
Average equity	782	758	+23	+3.1%

Corporate & Investment Banking (CIB) focuses on serving multinational companies and major international customers, providing them with capital market services and/or investment banking solutions tailored to their specific needs. CIB also serves banks, asset managers, institutional customers, insurance companies and selected real estate customers. Global Account Managers serve multinational customers (MNC), Senior Bankers provide services to selected top customers with a focus on investment banking. Integrated in the international network of UniCredit's CIB Division, CIB uses the financial market expertise of a major international bank to perform important functions as a product provider for other divisions. These products include structured finance; export and trade finance; real estate finance; cash management solutions; risk management to hedge currency risk, commodity risk and interest rate risk; M&A advisory and the structuring and financing of acquisitions; capital market and investment products; and treasury operations.

While the **Austrian economy** achieved GDP growth of 0.9% in 2015 and thereby grew stronger than in the previous year, it was lagging behind the euro area for the second consecutive year. Curbed by pessimistic consumer sentiment, private consumption made an only negligible contribution to economic growth. Investment activity remained weak, strengthening slightly as the year progressed. The reluctance of companies to make investments hardly improved as the impetus from foreign trade was too weak. The European Central Bank (ECB) responded to the persistently low inflation outlook in an environment of continued weak economic growth and low credit demand in the euro area by maintaining key interest rates unchanged at a low level in 2015 while once again lowering the negative interest rate on deposits towards the end of the year. In Austria, interest rates payable on loans again declined slightly. 2015 saw no change in lending volume, which had already been stagnating in Austria for almost four years. There are signs of a further revival of the Austrian economy in 2016, driven primarily by domestic demand. Consumption will receive an impetus from the tax reform. Supported by the ongoing recovery process in Europe, the prospects for stronger investment activity, which should lead to a slight rise in credit demand, are good. In view of discussions on a further easing of monetary policy by the ECB, it is likely that the very low interest rates, which represent a major challenge for banks, will not change.

● The earnings position of the **CIB business segment** developed in a positive manner in the past quarters. **Operating income** for the four quarters of 2015 came to a combined €451 million, €11 million or 2.4% up on the figure for 2014. Among the income components, **net interest** was held at more or less the level of the preceding quarters. At €294 million it was nevertheless 2.8% (–€8 million) below the level of the previous year, impacted by the persistent low interest rate environment. On the lending side, volume increased by 9.5% to €13.7 billion as at the end of 2015 (2014: €12.5 billion). Direct funding rose by 19.1% to €10.4 billion (2014: €8.8 billion). **Net fees and commissions** rose by €20 million to €104 million (+23.8% year-on-year), mainly reflecting a significant increase (+73.1% to €52.6 million) in financing services, which account for 50.4% of net fees and commissions. The second quarter of 2015, in particular, saw higher one-off income from the arrangement of major finance transactions. **Net trading, hedging and fair value income** was €48 million, only slightly lower than in the previous year (€52 million) and without showing any major fluctuations. The low underlying trading volume reflects the reduction of proprietary trading activities in the past years.

Operating costs rose slightly, by 3.8% to €215 million, compared with the previous year. Within the total figure, payroll costs increased at a moderate 2.5% to €74 million (2014: €72 million). Staff numbers (FTEs) at the end of December 2015 were 490 FTEs, virtually unchanged over the previous year (495 FTEs). Other administrative expenses increased by 4.0% to €142 million, reflecting IT development costs. In 2015 there was a net release of loan loss provisions, resulting in income of €25 million. The **provisioning charge** remained low: the cost of risk was –19 basis points, reflecting the high quality of the loan portfolio.

On this basis, **net operating profit**, i.e. operating profit less net write-downs of loans and provisions for guarantees and commitments, rose by 10.2% to €260 million in 2015, boosted by higher operating income and the positive credit risk result. A positive contribution also came from the low cost/income ratio (47.8%) in the CIB business segment. Non-operating items to be deducted from the above amount included the bank levy and the contribution to the Single Resolution Fund, which amounted to a combined charge of €36 million, various provisions of €8 million and €8 million in securities write-downs. The resulting **profit before tax** of the CIB business segment was **€208 million**, exactly matching the good result of the previous year (2014: €208 million). This gives a return on equity (ROE before tax) of 26.6% (2014: 27.4%). The CIB business segment accounted for 6.6% of risk-weighted assets and 7.0% of operating costs, and contributed 12.8% to the profit before tax of the bank as a whole.

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● In addition to its functions within the bank, CIB enables its customers to benefit from its capital market expertise, its market position based on the UniCredit Group network and a presence in all major financial centres around the world as well as from excellent access to our core regions in Western, Central and Eastern Europe and 50 countries worldwide, giving Bank Austria essential competitive advantages.

In 2015, the CIB business segment further expanded its leading market position in the segment of **multinational companies**. Its **corporate finance** business developed in a very positive manner in the face of a challenging and highly competitive market environment characterised by reluctance of customers to take up loans, a squeeze on margins and continued loan-bond substitution. Structured business, in particular, involving acquisitions, syndicated loans, capital market transactions, commodity trade finance and structured trade and export finance grew at a rate well above that of the previous year; in many cases the growth rate was in the double-digit range. After a long pause, lending volume is again showing an upward trend, supported by a broad base. In 2015, the CIB Division operated in a generally positive business environment that featured strong demand for structured export finance and working capital solutions. The market environment moreover showed growing signs of trade finance activities in both Austria and overseas. Margins remain tight in an environment of high liquidity and strong international competition.

Standard lending business developed at a much slower pace. Lending volume in the economy as a whole was weak or in some cases declined slightly, depending on the business segment. This is explained less by a limited willingness of banks to provide loans than by continued credit restraint by corporate customers and their preference for liquidity. While CIB was unable to entirely protect itself from these general market developments it succeeded in partly offsetting the shortfall through additional business with target customers in the defined growth regions. The intensive cultivation of the extended core markets of Spain, Portugal, South Africa and Scandinavia – where Bank Austria is gaining a foothold as a leading provider of finance solutions through the CIB business segment – made a positive contribution to CIB's performance.

The **funding activities of companies** in Austria and in a European context were very modest in 2015. Most companies used the low interest rates of previous years to secure attractive terms and conditions in the longer term where this was possible. Annual loan maturities were therefore disproportionately low in 2015. And in many cases, further interest rate reductions during the year at the long end of the maturity range did not offer sufficient incentive for companies to opt for term-driven funding.

Over the years, funding via the **capital market** has become a significant feature of business with corporate customers. Besides loan-based financing, bonds and loans against borrowers' notes have developed into an important second pillar in this context. CIB has benefited from this positive development, maintaining its position as market leader in this segment over the past years and acting in a leading capacity for attractive transactions.

In addition, 2015 saw an increase in the volume of **deposits** in the CIB business segment, despite the difficult interest rate environment and changes in the general framework conditions. As the low level of interest rates is prompting decision-makers in companies to look for attractive alternative investments, CIB took advantage of this situation by offering customers its expertise and customised products. Many companies also used the low interest rates to hedge their long-term interest payments. The high volatility of interest rate and currency markets led to stronger **hedging activities** with a view to stabilising companies' annual financial results. Treasury operations made a structurally significant contribution to CIB's performance in the face of a challenging monetary environment characterised by negative money market rates in euro and CHF, an unusually flat yield curve and negative yields on government bonds. This was achieved by making consistent use of market volatility and through optimised management of the underlying equity capital resources.

In the area of **cash management**, customers of CIB benefited from the launching of innovative products (electronic bank settlement, BankIdent procedure). In 2015 Bank Austria again received the Euromoney award "Best Cash Manager in Austria".

Bank Austria's expertise and contacts to export credit agencies moreover opened up additional opportunities for corporate customers in Austria and other countries wishing to export their products and services – from **working capital facilities** with favourable interest rates to highly complex buyer finance arrangements for plant manufacturers. 2015 saw a significant rise in new **export finance** business compared with the previous year. Bank Austria's **trade finance** operations held up well in the reporting year despite a contracting market, with the bank maintaining its position as the undisputed market leader in this segment.

Central Eastern Europe (CEE)

(€ million)	2015	2014	CHANGE		CONST 1)
Operating income	3,816	3,824	–8	–0.2%	*+6.7%*
Operating costs	–1,475	–1,501	+26	–1.7%	*+3.2%*
Operating profit	2,341	2,323	+18	+0.8%	*+8.9%*
Net write-downs of loans	–1,017	–675	–343	+50.8%	*+63.9%*
Net operating profit	1,324	1,648	–324	–19.7%	*–13.2%*
Profit before tax	**1,094**	**1,396**	**–302**	**–21.6%**	***–14.0%***
Loans to customers (avg.)	57,949	56,899	+1,050	+1.8%	*+9.7%*
Direct funding (avg.)	55,979	49,796	+6,183	+12.4%	*+21.0%*
Risk-weighted assets (avg.) 2)	96,823	85,579	+11,243	+13.1%	*+0.7%*
Average equity	14,255	13,980	+275	+2.0%	…

1) CONST = rates of change at constant exchange rates. / 2) Risk-weighted assets include Turkey on the basis of proportionate consolidation.

The CEE business segment comprises Bank Austria's banking subsidiaries and other companies in 13 countries as well as the management functions at the Vienna-based CEE headquarters. As at the end of 2015, the CEE business segment had 28,486 employees (FTEs), who work in 1,305 branches of the consolidated banking subsidiaries (including the bank in Ukraine, which is classified as held for sale), forming the most extensive banking network in the CEE region. Added to this are the 18,976 employees (FTEs at 100%) and 1,043 branches of our Turkish joint venture. In accordance with IFRS 11, the investment in the Turkish joint venture is accounted for using the equity method. In 2015, the CEE business segment generated a profit before tax of €1,094 million, accounting for about 70% of Bank Austria's profit before tax from customer business (Bank Austria without the Corporate Center). Bank Austria's equity interests in CEE companies, and thus the bank's CEE Division, will be transferred to UniCredit SpA in the course of 2016.

***Methodological changes:** In this report, income and expenses arising from CEE sub-holding company functions which are closely connected with operating activities of the commercial banks in CEE are assigned to the CEE business segment in accordance with the principle of causation. (Comparative figures for the previous year have been recast.) These items, which have so far been reflected in the Corporate Center of Bank Austria as a whole, mainly include income and expenses arising from asset/liability management, various items and legacy burdens relating to equity interest management (purchase price adjustments and valuation adjustments) and results from the hedging of the annual profits of individual CEE banking subsidiaries. This means that the methodological changes primarily affect net interest, net fees and commissions, net trading income and also total profit or loss after tax from discontinued operations (Ukraine) as well as non-controlling interests. Income and expenses newly assigned to the CEE business segment are combined with the results of the Profit Center Vienna (primarily cross-regional loan portfolio), and with all other units which cannot be allocated to the various countries, to form the item "CEE cross-regional". This change provides a clearer definition of the performance of operations in Austria and in Central and Eastern Europe.*

● Based on its broad diversification and focusing on regional initiatives in 2015, the CEE Division balanced out divergent economic trends and varying business conditions in the large CEE region and again achieved a **good performance.** Adjusted for a special factor (the one-off charge resulting from the mandatory conversion of foreign currency loans at historical exchange rates in Croatia – "FX Croatia") the **CEE countries** (i. e. the CEE Division without the cross-regional components) generated a **net profit** of **€1.3 billion**, an increase of 7.0% (adjusted for exchange rate effects: +13.4%) over 2014. This reflects an excellent performance from the Central European and South-East European countries, together referred to as CESEE, with profit growth (excluding the FX/Croatia effect) of 37.8% to €763 million. Turkey's contribution to net profit also rose, by 2.4% to €349 million (adjusted for exchange rate movements: +6.3%), although economic trends were weak over much of the year. These increases balanced out the shortfalls in Russia, which remained within limits in the difficult environment, with a net profit of €224 million (adjusted for exchange rate movements: –15.6% compared with the previous year).

Profit contribution 1) from the CEE business segment

€ million (2014 recast)

	2015	2014	+/–	+/– %	CONST
CEE countries (without FX Croatia)	1,337	1,250	+87	+7.0%	*+13.4%*
One-off effect FX Croatia 2)	–143		–143		
Cross-regional 3)	–590	–247	–343		
CEE business segment	604	1,003	–399	–39.7%	*–39.4%*

1) Net profit attributable to the owners of the parent company. / 2) Impact on the income statement from the mandatory conversion of foreign currency loans in Croatia. / 3) Cross-regional business (Profit Center Vienna, UCTAM restructuring unit etc.) and CEE Corporate Center sub-holding company functions (capitalisation, liquidity management, equity interest management).

Apart from the one-effect in Croatia, the CEE Division's profits were impacted by expenses recognised in the CEE Corporate Center (Vienna Profit Center – VPC) for "cross-regional" items and one-off effects, which totalled –€590 million and were double the figure for the previous year (see table above). This includes primarily the workout of exposures at the bank in Ukraine, which is classified as held for sale: the current loss, impairment charges, provisions and net write-downs of loans in the cross-regional loan portfolio had a negative impact of €367 million on the CEE Division's net profit. Other current expenses of the CEE Corporate Center include higher costs relating to liquidity management and funding, but the total figure more or less matched the previous year's level. These charges, mostly non-operating items, reduced the CEE Division's profit by more than one-half to €604 million (–39.7% compared with the previous year).

● **Business developments** at the CEE banking subsidiaries in 2015 reflected the continued expansion of the market position: the number of customers in retail banking operations rose by 7% to 15.0 million and in the corporate banking segment by 3% to 105,000 customers. Volume expansion also continued in 2015: average lending volume in 2015 was €57.9 billion, up by 1.8% (adjusted for exchange rate movements: +9.7 %) on 2014 although credit demand was lower than in previous years. A strong increase of 12.9 % to €52.9 billion was seen in deposits from customers in average terms for the year (adjusted for exchange rate movements: +20.9 %). This means that the gap between deposits and loans has narrowed further.

Developments in 2015 show that higher growth in the real economy and in the banking sectors in CEE no longer simply translates into revenue growth, as it did in previous years. This applies to the Central European countries in particular. Nevertheless, operating income and profits held up well in these countries, despite continued efforts of local companies and private households to reduce their debt. In 2015 our banks in South-East Europe continued to benefit from their function as international banks and from their reputation and market shares of up to 20 % (Bulgaria) and 27 % (Croatia); their operating income and profits increased significantly. However, commercial banking business in CEE also reflects advanced convergence. The advanced CEE countries also recorded a decline in customer interest rates and commercial spreads in the low interest rate environment. While net interest was under pressure – due to volume and margin trends –, net fees and commissions rose significantly, with developments varying according to the countries' economic profile: in commercial banking, growth was seen in guarantees, loan commissions and transaction services, and/or on account of the advance of digital services; in some countries the increase in net fees and commissions was driven by accelerated growth of customers' holdings of financial assets and rising demand for investments.

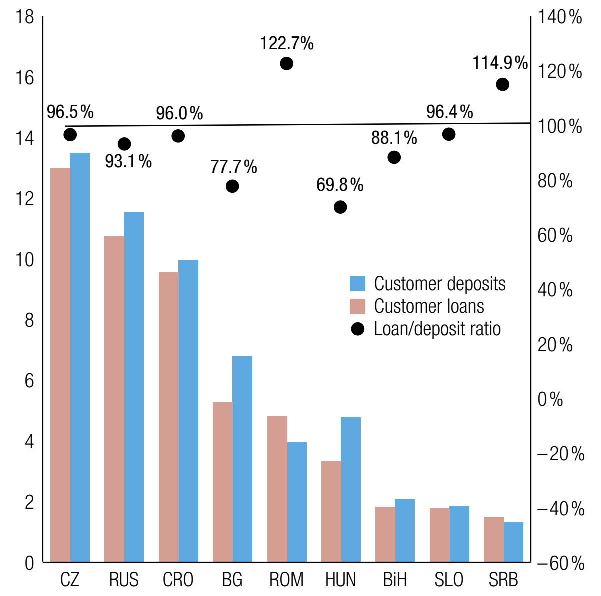
Operating performance in CEE

€ million (2014 recast)

	2015	2014	+/–	+/– %	*CONST*
… *Average volume of customer loans*	*57,949*	*56,899*	*+1,050*	*+1.8 %*	*+9.7 %*
… *Average volume of customer deposits*	*52,943*	*46,878*	*+6,065*	*+12.9 %*	*+20.9 %*
… Net interest	2,381	2,456	–75	–3.1 %	*+5.3 %*
… Net fees and commissions	718	702	+16	+2.2 %	*+4.5 %*
… Net trading, hedging and fair value income	329	266	+63	+23.9 %	*+36.8 %*
… at-equity contribution from Turkey	349	341	+8	+2.4 %	*+6.3 %*
Operating income	3,816	3,824	–8	–0.2 %	*+6.7 %*
Operating costs	–1,475	–1,501	+26	–1.7 %	*+3.2 %*
…*Cost/income ratio* 1)	*42.5 %*	*43.1 %*		*–0.6 pp*	
Net write-downs of loans and provisions for guarantees and commitments	–1,017	–675	–343	+50.8 %	*+63.9 %*
… *without FX Croatia* 2)	*–812*	*–675*	*–138*	*+20.4 %*	*+34.1 %*
… *Cost of risk* 2) 3)	*140bp*	*119bp*	*+22bp*		
Net operating profit 4)	**1,324**	**1,648**	**–324**	**–19.7 %**	***–13.2 %***
… *without FX Croatia* 2)	*1,529*	*1,648*	*–119*	*–7.2 %*	*–1.2 %*

1) Without Turkey, which would be included with its at-equity contribution in the denominator but not in the numerator of the cost/income ratio. / 2) Adjusted for the effect of the mandatory conversion of foreign currency loans in Croatia. / 3) Net write-downs of loans in basis points of average lending volume. / 4) Operating profit less net write-downs of loans and provisions for guarantees and commitments. / CONST = adjusted for exchange rate movements, i.e. converted at constant exchange rates.

Loan/deposit ratio in CEE



● **Operating income** in the CEE Division amounted to €3,816 million, matching the high level of the previous year (–0.2 %, adjusted for exchange rate movements: +6.7 %). An analysis of countries shows that growth in operating income at our units in Central Europe and in South-East Europe offset the decline in Russia, which was mainly the result of exchange rate movements. In a breakdown of income components, the decline in net interest was largely balanced by an improvement of other income components (net fees and commissions and net trading, hedging and fair value income) as well as by the contribution from Turkey, accounted for using the equity method.

Net interest amounted to €2,381 million, slightly down on the figure for 2014 (–€75 million/–3.1 %). Without Russia, which is a special case, net interest increased moderately, by €31 million or 1.8 %, to €1,791 million, although volume based on this definition was 4.4 % higher than in the previous year. While interest margins narrowed across all country groups, margins are still wide enough for net interest to grow at a disproportionately strong rate the next time business volume increases again. In euro terms, net interest generated in Russia (€590 million) fell by €106 million or 15.3 % on the previous year, with average lending down by 5.7 %. Adjusted for exchange rate movements (translated at constant exchange rates prevailing at the end of 2013), net interest in Russia rose by 13.2 %, with volume growing by 27.0 %. Both figures, especially volume, reflect the higher valuation of foreign currency loans in rouble terms as a result of exchange rate movements. In economic terms, the underlying development is more likely to move in line with euro figures – about one-half of lending volume is denominated in US dollar, for which exchange rate movements against the rouble were similar to those of the euro. Net interest in Central Europe (CE: +0.3%) was stable, due to expansion in the Czech Republic and in Slovakia (+2.8%) which offset the decline in interest rates to very low levels by now. Special mention should be made of the net interest performance of South-East European countries (combined growth: +5.2%), especially Bulgaria but also the Western Balkan countries. In these countries, interest rates are declining from a very high level (with inflation close to zero and partly fixed exchange rates), enabling the local banks to reduce interest rates on the deposit side. Bulgaria additionally benefits from special effects (destination country adjacent to Greece, market position after the end of the previous year's local banking crisis). Apart from developments in day-to-day commercial banking activities, net interest was lower in some countries because in 2014, when interest rates started to decline significantly, the local banks (mainly in Romania and Hungary) had realised gains on substantial holdings of available-for-sale investments.

Net fees and commissions (€718 million) were slightly higher than in the previous year (+2.2%); without Russia, a special case, net fees and commissions were up by €77 million or 13.4% on 2014. Within CEE, trends vary from country to country on account of structural differences as the significance of sources of net fees and commissions differs. In the Central European countries, investment in mutual funds – currently supported by rising disposable income – is a growing business line; significant increases were achieved especially in the Czech Republic (+9.1%) and in Hungary (+5.8%). In South-East Europe (+4.2%), growth in net fees and commissions was partly driven by loan/guarantee commissions and transaction services.

For the banking subsidiaries in **CEE, net trading, hedging and fair value income** is a reliable source of income because of local interest-rate and exchange-rate volatility, management of larger foreign currency volume and the related customer needs. In 2015, net trading income amounted to €329 million, one-quarter up on the figure for the previous year (+23.9%), although the sub-holding company functions assigned to the CEE business segment had an adverse impact on net trading performance. Trading in interest-rate/foreign-exchange derivatives developed very favourably against the background of volatile market conditions. Securities trading, on the other hand, was lagging behind the trend seen in the previous year, when strong interest rate reductions made it possible to realise gains in the trading book. In regional terms, all country groups reported positive trading results: Central Europe (CE) generated net trading income of €118 million, with growth in the Czech Republic/Slovakia being offset by a decline in Hungary (after large gains realised in 2014). Our banking subsidiaries in South-East Europe (SEE) achieved strong increases in net trading income (+7.7% to €163 million); commercial foreign exchange trading made the largest contribution in this context. Our Russian bank recovered from the setback in the turbulent fourth quarter of 2014 (–€51 million) and achieved a turnaround in 2015, with net trading income of €62 million (after a net trading loss of €30 million in the previous year) thanks to a good performance from derivatives and bond trading, despite the adverse environment in foreign exchange trading and rising negative valuation effects (CVA) in trading operations.

Dividend income and other income from equity investments came to **€364 million** in 2015, up by €19 million or 5.5%. The pro-rata profit contribution of €349 million from Yapı Kredi ve Bankasi, a joint venture in Turkey with our partner Koç Group, is included in this item in accordance with IFRS 11. The amount contributed by the Turkish bank was again slightly above the level of the previous year (+€8 million or +2.4%; adjusted for exchange rate movements: +6.3%) despite unfavourable economic conditions in much of 2015 and depreciation of the local currency. This good performance resulted from very strong volume expansion (loans: +29.6%, adjusted for exchange rate movements), with a favourable development of net interest, and from continued growth of fee and commission income.

Net other expenses/income covers many minor items not included in core banking business. This item showed net income of €24 million in 2015, a decline of €31 million on the figure for the previous year. The decrease reflects mainly the sale of Istraturist Umag d.d., a Croatian tourism company, in November 2014, so that income from the 2015 season was no longer received.

● In euro terms, **operating costs** in the **CEE Division** amounted to €1,475 million. At this level they were 1.7% lower compared with the previous year and up by 3.2% at constant exchange rates, with both effects being due to developments in Russia (down by 16.3% in euro terms/up by 11.8% in rouble terms). Payroll costs in Russia rose as a result of higher social charges, and other administrative expenses increased in connection with IT projects; moreover, rent agreements denominated in US dollars had an impact on account of exchange rate movements. Without Russia, operating costs rose by only 1.3% (adjusted for exchange rate movements: +1.2%). In average terms for 2015, staff numbers in the CEE Division (without Turkey and Ukraine) were 24,088 FTEs, more or less unchanged. The decline of 289 FTEs was accounted for by Croatia (–303 FTEs) following the deconsolidation of Istraturist Umag d.d. The **cost/income ratio** in CEE – without Turkey, whose contribution is accounted for using the equity method and is therefore included in operating income but not in operating costs – declined by 0.6 percentage points to **42.5%.**

➔ The CEE Division's **operating profit** was €2,341 million, slightly higher than the figure for 2014 (+0.8%; adjusted for exchange rate movements: +8.9%).

● **Net write-downs of loans and provisions for guarantees and commitments** in the CEE Division in 2015 were €1,017 million, significantly higher than the previous year's figure (+€343 million or

Management Report (CONTINUED)

+50.8%; adjusted for exchange rate movements: +63.9%). Besides the one-off effect in Croatia (+€205 million), the increase was due to developments in Russia (+€129 million) and in the cross-regional portfolio (+€124 million), which was impacted by the Russia/Ukraine conflict. In the other countries the provisioning charge declined by a combined €115 million or 20.3%. Contributions to the decline came from the Central European countries – reflecting their good economic performance –, led by our banking subsidiary in the Czech Republic/Slovakia with a reduction of one-third (–32.4%) and by Slovenia and Hungary, following the reduction of foreign currency exposure in these countries. In South-East Europe (SEE) the combined charge for loan loss provisions (without the special effect in Croatia) declined by 18.2%; the decrease was strongest in Bulgaria and Romania, but also in Serbia. The improvement in the cost of risk was most pronounced in the latter two countries, although it was still one of the highest at 225bp (Romania) and 182bp (Serbia). In Russia, the provisioning charge came to €214 million, two and a half times the 2014 figure (€85 million). The increase reflects the commercial impact of the depreciation of the rouble, the recession and the sanctions on the balance sheets of corporate customers. Until the crisis started, Russia was among the countries with the lowest cost-of-risk levels and in 2014 the cost of risk was still as low as 66bp of average lending volume; in the reporting year, however, the cost of risk rose to 177bp. On this basis it was already above the CEE average (without FX/Croatia) of 140bp. **Asset quality** in the CEE Division improved slightly despite a deterioration in Russia. In CEE the ratio of non-performing exposures was 11.8% (in net terms, 5.9%) at the end of 2015, down by 0.6 percentage points on year-end 2014. The CEE business segment benefited from a significant reduction of non-performing exposures (–3.7%). As specific write-downs hardly changed, the coverage ratio rose to 53.4% after 51.2%.

Net operating profit1) in CEE € million (2014 recast)

	2015	2014	+/–	+/– %	*CONST*
CEE countries	1,549	1,737	–188	–10.8%	*–4.9%*
… without FX/Croatia	*1,754*	*1,737*	*+16*	*+0.9%*	*+6.5%*
Central Europe (CE)	492	455	+38	+8.3%	*+7.8%*
South-East Europe (SEE) without FX/Croatia	626	488	+138	+28.3%	*+28.7%*
FX/Croatia	–205		–205		
Turkey (at-equity contribution)	349	341	+8	+2.4%	*+6.3%*
Russia	285	453	–168	–37.0%	*–15.8%*
CEE cross-regional 2)	–225	–89	–136	>100%	
Central Eastern Europe (CEE)	1,324	1,648	–324	–19.7%	*–13.2%*

1) Operating profit less net write-downs of loans and provisions for guarantees and commitments. / 2) Cross-regional business (Profit Center Vienna, leasing companies, UCTAM restructuring unit etc.) and CEE Corporate Center sub-holding company functions (capitalisation, liquidity management, equity interest management). / CONST= converted at constant exchange rates.

➔ **Net operating profit** of the banking subsidiaries in CEE (without the FX/Croatia effect) came close to the level of the previous year; adjusted for exchange rate movements, it was significantly higher (+6.5%, see the table above). Net operating profit achieved by the Central European countries increased by a gratifying 8.3%, with our banking subsidiary in the Czech Republic/Slovakia generating a 15.5% increase in net operating profit. Slovenia also achieved a good performance after a weak 2014. Strong growth of double-digit percentage rates was seen at all units in South-East Europe (adjusted for the FX/Croatia effect: +28.3%). Operating profit accounted for close to one half of the increase in net operating profit achieved by this group of countries (adjusted: +€140 million) and the decline in net write-downs of loans for the remaining amount. The improved performance in CESEE offset the shortfall in Russia (–€168 million or –37.0%; adjusted for exchange rate movements: –15.8%). Cross-regional items had a stronger adverse impact: besides higher liquidity and funding costs, and FX hedging costs, these items also reflected the provisioning charge for the loan portfolio booked at the Profit Center Vienna.

● To arrive at the CEE Division's net profit for 2015, the balance of **non-operating expenses** of €720 million (2014: €645 million) was to be deducted from net operating profit.

Profit performance1) in CEE € million (2014 recast)

	2015	2014	+/–	+/– %	*CONST*
Net operating profit 2)	1,324	1,648	–324	–19.7%	*–13.2%*
Provisions for risks and charges	–68	–137	+69	–50.4%	*–51.2%*
Systemic charges 3)	–155	–120	–35	+28.9%	*+31.1%*
Integration/restructuring costs 4)	–8	–7	–1	+11.3%	*+9.6%*
Net income from investments	2	13	–11	–87.3%	*–83.1%*
Profit before tax	1,094	1,396	–302	–21.6%	*–14.0%*
Income tax	–169	–212	+43	–20.4%	*–12.4%*
Discontinued operations 5)	–423	–206	–217	>100%	*+96.8%*
Non-controlling interests 6)	102	25	+77	>100%	*>100%*
Net profit 1)	604	1,003	–399	–39.7%	*–39.4%*

1) Net profit attributable to the owners of the parent company. / 2) Operating profit less net write-downs of loans and provisions for guarantees and commitments. / 3) Bank levies and other systemic charges. / 4) Integration/restructuring costs. / 5) Total profit or loss after tax from discontinued operations. / 6) Minority interests.

Provisions for risks and charges were lower than in the previous year (see table). Bank levies and other systemic charges burdened performance in CEE (after allocation) with €155 million. Of the total amount, bank levies – in Hungary and Slovakia and in the Profit Center Vienna (PCV) – accounted for €41 million and other systemic charges totalled €114 million, of which €86 million contributed to the deposit guarantee schemes and €28 million contributed to the bank resolution funds in Hungary, Croatia, Slovenia, Bulgaria, Romania and the PCV. Integration/restructuring costs and net income from investments hardly changed and remained at low levels.

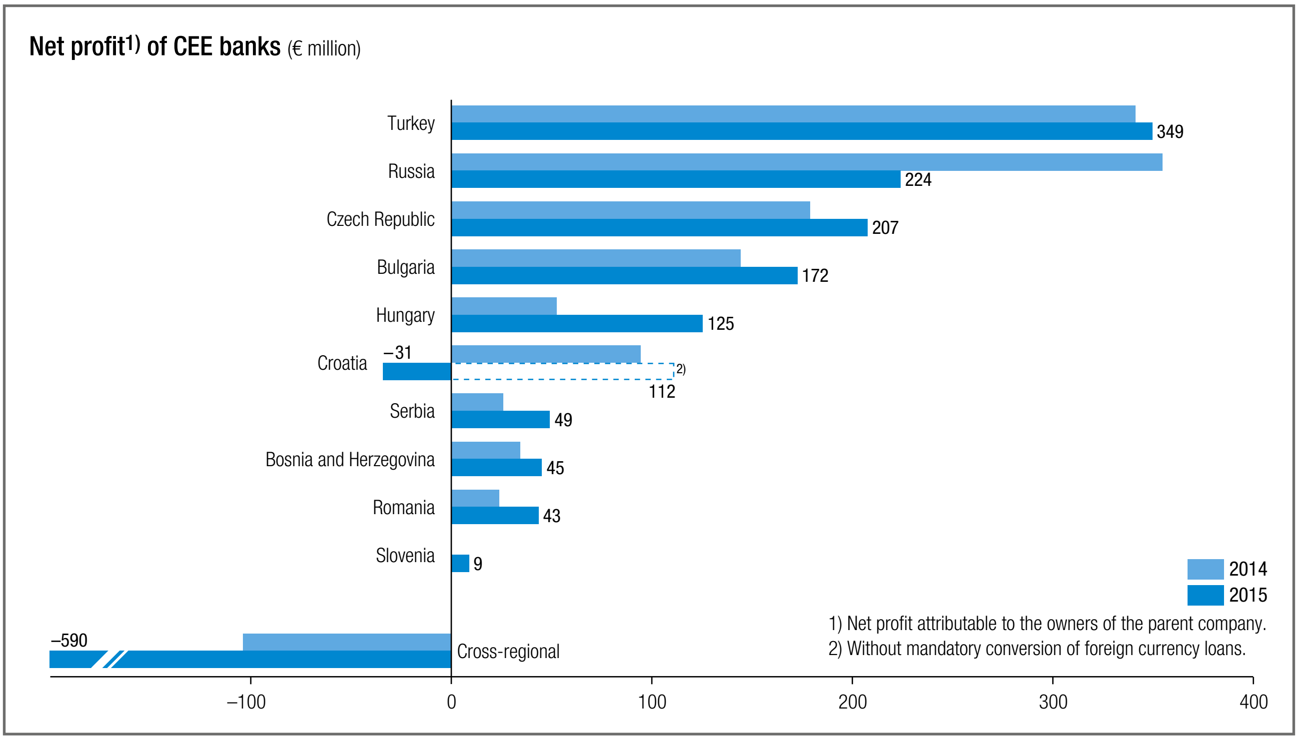
➔ **Profit before tax** of the CEE Division exceeded 1 billion euros (€1,094 million after €1,396 million) despite a number of special impacts in 2015.

● The items between profit before tax and net profit are mainly determined by the item **“Total profit or loss after tax from discontinued operations”**: it reflects the income statement items applicable to Ukrsotsbank, which is classified as held for sale, together with write-downs and additional expenses. The bank’s loss of €127 million (including consolidation effects) for 2015 and the impairment charges recognised in respect of Ukrsotsbank in June and December 2015 in accordance with IFRS 5 (a total amount of –€298 million) had a negative impact of –€425 million (2014: –€180 million) on total profit or loss after tax from discontinued operations in the CEE business segment; the item therefore shows a loss of €423 million for 2015 after a loss of €206 million for 2014. Of the total loss arising from Ukrsotsbank, €111 million – including a share of the impairment charges – was attributable to UniCredit SpA, which is a minority shareholder in Ukrsotsbank. Therefore the item **non-controlling interests** in the income statement of the CEE business segment for 2015 shows income of €102 million (+€25 million).

→ The Central Eastern Europe (CEE) business segment achieved a **net profit of €604 million** in 2015 (2014: €1,003 million). Net profit generated by the banks in CEE amounted to €1,194 million (without Ukraine), down by only 4.4% on the previous year and significantly higher, by 7.0%, if the FX Croatia effect is excluded. This is a good performance in view of the mixed environment. All banking subsidiaries operated profitably in 2015 (Croatia adjusted for the effect of the mandatory conversion of foreign currency loans), and all of them, with the exception of Russia, even recorded profit growth (see chart).

The results of the cross-regional units in CEE (a combined –€590 million after –€247 million) reflect the impacts from divisional steering functions, the management of the cross-regional loan portfolio and of international guarantees, but first and foremost the charge related to the workout of exposures in Ukraine. In line with Group strategy, which focuses on growth – and the required allocation of capital – in CEE countries with higher sustainable growth and earnings potential, and on further reducing risk, UniCredit Bank Austria AG and UniCredit SpA have signed a binding agreement for the transfer of Ukrsotsbank to the Alfa Group. **Ukrsotsbank**, the banking subsidiary in Ukraine, will continue to be classified in the statement of financial position as a disposal group held for sale until the transaction is completed; the closing of the sale is expected for 2016.

When UniCredit presented its multi-year plan in November 2015, it announced its intention to transfer direct shareholding control of CEE business to UniCredit SpA. The transfer of equity interests in CEE companies from Bank Austria to the Group holding company, subject to resolutions adopted by the corporate bodies, is to take place by the end of 2016. This move is intended to streamline the organisation of UniCredit Group. It will also enhance UniCredit’s ability to manage liquidity and capital for the Group, and also for CEE


Net profit[1] of CEE banks (€ million)

1) Net profit attributable to the owners of the parent company.
2) Without mandatory conversion of foreign currency loans.

Management Report (CONTINUED)

business, in the current regulatory environment (global SIFI, banking union etc.). This change in governance will not in any way affect the close links between Austrian corporate banking business and the CEE network.

UniCredit sees itself as a long-term, strategic investor in Central and Eastern Europe which aims to develop its business with both corporate and private customers in the region. The banking group intends to expand its customer base by another 1 million customers each year until 2018. According to its strategic plan UniCredit is going to invest €1.2 billion in digitalisation to match new trends in customer behaviour, also through the use of Big Data, while reducing costs. The number of Internet banking users is projected to increase from currently 5 million to 10 million and the number of mobile banking users from currently 1 million to 7 million over the next three years. CEE lending volume is expected to grow by €20 billion to €106 billion in 2018.

UniCredit is the number one banking group in Central and Eastern Europe – in terms of network, total assets and geographic diversification. The banking group operates an extensive network of almost 3,100 branches in 13 countries. Two out of three international corporate customers from Germany, Italy and Austria operating in CEE are UniCredit customers. The banking group has long-established expertise in handling state and EU-supported investment programmes in the CEE region resulting in more than €2 billion facilities dedicated to EU Funds projects and another over €1.3 billion in financing agreements. UniCredit banks are among the top banks in their respective home country. Broad diversification in terms of customers, products and markets has made the CEE region a reliable strong pillar of the UniCredit banking group. The intended transfer of shareholdings in CEE banks directly to UniCredit is another step towards making the corporate structure leaner and enhancing efficiency in capital and liquidity management.

Awards UniCredit/CEE

Euromoney-Award for Excellence

- **Best Bank in CEE, Bosnia, Bulgaria, Hungary, Russia and Slovenia**
- **Best Debt House in CEE**
- **Best Transaction Service House in CEE**

Euromoney-Trade Finance Survey

- **# 1 Trade Finance Provider in CEE**
- **# 1 Trade Finance Provider in Bosnia&Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Russia, Serbia, Slovakia and Turkey**
- **# 1 position in Guarantees and Open Account Payments**

The Banker

- **Most Innovative Investment Bank in CEE**
- **Highly commended Bank in CEE**
- **Best Private Bank in Croatia**

Global Finance

- **Best Bank for Cash Management in CEE**
- **Best Trade Finance Bank CEE**
- **Best Supply Chain Finance Provider in CEE**
- **Best Bank for Liquidity Management in CEE**
- **Best Sub-Custodian Bank in CEE**
- **Best Private Bank in CEE and Hungary**
- **Emerging Markets Bank in Bulgaria**
- **Best Trade Finance Bank in Bulgaria, Czech Republic, Poland and Croatia**
- **Best Sub-Custodian Bank in Bulgaria, Czech Republic, Hungary, Poland, Serbia and Slovenia**

Trade & Forfaiting Review

- **# 2 Trade Bank in CEE**

Mergermarket M&A Awards

- **Financial Adviser of the Year in CEE**

Reports on CEE banking subsidiaries

▶ **Turkey:** 2015 was another volatile year in terms of economic, political and geopolitical developments which resulted in Turkey experiencing currency depreciation and an increase in interest rates. On the domestic front, Turkey held general elections in June and snap elections in November due to an unsuccessful attempt to form a government after the June elections. Uncertainty in the operating environment decreased and the currency stabilised to some extent as the elections resulted in a single party government. On the global front, the timing and magnitude of the Fed rate increase, European Central Bank policy, slowdown in China's economic growth and geopolitical risks were the other factors which put pressure on the operating environment. Towards the end of the year, especially after the widely expected rate hike by the Fed, markets showed a normalisation in fundamentals. In this environment, Turkey's banking sector achieved more than 20 % y/y growth in both loans and deposits.

In 2015, **Koç Financial Services (KFS)**, the financial holding company controlling 81.8 % of **Yapı Kredi**, achieved a resilient commercial performance by successfully moving towards its targets in the context of its growth-oriented investment strategy that started in 2014. In line with its growth strategy, Yapı Kredi's investments continued primarily in employees, ATMs and the branch network. Accordingly, in the last 2 years, sales operations were further strengthened with the total number of employees increasing by about 2,500 to almost 19,000 (on the basis of full-time equivalents). During this period, with the opening of close to 80 new branches, the total number of branches exceeded 1,000. Additionally, 1,299 new ATMs were deployed, thereby further strengthening the ATM network to over 4,332. As a result, Yapı Kredi acquired almost 1.2 million new customers in the past 2 years and reached a total of 11.1 million customers. Moreover, Yapı Kredi was able to substantially widen its Internet and mobile banking active customer base and achieved 80 % growth in the total number of active Internet banking customers and growth of more than 300 % in mobile banking customers. Yapı Kredi handles 85 % of total banking transactions through its alternative delivery channels. Yapı Kredi's local capital adequacy ratio was 13.8 % as of the end of 2015.

In the last 2 years, Yapı Kredi continued to achieve market share gains in key value generating areas. In total loans, Yapı Kredi grew by 21 % in 2015 while market share among private banks has increased by 170 basis points over the last 2 years. At the same time, total deposits grew by 19 % in 2015 and the cumulative 2 year market share gain was 150 basis points. Yapı Kredi also continued its focus on diversifying its funding sources through syndications, securitisations, bond issues and other financial instruments, and its borrowings to total liabilities remained stable at 21 %.

Operating income increased to 9 billion Turkish lira, driven by a strong contribution from core revenue. Net interest income grew by almost 20 % and fees by 15 % y/y, mainly driven by value generating lending growth and customer acquisition efforts. Costs were up by 9 % y/y, reflecting the investments made for growth. In 2015, Yapı Kredi recorded a net profit of 2.1 billion Turkish lira.

▶ **Russia:** Despite the persistent adverse conditions of the Russian market, **UniCredit Bank Russia** in 2015 delivered tangible results with excellent liquidity and a comfortable capital base. With total assets amounting to 1,410 billion Russian roubles (+3 % y/y) the bank confirmed its position as the leading international bank in Russia. The bank also maintained profitability despite unfavourable capital market volatility and pursued a prudent and conservative loan loss provisioning policy.

The macro scenario turmoil, with strong devaluation and volatility of the Russian rouble and reference interest rates, influenced the bank in different ways. As a large share of its loan and deposit business is denominated in US dollars, reported volumes were significantly inflated by such strong devaluation. Inflated foreign currency volumes were also driving higher capital absorption but despite this strong pressure the bank achieved a solid capital adequacy ratio of 12.9 % in accordance with local accounting standards, well above capital requirements. UniCredit Bank Russia maintained a strong liquidity position with a loan/deposit ratio of 90 % at year-end 2015.

The bank achieved a net profit of about 15 billion Russian roubles with a strong return on equity of about 10 %. The bank's operating income reached a total 48.6 billion Russian roubles, a 20 % increase y/y which underlines the sustainability of the bank's income position. Net interest income at 40.2 billion Russian roubles represented a 13 % increase and was driven by solid growth (including the above-mentioned FX effect) in business volume: about 5 % y/y growth in net loans and a 15 % y/y increase in deposits. Operating costs remained under control and amounted to 14.7 billion Russian roubles with a very efficient cost/income ratio of 30 %. Asset quality with impaired loans accounting for 3.7 % of the overall portfolio remained sound.

Management Report (CONTINUED)

The Corporate and Investment Banking (CIB) segment maintained its position as the main contributor to the bank's profit before tax, with operating income amounting to 31 billion Russian roubles. CIB continued to serve the bulk of the largest corporate clients in Russia, actively supporting cross-border cooperation while dynamically developing and expanding relationships with international companies and regional corporates.

Thanks to an excellent combination of applied segment models, timely solutions with value propositions launched in conditions of market turbulence, the Retail Division managed to keep its revenues, which amounted to 13.8 billion Russian roubles, at the level of 2014.

UniCredit Bank Russia serves almost 1,700,000 individual clients as well as over 28,000 small, medium and large enterprises through its network of 103 outlets (including the Representative Office in Minsk).

▶ **Croatia:** The **Zagrebačka banka (ZABA) Group** reported a net loss after minority interests of 234 million Croatian kuna as a result of 1,560 million Croatian kuna of extraordinary provisions for Swiss franc loans conversions following amendments to the Consumer Credit Act and Credit Institutions Act enforced as of 30 September 2015. Excluding this one-off conversion impact ZABA Group would have achieved a remarkable result compared to year-end 2014 of around 1 billion Croatian kuna (+24 % y/y). Ordinary provisioning charges amounted to 1,030 million Croatian kuna (–2.6 % y/y) with the cost of risk at about 140 basis points (similar to previous year's level). The impaired loans ratio stood at 17.7 % at year-end 2015 (–44 basis points y/y.) Non-performing loans decreased by 514 million Croatian kuna, totalling 14,530 million Croatian kuna at year-end 2015. The impaired loans coverage ratio increased to 52 % from 43 % at year-end 2014.

Net loans to customers stood at 72,963 million Croatian kuna at year-end 2015, decreasing by y/y 2 % due to Swiss franc conversion and continued deleveraging in all segments except the public sector and SMEs. Customer deposits reached 76,037 million Croatian kuna, growing by 11.6 billion Croatian kuna (+18 % y/y), reducing the net loan/deposit ratio to 96 % from 115.7 % at year-end 2014.

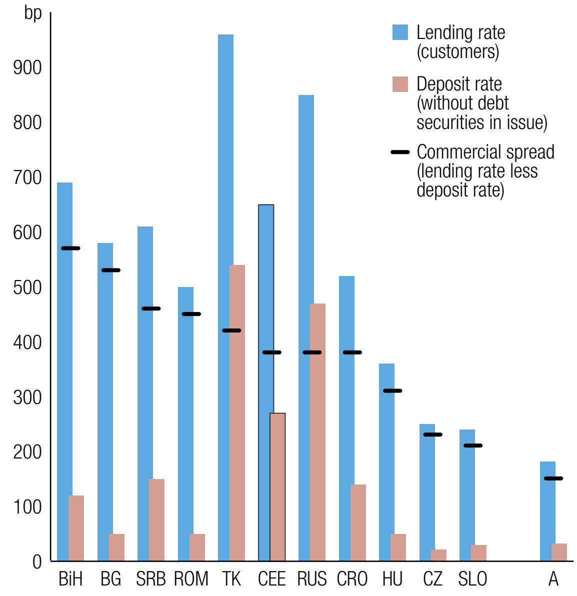
ZABA Group maintains a strong balance sheet with significant liquidity buffers and a capital adequacy ratio of over 20 %.

The newly appointed Management Board assumed office as of 6 February 2015. Amidst an increasingly complex business environment (Swiss franc exchange rate hike, mandatory conversion of Swiss franc loans and tighter regulatory requirements within the Single Supervisory Mechanism Framework), ZABA Group showed the following achievements in 2015: high value creation with Economic Value Added almost 3 times higher y/y (excluding the impact of Swiss franc conversion) driven by revenue increases and flat risk weighted assets; profitability increased, driven by cross-selling and re-pricing; impaired loans reduced with risk indicators and coverage significantly improved; liquidity profile strengthened; the creation of solutions for high-risk customers and real-estate origination resulted in a 490 million Croatian kuna reduction of exposure; improved market shares in high-margin products (consumer loans); Medium Corporate and SME service model re-designed.

In 2015 Zagrebačka banka received a number of awards such as: Euromoney "Best Trade Finance Bank" and "Best Private Banking in Croatia"; EMEA Finance "Best Bank in Croatia"; Global Finance "Best Trade Finance Group in CEE"; Global Banking & Finance Review "Best Investment Bank in Croatia"; Croatian Association for Public Relations Image Campaign "The First 100 Years".

Total commercial spread

(customer rate loans less customer rate deposits, 4th quarter of 2015)



Management Report (CONTINUED)

▶ **UniCredit Bank Czech Republic and Slovakia** operates in both countries following the cross-border merger in 2013. The Czech and Slovakian banking group includes leasing companies in both markets as well as a factoring company which was acquired in January 2015. By total assets the bank ranks 4th in the Czech and 5th in the Slovak banking market. UniCredit Bank Czech Republic and Slovakia posted outstanding business results in 2015 and recorded a consolidated net profit of 5.7 billion Czech crowns which is a y/y increase of 15 %.

The excellent result is driven by the growth of operating income (+5 % y/y) and an excellent risk situation (–33 % y/y), while operating expenses are kept under control. The growth of the customer base, driven by the successful acquisition of new clients in all segments, paved the way for current and future revenue growth. The Czech and Slovak banking group is leveraging strongly on the continuously improving cooperation between the bank and its factoring and leasing subsidiaries which allows it to exploit the full business potential with our corporate customers. Simplification of the product offering and innovation is a key driver for the success in retail business. In terms of lending, the portfolio increased by 3.7 % y/y, mostly in the Retail, SME and Leasing segments. Deposit volumes, especially in local currency, grew strongly (+11 % y/y), underlining the excellent liquidity situation which provides sufficient scope for further lending growth. The improved economic situation in both countries, which belong to the fastest growing economies in the region, together with well-established risk management policies contributed to the substantial reduction of risk costs, despite growing lending volumes and a coverage ratio of non-performing loans that was maintained at above 50 %. The bank's capital adequacy ratio is over 14.5 %, fully covering its capital needs stemming from strong lending growth by profit retention.

The results show that the bank's strategy based on the growth of its client base, innovations in product offerings and excellence in corporate banking is the right direction for sustainable profitability. The strategy is being enhanced by several infrastructure projects aimed at leveraging further on the mergers of past years and unlocking further cost and revenue synergies.

The bank received a wide range of awards such as Europe Banking Awards by EMEA Finance and became the Best Investment Bank. Its top expertise in real estate financing was confirmed by Euromoney. Global Finance magazine also named UniCredit Bank as the Best Sub-Custodian Bank.

▶ In 2015 the **Bulgarian** economy showed signs of gradual recovery despite the challenging global environment. GDP growth nearly doubled to 3.1 % in the fourth quarter of 2015, supported by exports, increased EU-funds absorption and domestic demand. The improving sentiment was however not able to spur credit demand, while deposits continued to grow strongly despite the decline in interest rates.

2015 was another year of strong expansion of **UniCredit Bulbank's** market presence, with the bank maintaining its position as market leader. Growing for the second consecutive year by 18 % y/y, total assets reached 18.9 billion Bulgarian leva, representing a 20 % market share. After the 2014 crisis in some local banks, the Greek turbulence in 2015 triggered another wave of reallocation of customer deposits. Thanks to its excellent reputation, UniCredit Bulbank benefited and recorded another 25 % y/y increase in customer deposits to 13.3 billion Bulgarian leva, with similar growth rates in the corporates and retail segments. The bank maintained its leading position in net customer loans, reaching 10.3 billion Bulgarian leva. Without the short-term bridge-to-bond loan extended to the Bulgarian government in December 2014, the loan portfolio grew by 2.1 % y/y. The net loan/deposit ratio fell by 27 percentage points y/y to a historically low 78 %.

The strong market position contributed to improved generation of revenue. UniCredit Bulbank recorded 8.2 % y/y growth in operating income to 851 million Bulgarian leva, supported by an optimisation of deposit costs and growth in the trading result and in transactional services. Operating costs reached 259 million Bulgarian leva, increasing by 3.6 % y/y mainly in payroll costs and costs for strategic projects. The cost/income ratio went down to 30 % (–1.4 percentage points y/y), surpassing the industry's level and underlining the bank's outstanding operating efficiency. Thanks to an improvement in asset quality, loan loss provisions decreased significantly by 32 % y/y to 124 million Bulgarian leva. Net profit therefore reached 339 million Bulgarian leva, increasing by 20 % y/y.

Management Report (CONTINUED)

The outstanding financial performance was supported by a variety of commercial initiatives. In Corporate and Investment Banking, the International Center established itself as a unique business matching hub, attracting new foreign investors. Within the new EU funding programmes, UniCredit Bulbank was positioned as the reference bank for agriculture. In financial markets, the bank acted as joint book runner of a triple-tranche Eurobond issue under the government's MTN programme. The leasing subsidiary launched the sale of insurance policies for loan collaterals while Factoring introduced the market's first web-based platform "eFactoring.bg". The Retail Division focused on the implementation of the new service model, aimed at helping branch employees to focus on sales while relocating operating activities to alternative channels. Along with the projects geared to simplifying processes, the bank implemented measures for handling the growth in customers and transactions while generating strong commercial activity in strategic areas: consumer financing, small businesses and alternative investments. New functions of the alternative channels were implemented – utility payments, card management, insurance, post-selling support processes, etc.

▶ In the year of its 25th anniversary **UniCredit Bank Hungary** posted its best results ever and underlined its position among top performers. Both the net result and total assets reached historically high levels of almost 39 billion Hungarian forint and 2,703 billion Hungarian forint, respectively. The fact that profit more than doubled and that total assets increased by 21 % y/y is even more remarkable when taking into account the very heterogeneous and still deleveraging performance of the sector in the face of a difficult macroeconomic and regulatory environment.

The balance sheet underwent significant changes both in size and structure. After the settlement and conversion of FX retail loans, which negatively impacted volumes, net customer loans in the end grew by nearly 7 % y/y, driven by the top performance of the bank's corporate business, resulting in record level market shares. Clearly outperforming the other market participants, UniCredit Bank Hungary gained 1.2 percentage points market share in total customer loans and closed 2015 at 8.5 %, with a 12.3 % market share in corporate loans. Deposits increased by almost 25 % y/y thanks to large caps and successful retail campaigning, which is also reflected in market share growth of 1 percentage point to 8.5 % in total. The net loan/deposit ratio therefore fell to a record low of 70 %. By successfully managing the shift in clients' investment preferences, total financial assets (TFA) increased.

Revenue generation remained sound, setting UniCredit Bank Hungary apart from its competitors. Despite historically low interest rates and retail margins limited by law, net interest income came close to the level of the previous year. The 6 % y/y growth in net fees and commissions supported operating income, which was only 3 % lower y/y. Cost efficiency remained a touchstone also in view of almost 0.9 billion Hungarian forint integration costs for network optimisation and higher contributions to deposit and investment guarantee schemes. With a steady improvement in portfolio quality, loan loss provisions declined by almost 10 % y/y. Reshaping and enhancing its service model, the bank in 2015 merged 29 branches and continued to invest in digitalisation.

▶ **Romania** maintained one of the strongest growth rates in the region, driven mainly by ample private consumption. Private consumption was boosted by high nominal wage growth, negative inflation following the VAT cut for food products from 24 % to 9 % and a revival of consumer confidence. Additional strong support came from new Romanian leu-denominated lending, which was 70 % higher than in 2014. For 2015, the overall GDP growth rate is expected at 3.7 % y/y. After the balance sheet clean-up performed by banks, the profitability of the banking sector recovered in 2015 after 5 years of losses.

UniCredit Bank (UCB) continued to be an active financier of the Romanian economy, consolidating its strong position in the segment of SMEs and mid-size corporates and at the same time accelerating activity in the retail segment. Through its Corporate and Investment Banking Division, UCB was present with important mandates both in the area of mergers and acquisitions and issuance of eurobonds. In the retail segment, UCB launched new products and made significant investments in developing alternative channels such as online and mobile banking environments.

UCB reported operating income of 1.53 billion Romanian leu, while operating costs were 695 million Romanian leu, leading to

Management Report (CONTINUED)

a gross operating profit of 837 million Romanian leu. Loan loss provisions decreased significantly compared to last year, by almost 20 %, reaching 475 million Romanian leu, resulting in a net profit before minorities of 261 million Romanian leu. The consolidated balance sheet reached 35 billion Romanian leu at the end of December 2015, up by 7 % y/y. Net loans increased by 6 % to 22 billion Romanian leu. Deposits also delivered a positive performance, increasing by more than 12 % to 18 billion Romanian leu. At year-end 2015 the bank had a network of 183 branches and 3,362 employees.

▶ **UniCredit Group in Bosnia and Herzegovina (BiH)** in 2015 increased its consolidated profit after tax by 32 % y/y, to 88 million Convertible marks, mainly driven by stronger revenue and a lower provisioning charge. UniCredit Group in BiH operates through two banks (UniCredit Bank d. d. Mostar and UniCredit Bank AD Banja Luka) and UniCredit Leasing Group.

Effectively implementing key group and local projects and focusing on its core business, the performance of UniCredit Group in BiH resulted in overall better results y/y – operating income increased by 6 %, the cost/income ratio improved by around 2 percentage points, and both net loans to customers and deposits from customers increased by 12 %.

UniCredit Group in BiH increased its competitive edge by responding to customers' needs and constantly improving service quality (Branch-of-the-Future model rolled out in 2015), strengthening relationships with existing clients, streamlining major processes and focusing on product simplification.

Despite global and domestic challenges, UniCredit Group in BiH underlined and further strengthened its leading market position in all strategic areas and emerged as the most trusted bank: the strongest deposit base (November market share 24 %, + 1 percentage point compared with 2014), the highest lending volume (market share 22 %, + 1 percentage point compared with 2014), high cost efficiency and good asset quality.

The achievements and efforts of UniCredit Group in BiH are reflected in international awards as "Best Bank" from EMEA Finance, "Best Bank" and "Best Trade Finance Provider" from Euromoney. In addition, the bank received numerous awards from local institutions for "Best Bank", "Best Employer" as well as for its financial performance (capital, assets, ROE and ROA).

▶ In Q2 2015, after five consecutive quarters of negative economic growth, **Serbia** achieved a turnaround thanks to an increase in net exports, industrial production and investment, improved external demand and stronger confidence on the country's outlook. The internal and external balance improved significantly in 2015, resulting in a reduction of the country risk premium and an improved outlook by Fitch and S&P. The momentum needs to be maintained in order to stabilise public debt and attract foreign investment. The IMF adjusted the annual GDP forecast upward to 0.8 % from the previous 0.5 % following a positive third review under the €1.2 billion SBA. The budget deficit should reach an estimated 4.1 %, down from 6.7 % in 2014 as a result of fiscal consolidation measures and better-than-expected revenues. The current account deficit was also reduced in 2015, by 21 % to an estimated 4.7 %, mainly due to a reduction of the foreign trade deficit and growth in remittances. Inflation amounted to 1.5 % in December 2015, remaining under the NBS target tolerance band (4.0 % +/– 1.5 %). Regarding the banking sector, although the high level of non-performing loans remains a major challenge, a special study by the central bank in cooperation with the IMF showed that the levels of capital and liquidity were adequate.

UniCredit in Serbia operates through **UniCredit Bank Serbia**, **UCTAM d.o.o.**, and **UniCredit Leasing**. In 2015 the bank further strengthened its position by being the market leader in terms of profitability, efficiency and productivity. The bank managed to establish itself in the Serbian banking sector as the number one in terms of profit, second in terms of the commercial loan portfolio and third in terms of total assets (Q3 data), improving the market share in all relevant areas. Operating income rose by 16 % y/y, mainly driven by 9 % growth in loans and 17 % growth in deposits, further improving the stable funding and lowering the loan/deposit ratio by 9 percentage points y/y. UniCredit Bank Serbia is the exclusive bank for the management of student loans and scholarships in Serbia and conducted a very successful dinar cash loan campaign in Q4 2015 which resulted in new loans of 3 billion Serbian dinars and 4,300 new clients. The bank also played a key role in the largest LBO in CEE in 2015 (€375 million financing for DFG enabling the acquisition by MEP). The bank introduced a new service model in the whole network of 71 branches and the client base was further enlarged to more than 280,000 clients.

In 2015, UniCredit Bank Serbia received several acknowledgements for its business excellence: "Best Foreign Bank" by EMEA Finance, "Best Trade Finance Provider" and "Best Cash Manager" by Euromoney and "Best Sub-Custodian Bank" by Global Finance.

Management Report (CONTINUED)

▶ **Slovenia's** economy has recovered at a sound pace since its banking crisis in 2013, and reached GDP growth of 3% y/y. The deleveraging of the non-financial sector continued in 2015 which resulted in a further decline of loans.

In Slovenia, UniCredit operates through **UniCredit Banka Slovenija d.d**, UniCredit Leasing d.o.o. and UCTAM d.o.o. In a still challenging business environment UniCredit in Slovenia managed to further increase its profitability in 2015 and reached a profit before tax of more than €10 million. The latter is a result of a strong focus on the optimisation of interest expense, further fee growth, trading operations and strict cost management.

Average net loans to customers decreased by about 5% y/y and amounted to €1.8 billion as per year-end. A positive trend in customer deposits was also evident in 2015 as the growth of 33% y/y further underlined the trust of Slovenian customers in the bank. UniCredit in Slovenia improved the loan/deposit ratio to 96% compared to 127% in 2014. The growth of customer deposits made it possible to reduce deposits from banks significantly.

The consolidated capital adequacy ratio was at over 21% at year-end 2015 and thus clearly above the regulatory requirement of 8%. In 2015 the bank was part of the ECB Comprehensive Assessment performed under the Single Supervisory Mechanism and the results confirmed the bank's capital strength in Slovenia.

In 2015 UniCredit Bank Slovenia received the Euromoney Award of Excellence for "Best Bank in Slovenia" as well as the Euromoney Award for "Best Cash Manager in Slovenia".

▶ In 2015 **Ukraine's** economy recorded a significant deterioration due to the escalating geopolitical tensions which led to a stagnating conflict in the eastern regions of the country. During the year the Ukrainian hryvnia depreciated by 27% against the euro and by 34% against the US dollar, substantially increasing the instability in the already turbulent financial sector. In this framework the National Bank of Ukraine undertook a stress test for the banking sector and it is focusing on recapitalisation plans.

The strategy for 2015 of **UniCredit Bank Ukraine** focused on mitigating the materialised and potential risks. The bank terminated its operations in the conflict zone. In order to reduce the pressure from the depreciation of the national currency, special restructuring and conversion programmes for exposures of FX customers have been implemented. In the course of the year the bank was recapitalised to the extent of US$500 million.

UniCredit Bank Ukraine is one of the largest systemic banks in the country, which is why its financial performance was significantly affected by local economic shocks. As of 31 December 2015, the bank's total assets amounted to 53.1 billion Ukrainian hryvnias, up by 13% y/y. Net loans to customers increased by 10% y/y to 35.8 billion Ukrainian hryvnias. On the liabilities side, UniCredit Bank's customer deposits grew by 14% y/y to 26.5 billion Ukrainian hryvnias. Growth mainly took place on the back of depreciation of the local currency as about 70% of the bank's gross loan portfolio and about 45% of customer deposits are denominated in foreign currency. As a result of the y/y development in volume, the net loan to deposit ratio of the bank totalled 135%, decreasing from 141% in 2014.

For 2015 UniCredit Bank posted a local net loss of 3.1 billion Ukrainian hryvnias. The loss was mainly generated by loan loss provisions of about 2.2 billion Ukrainian hryvnias. In 2015 UniCredit Bank continued optimising the branch network and reducing costs.

The business strategy of the bank has focused on improving operational efficiency while maintaining the quality of customer services. The Retail Division's major targets were the promotion of new card products and development of sales through alternative sales channels. In the corporate segment UniCredit Bank focused on multinational corporations operating in Ukraine and local exporting companies.

Management Report (CONTINUED)

Income statement of the banks in CEE[1]

(€ million)

	CEE DIVISION		CZECH REPUBLIC, SLOVAKIA		HUNGARY	
	2015	2014	2015	2014	2015	2014
Net interest	2,381	2,456	375	365	205	212
Dividends and income from equity investments	364	345	2	2	1	0
Net fee and commission income	718	702	141	129	127	120
Net trading income	329	266	70	58	40	65
Net other operating income/expenses	24	55	9	12	13	3
Operating income	**3,816**	**3,824**	**597**	**566**	**386**	**401**
Operating costs	**–1,475**	**–1,501**	**–258**	**–239**	**–163**	**–163**
Operating profit	**2,341**	**2,323**	**339**	**326**	**223**	**238**
Net write-downs of loans	–1,017	–675	–53	–78	–31	–35
Net operating profit	**1,324**	**1,648**	**287**	**248**	**191**	**203**
Provisions for risks and charges	–223	–258	–22	–24	–37	–140
Integration/restructuring costs	–8	–7	–5	–1	–3	–5
Net income from investments	2	13	1	–3	9	6
Profit before tax	**1,094**	**1,396**	**260**	**220**	**161**	**64**
Net profit or loss[2]	**604**	**1,003**	**207**	**179**	**125**	**53**
Customer loans (end of period)	57,102	56,786	13,004	12,231	3,323	3,115
Customer deposits and debt securities in issue (eop)	58,709	52,243	15,842	13,552	4,774	3,838
Exchange rate (period average)			27.279	27.536	309.996	308.706
Appreciation/depreciation against the euro	–6.5%[3]		+0.9%		–0.4%	

(€ million)

	SLOVENIA		BULGARIA		ROMANIA	
	2015	2014	2015	2014	2015	2014
Net interest	47	49	296	271	201	209
Dividends and income from equity investments	0	0	1	1	2	0
Net fee and commission income	28	27	102	99	70	69
Net trading income	8	5	40	31	76	79
Net other operating income/expenses	1	0	–3	1	–4	–3
Operating income	**83**	**80**	**435**	**402**	**344**	**354**
Operating costs	**–43**	**–41**	**–132**	**–128**	**–156**	**–163**
Operating profit	**40**	**40**	**303**	**274**	**188**	**191**
Net write-downs of loans	–25	–36	–64	–93	–107	–133
Net operating profit	**14**	**4**	**239**	**181**	**81**	**58**
Provisions for risks and charges	–4	–3	–39	–19	–10	–11
Integration/restructuring costs	0	0	0	0	0	0
Net income from investments	0	–1	–7	–1	–1	5
Profit before tax	**10**	**0**	**193**	**162**	**70**	**52**
Net profit or loss	**9**	**0**	**172**	**144**	**43**	**24**
Customer loans (end of period)	1,764	1,749	5,278	5,683	4,826	4,591
Customer deposits and debt securities in issue (eop)	1,829	1,378	6,793	5,450	4,051	3,645
Exchange rate (period average)	1.0000	1.0000	1.9558	1.9558	4.4454	4.4437
Appreciation/depreciation against the euro	Euro		0.0%		–0.0%	

[1] The CEE business segment for segment reporting purposes comprises the total figures for the CEE banks shown in this table and the Vienna-based CEE headquarters./ [2] Attributable to the owners of the parent company./ [3] Depreciation against the euro, at the level of operating income.

Management Report (CONTINUED)

(€ million)

	RUSSIA		BALTICS (LEASING)		TURKEY AT EQUITY [4]		FOR INFORMATION: TURKEY PRO QUOTA [4]	
	2015	2014	2015	2014	2015	2014	2015	2014
Net interest	590	697	15	14			830	725
Dividends and income from equity investments	0	0	0	0	349	341	8	6
Net fee and commission income	64	126	1	1			326	296
Net trading income	62	–30	0	0			44	74
Net other operating income/expenses	–2	4	0	0			6	5
Operating income	**715**	**796**	**15**	**15**	**349**	**341**	**1,212**	**1,105**
Operating costs	**–216**	**–258**	**–6**	**–6**			**–541**	**–516**
Operating profit	**499**	**538**	**10**	**9**	**349**	**341**	**672**	**589**
Net write-downs of loans	–214	–85	–2	–4			–214	–154
Net operating profit	**285**	**453**	**7**	**5**	**349**	**341**	**458**	**435**
Provisions for risks and charges	–9	–6	0	0			–27	–14
Integration/restructuring costs	0	0	0	–1			0	0
Net income from investments	0	1	0	0			5	5
Profit before tax	**276**	**448**	**7**	**4**	**349**	**341**	**436**	**426**
Net profit or loss	**224**	**354**	**6**	**9**	**349**	**341**	**349**	**341**
Customer loans (end of period)	10,740	11,384	368	378			20,931	19,337
Customer deposits and debt securities in issue (eop)	11,950	12,058	0	0			18,329	17,563
Exchange rate (period average)	68.0720	50.9518	1.0000	1.0000	3.0255	2.9065	3.0255	2.9065
Appreciation/depreciation against the euro	–25.2%		Euro		–3.9%		–3.9%	

(€ million)

	CROATIA		BOSNIA		SERBIA	
	2015	2014	2015	2014	2015	2014
Net interest	357	340	100	93	99	89
Dividends and income from equity investments	7	6	0	0	0	0
Net fee and commission income	130	124	36	36	22	19
Net trading income	29	27	6	5	13	9
Net other operating income/expenses	22	38	0	0	–3	0
Operating income	**545**	**536**	**142**	**135**	**132**	**117**
Operating costs	**–226**	**–236**	**–71**	**–69**	**–46**	**–42**
Operating profit	**320**	**300**	**71**	**65**	**86**	**74**
Net write-downs of loans	–340	–138	–9	–15	–26	–37
Net operating profit	**–20**	**162**	**63**	**50**	**59**	**37**
Provisions for risks and charges	–28	–16	–5	–4	–8	–12
Integration/restructuring costs	0	0	0	0	0	0
Net income from investments	0	8	0	0	0	0
Profit before tax	**–49**	**153**	**58**	**46**	**51**	**25**
Net profit or loss	**–31**	**94**	**45**	**34**	**49**	**26**
Customer loans (end of period)	9,553	9,723	1,829	1,628	1,497	1,378
Customer deposits and debt securities in issue (eop)	9,955	8,406	2,075	1,851	1,303	1,112
Exchange rate (period average)	7.6137	7.6344	1.9558	1.9558	120.687	117.231
Appreciation/depreciation against the euro	+0.3%		0.0%		–2.9%	

4) Turkey presented at equity in accordance with IFRS 10/IFRS 11; additionally, pro-quota data for information purposes.

Management Report (CONTINUED)

Outlook

Economic scenario

Concerns over economic developments in the emerging economies, which had adversely impacted the global economy in the second half of 2015, were more accentuated at the beginning of the current year. The growth prospects for China, in particular, and the renewed sharp fall in crude oil prices have created further uncertainty among investors, resulting in turmoil on financial markets. This was mainly reflected in stock market prices. In the first few weeks of the year until 11 February 2016 the world share index fell by 12 %; within this figure the EuroStoxx Index declined by 17 %. This development primarily affected European banks: their share prices fell substantially, by 30 %, and credit spreads and interest rate spreads for these banks rose sharply.

However, the real economic performance of industrial countries has hardly deteriorated and the volatile market developments do not reflect the fundamentals. But there is a growing risk that the turmoil, if it persists, may permanently harm economic sentiment in terms of business and consumer confidence and trigger a self-fulfilling downward spiral.

➔ We are confident that the trend towards recovery in 2015 will return in 2016 and our economic forecast for 2016/17 is slightly more favourable compared with the previous year.

● In 2016/17, the **global economy** will grow by about 3½ % p. a., slightly faster than in the previous year. However, the outlook has clouded over in the past few months on account of growing risks. The main risk is a massive slowdown in economic growth in the emerging economies on account of external factors known as **three Cs**: China, commodities and capital.
▶ **China**, the engine of growth, especially for the emerging economies in Asia, is losing momentum on account of structural challenges and existing imbalances. Although a hard landing of the Chinese economy is unlikely, the current phase of the country's restructuring process will probably result in permanently lower growth rates and therefore in less support for the global economy.
▶ In addition, the sharp fall in prices for many **commodities**, industrial metals and especially oil, has revealed structural problems in many emerging economies which export raw materials. The current oil glut will only start to slowly ease in the second half of 2016, when growth in demand increases as economic activity picks up and, on the supply side, as production by market suppliers with higher production costs declines. Our forecast assumes that the **oil price** will remain at an average 37 US dollars per barrel in 2016 even if it rises again as the year progresses.
▶ In 2015, uncertainty over a turnaround in interest rates in the US significantly influenced investors' risk appetite and occasionally contributed to a massive **withdrawal of capital** from highly exposed emerging economies. The interest rate turnaround finally came at the end of 2015. The US is expected to further tighten monetary policy in 2016, especially as the US economy will in the current year continue to pursue a sound growth path of about 2 %, driven by domestic demand. It is not yet clear whether the tightening of monetary policy will be a steady, continuous process or a process characterised by speculative fluctuations. Renewed risk aversion with consequent capital outflows would in particular affect emerging economies with high external financing requirements (current account deficits), making it difficult for these countries to finance further growth.
A further adverse factor are the divergent monetary policies of industrial countries, which create uncertainty among financial markets. General preference for a tighter monetary policy, advocated by the US, compares with a further easing of monetary policy in Europe (and Japan).

● There are no signs that the economic slowdown in the emerging economies has affected the **euro area**, and we expect moderate recovery in the euro area to continue. Following the slow growth in the final quarter of 2015 we have lowered our GDP forecast for 2016 from + 1.9 % to + 1.7 % in response to the statistical overhang. In view of the significantly lower inflationary outlook (medium-term inflation expectations have fallen to a new low of less than 1.5 % for the 5yr / 5yr forward swap rate) the ECB could further lower the negative interest rate for deposits in spring and extend the current bond purchase programme.

➔ It is questionable whether another reduction that will push interest rates further into negative territory would actually help to stimulate economic growth; the costs and uncertainty created by negative interest rates may offset the positive effects.

● In the **Austrian** economy the moderate improvement in business sentiment continued into 2016. In January 2016, the Bank Austria Business Indicator rose slightly to 0.1 points, returning to positive territory for the first time since September 2015. Austria's industrial sector also seems to have got off to a good start in the current year. The Bank Austria Purchasing Managers' Index advanced to 51.2 points in January 2016. While the recent turmoil in financial markets and the concerns over the global economy did not impact the Austrian economy, economic growth in Austria is still stagnating. The weak growth in the second half of 2015 is now followed by signs of more buoyant economic activity in Austria.

➔ Austria's stronger economic growth in 2016 compared with the previous year is driven by three factors: the (underestimated) tax reform (firstly) and the persistently low oil prices (secondly) strengthen domestic demand. The undervalued euro (thirdly) continues to support exports.

The impetus from these factors will probably feed through to the economy in the first half of 2016; the tailwind from external factors will subside to the extent that the three factors translate into stronger economic momentum. The improvement of the European economy will for example result in a slight strengthening of the euro against the US dollar, and the oil price is likely to rise in the second half of the year in response to a new pattern in supply and demand. In 2016, the Austrian economy will probably experience its most buoyant growth in the first half of the year and growth will subsequently weaken over the turn of 2016/17. **Economic growth could amount to 1.5%** in each of these years and will therefore exceed that of 2015 (+0.9%). This means that Austria will in 2016 and 2017 close the growth gap to the euro area and Germany, supported by the tax reform, a special factor.

In the first half of 2016, **inflation** will still be dampened by the low oil price before subsequently rising slightly, partly driven by the stronger momentum of the domestic economy. Consumer prices will rise by an average 1.4% in 2016, faster than in the previous year (2015: (+0.9%). Austria's **labour market** will remain tight despite more buoyant growth. We expect unemployment to climb to 6% in 2016 due to the unabated rise in the labour supply. Disposable nominal income will increase faster than in the previous year as employment picks up, rising by just over 1%, and especially as a result of the easing of the income tax burden.

➔ While this scenario indicates a slight recovery of volume trends in the banking sector, it does not invalidate previous trends. At the beginning of 2016, growth in housing finance was still the most important component of credit expansion whereas corporate loans were stagnant and loans to consumers and SMEs declined slightly. After weak growth of lending volume in 2015 (adjusted for the effect of appreciation of the Swiss franc: +2.1%), a slightly accelerating economic momentum, in combination with the low level of interest rates, should lead to somewhat stronger credit demand in 2016. We expect growth in 2016 to reach almost 2%, supported by housing finance and slightly stronger demand for corporate loans. Deposits continued to increase at a rapid pace throughout 2015, growing by 4% overall, with deposits from private households up by 2.8%. In view of low interest rates, however, deposit growth should weaken somewhat as soon as private households start to invest more in mutual funds; but this will depend on how financial markets develop. Additions to financial assets held by private households in 2016 should more or less match the total amount of about €10 billion seen in 2015. This means that monetary wealth formation in 2016, too, will be lagging behind the strong increases experienced before the financial crisis. The reasons are a weaker income trend, the currently still lower savings ratio and the fact that investment income, which is traditionally reinvested, is also lower. The reduction of foreign currency loans with a bullet maturity is an additional factor to be taken into account: repayment vehicles are terminated upon loan repayment, and this leads to a reduction of both debt and financial assets. Continued strong interest in tangible assets, primarily real estate, also affects monetary wealth formation and this trend will continue in 2016. Fixed-rate investments, including traditional bank bonds, will be further reduced.

● For **Central and Eastern Europe** (CEE) our economists expect significant growth to continue, with strong domestic economic activity supported by a favourable external environment, i.e. by stronger growth in the euro area, the expected expansion of the ECB's purchase programme, and consequently further convergence to ultra-low interest rates, and monetary expansion accompanied by continued low inflation and ample liquidity. All these factors will probably offset the burdens originating from the interest rate turnaround in the US and the economic slowdown in emerging markets, primarily China.

Expansion in the **EU member states in the CEE region** (without Croatia) will continue, with trends hardly varying from country to country. Bulgaria, Romania and Poland are expected to achieve further strong growth while economic performance in the Czech Republic,

Economic growth (real GDP, % over previous year)

	2013	**2014**	2015e	2016p	2017p
World (IWF, PPP)	+3.4	+3.4	+3.1	+3.4	+3.6
China	+7.7	+7.3	+6.9	+6.5	+6.2
USA	+2.2	+2.4	+2.4	+2.2	+2.4
Euro area	−0.4	+0.9	+1.5	+1.7	+1.6
… Austria	+0.3	+0.4	+0.9	+1.5	+1.5
Czech Republic	−0.7	+2.0	+4.3	+2.3	+3.0
Slovakia	+1.4	+2.5	+3.4	+3.0	+3.0
Hungary	+1.9	+3.7	+2.9	+2.8	+2.8
Slovenia	−1.1	+3.0	+2.6	+1.9	+2.5
Poland	+1.2	+3.5	+3.6	+3.7	+3.8
Bulgaria	+1.3	+1.5	+2.8	+3.0	+2.9
Romania	+3.4	+2.8	+3.7	+3.9	+3.5
Croatia	−1.1	−0.4	+1.3	+1.1	+1.5
Bosnia and Herzegovina	+2.4	+1.1	+2.0	+3.0	+3.4
Serbia	+2.6	−1.8	+0.6	+1.7	+1.2
Russia	+1.3	+0.6	−3.7	−3.0	+1.2
Turkey	+4.0	+2.9	+3.4	+3.0	+3.3
Ukraine	+0.0	−6.5	−10.3	+2.0	+2.5

Source: UniCredit Research (world: IMF/WEO at PPP).

Management Report

Slovakia, Hungary and Slovenia will be somewhat weaker (see table). These trends are to be seen mainly in the context of declining EU transfer payments during the transition from the programme which has expired to the new programme, and of the lower growth contribution from net exports. Imports will probably rise more strongly than exports as domestic demand has accelerated and will remain the principal growth driver. Unlike public investment, private consumption (supported by the labour market, stronger wage growth and a renewed increase in consumer loans) and corporate investment should pick up. Stronger consumer confidence and companies' higher profitability as well as a higher level of new lending by banks will support private investment. Stronger lending activity by banks would mean that debt reduction in CEE countries within the EU, which has been going on for years, will be coming to an end.

Croatia and Serbia will probably follow a similar growth path, though at a significantly slower pace of about + 1.5 %. Both countries are facing major challenges: the unfavourable investment climate hampers FDI flows and thus export potential, while the precarious budget situation and high levels of public debt are calling for cuts. There is limited scope for independent monetary policy decisions in view of the (de facto) currency boards. Serbia enjoys a somewhat better outlook as the IMF standby arrangement has a stabilising effect. On the other hand, Serbia has a large current account deficit, weakening its external position. Croatia has achieved a current account surplus, but the country recorded a significantly larger budget deficit and higher public debt with a rising interest burden.

As far as **Turkey** is concerned, the economic outlook for 2016 has brightened while geopolitical risks have increased significantly. We expect economic growth to rise gradually to an annual rate of 4 % to 4.5 % in the second half of 2016, supported by stronger confidence, a renewed inflow of capital and moderate tax reductions of 1 % of GDP. Sanctions imposed by Russia will probably increase the current account deficit in 2016 by 0.6 % of GDP and reduce growth by 0.3 %. But this gap will more or less be closed with the € 3 billion in financial assistance promised by the EU to support the country in dealing with the refugee crisis. For 2016 we therefore continue to expect strong average growth of 3.4 %, with inflation slowly declining to 6 % in 2016. A current account deficit of 6 % makes Turkey vulnerable to a sudden turn in capital market sentiment. In our base scenario we nevertheless assume that funds from abroad will be sufficient to prevent pressure on finance.

Oil price movements seen in the year to date and expected for the rest of 2016 will translate into a GDP decline in **Russia** compared with 2015 (–3.0 % after –3.7 %). Domestic demand is being adjusted through fiscal measures (despite a larger deficit) totalling between 2 % and 2½ % of GDP, including further cuts in wages and social transfers. In combination with higher inflation of 10 %, which reflects currency depreciation, these developments mean significant real income losses for the population, leading to a further decline in consumption of 7 % in real terms (previous year: – 9 %). A gradual increase in oil prices in the latter part of the year could help to stabilise the situation. But the supply side cannot support a sustained turnaround.

Economic performance in **Ukraine** has stabilised thanks to the mining industry in the Donbass regions which are not occupied, and also supported by the agricultural sector, hyperinflation has eased somewhat and a slow recovery is underway, with growth of 2 %. However, the political situation is unstable in view of a government crisis and because reforms are faltering. There is also a delay in cooperation with the IMF. This is partly reflected in currency depreciation after the turn of the year (– 10 % by the middle of February 2016). Political infighting between powerful economic interests has led to a further deterioration in the overall framework for foreign investment.

● A further escalation of **geopolitical conflicts**, primarily through involvement in the armed conflicts in the Middle East, is the most significant risk, which is very difficult to assess or quantify. **Domestic political uncertainty** (e. g. in Croatia after the ambiguous outcome of the election) and recourse to populist measures ahead of elections (e.g. in Romania in 2016) could cause uncertainty or the abandonment of budget discipline, especially after the success of stabilisation efforts in the past years. A concrete risk is **"Brexit"**, a potential negative outcome of the referendum on 23 June 2016 on Britain's membership of the European Union. The refugee crisis could strengthen national policies of isolation, undermining the **single European market** and the EU project as a whole. In view of **Greece's** geographical location, difficulties in that country in combination with the latent debt crisis could have a renewed negative impact.

From a **macroeconomic** perspective there is a risk that the economic slowdown in **China** could spread to neighbouring emerging economies, with a multiplier effect impacting the global economy. Given the geographical focus of CEE countries' foreign trade, this is less of a problem for CEE than for core Europe and the US. The **interest rate turnaround** initiated by the Fed has not had any major effects as yet. But a renewed flight of portfolio capital to safe havens could temporarily put a strain on external financing for Croatia, Serbia and Turkey.

Management Report (CONTINUED)

Outlook for Bank Austria's performance

● The general environment for Bank Austria's **commercial banking activities** in Austria and in Central and Eastern Europe in 2016 will resemble the conditions which prevailed in 2015: we expect interest margins in **Austrian** customer business to remain under pressure and we will respond to this pressure by aiming for slightly stronger credit expansion; growth on the deposit side will slow down after the substantial accrual of funds seen in the past year. Our objective is to carry over to 2016 the strong momentum of fee-based business in commercial services and in asset management. The restructuring measures already reflected in the 2015 financial statements will have a positive effect on cost trends. We expect net write-downs of loans to return to normal; it will hardly be possible to benefit from a net release of loan loss provisions as in the previous years. But we expect that the provisioning charge in Austria will remain at a low level. Business in **Central and Eastern Europe** (CEE) will continue to reflect mixed regional developments in 2016, which we aim to balance out with our broadly-based presence to maintain the high level of operating income. Our banking subsidiary in Russia showed a strong performance in the past two years, and 2016 could become the first year in which the strain on the operating environment eases. In CESEE, lending volume should expand more rapidly in 2016 after the strong deposit growth in the previous year. All these factors suggest that under the base scenario, net operating profit will rise and – after the withdrawal from Ukraine – Bank Austria will also achieve a sound net profit.

● Major **structural changes** will make 2016 a **key year** in Bank Austria's long history.

▶ With the intended **transfer of the banking network in Central and Eastern Europe** to the parent company UniCredit SpA, Bank Austria – based on its position as one of Austria's leading banks – will become a local bank within UniCredit Group's cross-regional network, like the banks in all other countries, including Italy, Poland, Hungary, Croatia or Germany. The shareholding interests in CEE companies are to be transferred to the Group's Milan-based holding company by the end of 2016. With Bank Austria no longer performing sub-holding company functions, the cross-regional organisation can be made leaner, eliminating duplication. In the current regulatory environment, this move will enhance UniCredit's ability to manage liquidity and capital. Regardless of where the equity investments in the CEE banking subsidiaries are held, our internationally active corporate customers will benefit from service continuity. The full expertise and customary high advisory service quality will continue to be available to them.

After the transfer of CEE business, **Bank Austria** would have total assets of about €100 billion and 1.6 million customers, thus remaining the largest individual institution in the Austrian banking market, with all the advantages offered to customers by an international, global systemically important banking group. The concentration on the home market, where business volume is comparable to that in CEE, would significantly improve Bank Austria's **risk profile**: risk intensity, capital absorption, the cost of capital, liquidity and funding costs will then be those of a mature universal bank operating in core Europe.

▶ Under the current multi-year plan, return on allocated capital in Austria is to be increased to about 13% by 2018, and the cost/income ratio is to be improved to 60%. With the **Bank Austria Reloaded** project we are accelerating the transformation, launched two years ago, into a modern universal bank taking advantage of digitalisation in banking business. In densely populated areas, this will involve a further adjustment of the branch network serving retail customers, offering fewer but larger branches while extending their opening hours. The service offering for small businesses will be significantly expanded; in the future it will be available in 55 locations (currently 29 units). In addition to initiatives on the income side, annual payroll costs and other administrative expenses will be reduced by a total of about €300 million by 2018 (–18% compared with 2014). Cost savings will be achieved through a reduction of IT and settlement costs, a higher degree of standardisation, and streamlining of the product range. A further cost reduction will result from the full switch from a defined-benefit provision-based pension scheme to a defined-contribution pension scheme.

In the first few months of 2016 we set about the restructuring programme, for which provisions were made in the 2015 financial statements. A project structure has been set up to calibrate and implement the restructuring process. The process of operationalising the objectives and detailed planning for all areas will be completed by the middle of 2016 and followed by the implementation phase.

We aim to firmly establish Bank Austria as a **universal bank with sustainable profitability** in the Austrian market, with lean sales operations geared to the needs of our private customers, a well-balanced mix of online and offline services and fast transaction settlement, further expansion of our successful Private Banking activities, and with an initiative for internationalisation and growth aimed at the companies and large customers we serve within the UniCredit network.

Management Report (CONTINUED)

Vienna, 29 February 2016

Willibald Cernko
CEO Support Services
(Chief Executive Officer)

Carlo Vivaldi
CEE Banking Division
(Deputy CEO)

Helmut Bernkopf
Commercial Banking Division
(Retail & Corporates)

Mirko Bianchi
CFO Finance

Dieter Hengl
Corporate & Investment
Banking Division

Jürgen Kullnigg
CRO Risk Management

Doris Tomanek
Human Resources Austria & CEE

Robert Zadrazil
Private Banking Division

Consolidated Financial Statements

in accordance with International Financial Reporting Standards (IFRSs)

Consolidated Income Statement

of the Bank Austria Group for the year ended 31 December 2015

Income statement for the year ended 31 December 2015

(€ million)

	Notes	2015	2014
Interest income and similar revenues	B.1	6,269	6,365
Interest expense and similar charges	B.1	–2,883	–2,932
Net interest margin		**3,386**	**3,433**
Fee and commission income	B.2	1,873	1,795
Fee and commission expense	B.2	–434	–428
Net fees and commissions		**1,439**	**1,367**
Dividend income and similar revenue	B.3	9	7
Gains and losses on financial assets and liabilities held for trading	B.4	392	332
Fair value adjustments in hedge accounting	B.5	–19	17
Gains and losses on disposal of:	B.6	42	133
a) loans		5	4
b) available-for-sale financial assets		59	129
c) held-to-maturity investments		–	–
d) financial liabilities		–22	1
Gains and losses on financial assets/liabilities at fair value through profit or loss	B.7	10	8
OPERATING INCOME		**5,259**	**5,298**
Impairment losses on:	B.8	–1,035	–705
a) loans		–1,020	–675
b) available-for-sale financial assets		–17	–8
c) held-to-maturity investments		–6	–
d) other financial assets		8	–22
Net income from financial activities		**4,224**	**4,593**
Administrative costs:		–2,849	–3,173
a) staff expense	B.9	–1,164	–1,620
b) other administrative expense	B.10	–1,685	–1,553
Net provisions for risks and charges	B.11	–197	–132
Impairment/write-backs on property, plant and equipment	B.12	–197	–154
Impairment/write-backs on intangible assets	B.13	–52	–48
Other net operating income	B.14	152	122
OPERATING COSTS		**–3,144**	**–3,386**
Profit (loss) on equity investments	B.15	519	454
Gains and losses on tangible and intangible assets measured at fair value		–2	3
Gains and losses on disposal of investments	B.16	24	113
TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**1,621**	**1,778**
Tax expense (income) related to profit or loss from continuing operations	B.17	–86	–287
Total profit or loss after tax from continuing operations		**1,535**	**1,492**
Total profit or loss after tax from discontinued operations	B.18	–303	–132
NET PROFIT OR LOSS FOR THE YEAR		**1,232**	**1,360**
Attributable to:			
Non-controlling interests from continuing operations		18	31
from discontinued operations		–111	–54
Non-controlling interests		**–93**	**–23**
Owners of the parent company from continuing operations		1,517	1,461
from discontinued operations		–192	–78
Owners of the parent company		**1,325**	**1,383**
Earnings per share (in €, basic and diluted) from continuing operations	B.19	6.56	6.32
from discontinued operations		–0.83	–0.34

Consolidated Statement of Comprehensive Income

of the Bank Austria Group for the year ended 31 December 2015

Statement of comprehensive income

(€ million)

	1 JAN. – 31 DEC. 2015	1 JAN. – 31 DEC. 2014
Total profit or loss after tax from continuing operations	**1,535**	**1,492**
Total profit or loss after tax from discontinued operations	**–303**	**–132**
PROFIT OR (–) LOSS FOR THE PERIOD	**1,232**	**1,360**
OTHER COMPREHENSIVE INCOME	**134**	**–1,737**
Items that will not be reclassified to profit or loss	**757**	**–768**
Actuarial gains or (–) losses on defined benefit pension plans	1,009	–1,020
Share of other recognised income and expense of entities accounted for using the equity method	2	–3
Income tax relating to items that will not be reclassified	–254	255
Items that may be reclassified to profit or loss	**–623**	**–968**
Foreign currency translation	–626	–1,494
Cash flow hedges [effective portion]	–58	200
Valuation gains or (–) losses taken to equity	*–59*	*189*
Transferred to profit or loss	*1*	*11*
Available-for-sale financial assets	87	434
Valuation gains or (–) losses taken to equity	*99*	*513*
Transferred to profit or loss	*–12*	*–79*
Non-current assets and disposal groups held for sale	3	3
Valuation gains or (–) losses taken to equity	*–*	*30*
Transferred to profit or loss	*3*	*–27*
Share of other recognised income and expense of entities accounted for using the equity method	–68	71
Cash flow hedges [effective portion]	*93*	*–31*
Available-for-sale financial assets	*–161*	*102*
Other recognised income and expenses	*–*	*–*
Income tax relating to items that may be reclassified to profit or (–) loss	39	–182
Gains/losses on assets available for sale (available-for-sale reserve)	*5*	*–114*
Gains/losses on assets available for sale (available-for-sale reserve) of investments measured at equity	*16*	*–46*
Gains/losses on cash flow hedges (cash flow hedge reserve)	*36*	*–28*
Gains/losses on cash flow hedges (cash flow hedge reserve) of investments measured at equity	*–18*	*6*
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,365**	**–377**
Comprehensive income after tax from continuing operations	**1,765**	**32**
Comprehensive income after tax from discontinued operations	**–400**	**–408**
Thereof attributable to		
Non-controlling interests from continuing operations	25	29
from discontinued operations	–122	–141
Non-controlling interests	**–97**	**–112**
Owners of the parent from continuing operations	1,740	3
from discontinued operations	–278	–268
Attributable to owners of the parent	**1,462**	**–265**

Earnings per share (in €, basic and diluted)

(€)

	1 JAN. – 31 DEC. 2015	1 JAN. – 31 DEC. 2014
Earnings per share from comprehensive income after tax from continuing operations	7.53	0.01
Earnings per share from comprehensive income after tax from discontinued operations	–1.20	–1.16

Statement of Financial Position

of the Bank Austria Group at 31 December 2015

Assets

(€ million)

	Notes	31 DEC. 2015	31 DEC. 2014
Cash and cash balances	C.1	2,146	1,942
Financial assets held for trading	C.2	3,013	3,533
Financial assets at fair value through profit or loss	C.3	89	110
Available-for-sale financial assets	C.4	24,810	22,148
Held-to-maturity investments	C.5	484	572
Loans and receivables with banks	C.6	32,214	30,542
Loans and receivables with customers	C.7	116,377	113,732
Hedging derivatives	C.8	3,290	3,952
Changes in fair value of portfolio hedged items (+/–)	C.9	41	–99
Investments in associates and joint ventures	C.10	4,741	4,644
Property, plant and equipment	C.11	2,132	2,147
of which held for investment		*827*	*896*
Intangible assets	C.12	221	171
Tax assets		448	570
a) current tax assets		94	72
b) deferred tax assets	C.13	353	499
Non-current assets and disposal groups classified as held for sale	C.14	2,467	3,600
Other assets	C.15	1,167	1,554
TOTAL ASSETS		**193,638**	**189,118**

Liabilities and equity

(€ million)

		31 DEC. 2015	31 DEC. 2014
Deposits from banks	C.16	23,432	23,696
Deposits from customers	C.17	110,346	102,271
Debt securities in issue	C.18	28,802	30,014
Financial liabilities held for trading	C.19	2,642	3,454
Financial liabilities at fair value through profit or loss	C.20	547	670
Hedging derivatives	C.21	2,782	3,302
Changes in fair value of portfolio hedged items (+/–)	C.22	–101	84
Tax liabilities		214	165
a) current tax liabilities		46	58
b) deferred tax liabilities	C.23	169	107
Liabilities included in disposal groups classified as held for sale	C.24	1,977	1,845
Other liabilities	C.25	2,773	2,617
Provisions for risks and charges	C.26	4,830	6,076
a) post-retirement benefit obligations		3,697	5,665
b) other provisions		1,133	411
Equity	C.27	15,394	14,925
of which non-controlling interests (+/–)		*238*	*193*
TOTAL LIABILITIES AND EQUITY		**193,638**	**189,118**

Statement of Changes in Equity

of the Bank Austria Group for the year ended 31 December 2015

(€ million)

			CHANGES DURING THE PERIOD					
				SHAREHOLDERS' EQUITY TRANSACTIONS				
	BALANCE AS AT 1 JAN. 2014 1) 2)	ALLOCATION OF PROFIT FROM PREVIOUS YEAR	CHANGES IN RESERVES	CHANGES IN SCOPE OF CONSOLIDATION	OTHER	TOTAL	COMPREHENSIVE INCOME	SHAREHOLDERS' EQUITY GROUP AS AT 31 DEC. 2014
Issued capital: a) ordinary shares	1,681					–		**1,681**
b) other shares						–		**–**
Share premium	6,052				6	6		**6,058**
Reserves: a) other reserve	11,890	−1,604		280		280		**10,566**
b) foreign currency reserve	−2,577					–	−1,403	**−3,980**
Cash flow hedge reserve	194					–	153	**347**
Available-for-sale reserve	400					–	321	**721**
Cash flow hedge and AFS reserve associates and joint ventures	25					–	46	**71**
Pension and similar liabilities IAS 19	−1,351					–	−765	**−2,116**
Net profit or loss for the period	−1,604	1,604	1,383			–		**1,383**
Shareholders' Equity Group	**14,710**	**0**	**1,383**	**280**	**6**	**286**	**−1,648**	**14,732**
Shareholders' Equity minorities	340	−20	−23		−15	−15	−89	193
Total Shareholders' Equity	15,050	−20	1,360	280	−9	271	−1,737	14,925

			CHANGES DURING THE PERIOD					
				SHAREHOLDERS' EQUITY TRANSACTIONS				
	BALANCE AS AT 1 JAN. 2015	ALLOCATION OF PROFIT FROM PREVIOUS YEAR	CHANGES IN RESERVES	CHANGES IN SCOPE OF CONSOLIDATION	OTHER	TOTAL	COMPREHENSIVE INCOME	SHAREHOLDERS' EQUITY GROUP AS AT 31 DEC. 2015
Issued capital: a) ordinary shares	1,681					–		**1,681**
b) other shares	–					–		**–**
Share premium	6,058				9	9		**6,067**
Reserves: a) other reserve	10,566	1,383		111	−963	−852		**11,098**
b) foreign currency reserve	−3,980			−197		−197	−620	**−4,797**
Cash flow hedge reserve	347					–	−42	**305**
Available-for-sale reserve	721					–	93	**814**
Cash flow hedge and AFS reserve associates and joint ventures	71					–	−50	**21**
Pension and similar liabilities IAS 19	−2,116					–	757	**−1,359**
Net profit or loss for the period	1,383	−1,383	1,325			–		**1,325**
Shareholders' Equity Group	**14,732**	**–**	**1,325**	**−86**	**−954**	**−1,040**	**138**	**15,155**
Shareholders' Equity minorities	193	−34	−93	176	–	176	−4	238
Total Shareholders' Equity	14,925	−34	1,232	90	−954	−864	134	15,394

1) Prior year figures were restated due to IFRS 10 and IFRS 11. This relates to the inclusion of the real estate fund "Real Invest Europe" in the scope of consolidation as well as the presentation of the entities of the Yapi-Kredi Group using the equity method instead of proportionate consolidation. / 2) Due to the merger of both Ukrainian banks and the simultaneous capital increase in December 2013, the non-controlling interest in Bank Austria Group as at 31 December 2013 was shown too high, by € 145 million, while the group's own retained earnings were shown too low by the same amount. The figures have been restated. There was no effect on total equity as at 31 December 2013.

Statement of Cash Flows

of the Bank Austria Group for the year ended 31 December 2015

(€ million)

	2015	2014
NET PROFIT OR LOSS	**1,232**	**1,360**
Non-cash items included in net profit, and adjustments to reconcile net profit to cash flows from operating activities		
Depreciation, amortisation, net write-downs of loans, and changes in fair values	1,318	953
Increase in staff-related provisions and other provisions	–787	402
Increase/decrease in other non-cash items	–417	–654
Interest income/interest expenses from investing activities	110	95
Gains/losses on disposal of intangible assets, property, plant and equipment, and investments	–59	–246
SUB-TOTAL	**1,397**	**1,910**
Increase/decrease in operating assets and liabilities after adjustment for non-cash components		
Financial assets held for trading	108	–1,982
Loans and receivables with banks and customers	–4,242	–2,718
Other asset items	1,443	882
Financial liabilities held for trading	–903	2,383
Deposits from banks and customers	7,135	738
Debt securities in issue	–2,760	1,264
Other liabilities items	–293	–1,345
CASH FLOWS FROM OPERATING ACTIVITIES	**1,885**	**1,132**
of which: cash flows from operating activities of discontinued operations	***–77***	***–112***
Proceeds from disposal of		
investments	9,516	13,613
property, plant and equipment	131	146
Payments for purchases of		
investments	–11,905	–15,455
property, plant and equipment	–430	–396
Proceeds from sales (less cash disposed of) of subsidiaries	217	135
Payments for acquisition (less cash acquired) of subsidiaries	–34	–452
Other changes	–	–692
CASH FLOWS FROM INVESTING ACTIVITIES	**–2,505**	**–3,101**
of which: cash flows from investing activities of discontinued operations	***65***	***78***
Proceeds from capital increase	–	–
Dividends paid	–	–
Subordinated liabilities and other financial activities (net)	801	1,526
CASH FLOWS FROM FINANCING ACTIVITIES	**801**	**1,526**
of which: cash flows from financing activities of discontinued operations	***–***	***–***
CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS AT END OF PREVIOUS PERIOD	**1,942**	**2,375**
Cash and cash equivalents from discontinued operations at end of previous period	**85**	**191**
CASH AND CASH EQUIVALENTS AT END OF PREVIOUS PERIOD	**2,027**	**2,566**
Cash flows from operating activities	1,885	1,132
Cash flows from investing activities	–2,505	–3,101
Cash flows from financing activities	801	1,526
Effects of exchange rate changes	–11	–96
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,197**	**2,027**
Cash and cash equivalents from discontinued operations	**51**	**85**
Cash and cash equivalents from continuing operations	**2,146**	**1,942**
Payments for taxes, interest and dividends		
Income taxes paid from operating activities	–128	–178
Interest received from operating activities	5,670	5,685
from investing activities	588	676
Interest paid from operating activities	–2,319	–2,353
from investing activities	–770	–779
Dividends received from investing activities	101	77

Notes to the Consolidated Financial Statements

Note
In this report, “Bank Austria” and “the Bank Austria Group” refer to the Group. To the extent that information relates to the parent company’s separate financial statements, “UniCredit Bank Austria AG” is used.
In adding up rounded figures and calculating the percentage rates of changes, slight differences may result compared with totals and rates arrived at by adding up component figures which have not been rounded off.

A – Accounting policies

A – Accounting policies (CONTINUED)

A.1 – Information on the company

UniCredit Bank Austria AG, Schottengasse 6–8, A-1010 Vienna, Austria, ("Bank Austria" or "BA") is a universal bank conducting banking business within the meaning of Section 1 (1) of the Austrian Banking Act. It is registered under no. FN 150714p in the Austrian Register of Firms. The Bank Austria Group as part of the UniCredit group offers a complete range of banking and other financial services, such as corporate finance, foreign trade financing, project finance, capital markets and money market services, securities and foreign exchange trading, investment banking, consumer credit and mortgage lending, savings accounts, asset management, leasing and factoring. The bank continues to operate in the market under the "Bank Austria" brand name. The geographical focus of the Group's operations is on Austria, Central and Eastern Europe (CEE), and Turkey and Russia.

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

The consolidated financial statements of Bank Austria for the year ended 31 December 2015 and the comparative information have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), including the interpretation documents issued by the SIC and IFRIC, and endorsed by the European Commission up to 31 December 2015, pursuant to EU Regulation 1606/2002. The additional disclosure requirements according to Section 245a UGB (Austrian Business Code) and Section 59a of the Austrian Banking Act as well as the disclosure requirements specified in the Accounting Manual of UniCredit S.p.A., the ultimate parent company, required to be applied throughout the Group were taken into account in the preparation of the consolidated financial statements.

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

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

The consolidated financial statements comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows (compiled using the indirect method) and the notes to the consolidated financial statements, and are accompanied by the management report.

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

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

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

Risk and uncertainty due to use of estimated figures

The preparation of financial statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting principles and the amounts of assets and liabilities and income and expenses reported in the consolidated financial statements, as well as the disclosure concerning contingent assets and liabilities. Estimates and related assumptions are based on previous experience and other factors considered reasonable under the circumstances and have been used to estimate the carrying values of assets and liabilities for which evidence of value is not readily available from other sources.

Valuation is particularly complex given the uncertainty in the macroeconomic and market environment, which is characterised by both the volatility in the financial parameters defined for the valuation process and signs of deterioration in credit quality.

The parameters and information used to check the above-mentioned values are therefore significantly affected by such factors, which could change rapidly in ways that are currently unforeseeable, such that further effects on future carrying amounts cannot be ruled out.

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

Uncertainty affecting estimates is generally inherent in the measurement of:
- fair value of financial instruments not listed in active markets (A.7);
- loans and receivables, investments and, in general, any other financial assets/liabilities;
- post-employment benefit obligations and other employee benefits (A.6.8);
- provisions for risks and charges (A.6.8, C.26), contingent liabilities and contingent assets;
- goodwill and other intangible assets (A.6.3, C.12) as well as
- deferred tax assets (C.13).

This is because the measurement of these items is mainly dependent on both the evolution of socio-economic conditions and the performance of the financial markets, which affect interest rates, securities prices, actuarial assumptions and, more generally, the creditworthiness of borrowers and counterparties.

Given the current public and political discussion on the possibility of amending an Austrian law, there is specific uncertainty about the determination of the payments to be made to the state pension scheme under the Austrian General Social Insurance Act in connection with the plan curtailment for active employees (see section A.6.8.1). It is currently not possible to reliably determine or estimate whether and to what extent this will ultimately result in a change in such payments. Any effects resulting from potential future amendments to the law would have to be taken into consideration in accordance with IAS 37.50 in the reporting period of such amendment.

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

A.3 – Consolidation principles

This section outlines the consolidation criteria and principles used to prepare the consolidated accounts at 31 December 2015.

Consolidated Accounts

The financial information in the consolidated financial statements includes that of the parent company, UniCredit Bank Austria AG, together with its subsidiaries as at 31 December 2015.

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

The accounts and the explanatory notes of the main consolidated subsidiaries prepared under IFRS are subject to audit by leading audit companies.

Subsidiaries

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

Equity interests held by third parties in a special purpose entity consolidated by the Bank in accordance with IFRS 10 are recognised under non-controlling interests.

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

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

A – Accounting policies (CONTINUED)

A subsidiary's income and expenses are included in the consolidation from the date the parent acquires control. On disposal of a subsidiary, its income and expenses are consolidated up to the date of disposal, i.e., until the parent ceases to control the subsidiary. The difference between the proceeds from the disposal of the subsidiary and the carrying amount of its net assets is recognised in the item "Gains and losses on disposal of investments" in profit or loss for fully consolidated entities.

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

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

Joint ventures

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

Investments in jointly controlled companies are accounted for under the equity method, if they are material for the Bank Austria Group. At present, there is no case in the Bank Austria Group where proportionate consolidation, which IFRS 11 permits only in exceptional cases, is applied.

Associates

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

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

Investments in associates are recognised using the equity method. The carrying amount includes goodwill (less any impairment loss). The investor's share of the profit and loss of the investee after the date of acquisition is recognised in the item "Profit (Loss) on equity investments" in the income statement. Distributions received from an investee reduce the carrying amount of the investment.

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

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

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

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

New and amended financial reporting standards adopted in 2015

The Group has adopted the following new standards and amendments to standards, with a date of initial application of 1 January 2015.

Accounting for contributions pursuant to EU Directives 2014/49/EU and 2014/59/EU

Pursuant to Directive 2014/49/EU on deposit guarantee schemes and pursuant to Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions – implemented in Austria through the Austrian Deposit Guarantee and Investor Compensation Act (Einlagensicherungs- und Anlegerentschädigungsgesetz – ESAEG) and the Austrian Recovery and Resolution of Banks Act (Banken-Sanierungs- und Abwicklungsgesetz – BaSAG), respectively – credit institutions are required from 2015 to make contributions to protection schemes created by the state. In this context UniCredit Group applies the following accounting methods: if the relevant law was passed by the national legislative body (in Austria: the National Assembly – Nationalrat), the amounts of the contributions for the full year are to be recognised as expenses immediately in full (in line with the relevant requirement under IFRIC 21 for levies where the obligation to pay the levy is not triggered by operating over a period of time). If the law has not yet been passed, it is not yet possible (also in line with IAS 12) to recognise an expense because there is no legal obligation. In the Bank Austria Group, the total amount recognised as an expense in this connection in the 2015 financial year was €76 million; the expected contributions pursuant to the Austrian Recovery and Resolution of Banks Act accounted for a large proportion of the total amount.

Amendments to IAS 19 – Defined benefit plans

An amendment to IAS 19 relating to changes in accounting for contributions from employees became effective on 1 February 2015. The amendment was endorsed by the EU on 17 December 2014. This amendment has no effect on the Bank Austria Group.

Amendments resulting from "Annual Improvements to IFRS"

The amendments resulting from the Annual Improvements to IFRS 2011–2013 Cycle have been effective since 1 January 2015; the amendments from the 2010–2012 Cycle have been effective since 1 February 2015. The amendments from the 2010–2012 Cycle relate in particular to minor amendments to IFRS 2 (concerning the definition of vesting conditions), IFRS 3 (with regard to accounting for contingent consideration in a business combination), IFRS 8 (clarifying the aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets), IFRS 13 (clarifying the fair value of short-term receivables and payables), IAS 16/IAS 38 (clarifying the determination of accumulated depreciation and amortisation when the revaluation model is used) and IAS 24 (definition of key management personnel). The amendments from the 2011–2013 Cycle mainly relate to IFRS 3 (scope exceptions for joint ventures), IFRS 13 (clarifying the application of the portfolio exception), IAS 40 (clarifying the interrelationship of IFRS 3 and IAS 40 in the case of the acquisition of investment property). All these amendments and clarifications are of minor significance for the Bank Austria Group.

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

IFRS 9 Financial Instruments – disclosure according to IAS 8 paragraphs 30/31 and EDTF report December 2015

In July 2014 the IASB issued IFRS 9 Financial Instruments, the new accounting standard, mandatorily effective for annual periods beginning on or after 1 January 2018, that will replace IAS 39 Financial Instruments: Recognition and Measurement. The endorsement by the European authorities is expected to be completed before its date of first time adoption.

The new standard includes a revised model for classification and measurement of financial assets, an impairment model for credit allowances based on "expected loss" and a reformed approach to general hedge accounting.

The new classification and measurement approach for financial assets in IFRS 9 will be based upon the contractual cash flow characteristics of the financial asset and, for financial assets whose contractual cash flows are solely payments of principal and interest on the principal amount outstanding ("SPPI assets"), the entity's business model for managing them. Depending on the entity's business model, SPPI assets may be classified as "held to collect" contractual cash flows (measured at amortised cost and subject to the expected loss impairment), assets "held to collect and sale" (measured at fair value through other comprehensive income and subject to the expected loss impairment) or held for trading (measured at fair value through profit or loss).

With reference to the new impairment model, the introduction of the expected credit loss (ECL) approach is expected to have a significant impact on UniCredit consolidated financial statements: loans to customers and banks, loan commitments, debt securities "held to collect" and "held to collect and sale", financial guarantees and leasing financial assets are in the scope of the ECL approach. This approach has been designed by the IASB in order to produce earlier recognition of credit losses than IAS 39.

IFRS 9 will require the measurement of credit impairment allowance to be based on ECL using a three stage impairment approach. The measurement of ECL depends on its credit risk and the extent of a significant increase in credit risk since initial recognition, as follows:
(a) "12-month ECL" (Stage 1), which applies to all items (from initial recognition) as long as there is no significant increase in credit risk; and
(b) "Lifetime ECL" (Stages 2 and 3), which applies when a significant increase in credit risk has occurred, whether assessed on an individual or collective basis.

Assets allocated for IFRS 9 in Stages 1 and 2 are classified as performing under IAS 39 and the amount of their allowance is under IAS 39 measured using the "incurred but not reported approach" ("IBNR"), i.e. with an amount of allowance calculated as the product of risk factors derived from the parameters used under supervisory regulations and CRR requirements (with a 12-month time horizon): probability of default, loss given default, exposure at default and loss confirmation periods, the latter expressed as a portion of a year and diversified according to loan classes on the basis of the characteristics of the customer's segment/portfolios. With the transition to IFRS 9, this IBNR approach used for IAS 39 will be replaced respectively for assets allocated in Stage 1 by the 12-month ECL and for assets allocated in Stage 2 by the lifetime ECL (the latter having as relevant time horizon the residual life of the asset).

For assets allocated in Stage 3, which are non-performing under IAS 39, no major conceptual differences exist with the ECL approach of IFRS 9, as triggers for impairment recognition and non-performing loan classification used under IAS 39 will continue to be applied.

A – Accounting policies (CONTINUED)

Considering the differences in concepts described above for performing assets, the ECL approach is expected to increase the credit loss allowances on transition compared to the existing IAS 39 approach.

The IFRS 9 accounting model is generally expected to include a greater degree of management judgment than IAS 39 and will employ model-based calculations that are inherently complex. Preparation for the ECL approach requires significant data, systems and process changes within UniCredit Group and requires to carefully consider the Group implementation strategies.

The Group has launched a dedicated project to implement IFRS 9, involving the main banking subsidiaries in Italy, Germany, Austria, Poland and the CEE countries. The project actively involves: Group Risk Management, Strategy and Finance, the main Business functions, Organisation and Information Communication Technology departments.

After a phase of gap analysis and definition of high-level methodological guidelines, the activities are currently in the detailed design phase. The current status of the activities reflects the fact that, since the accounting and modelling requirements are new, leading practices are now being developed with reference to several key issues, through guidelines recently issued by the Basel Committee and discussions at industry level and with external auditors; accordingly final impacts are still subject to change.

With reference to classification and measurement, the Group is undertaking a detailed assessment of cash flow characteristics of debt instruments classified at amortised cost under IAS 39, in order to identify potential assets that, failing the SPPI test, will have to be measured at fair value under IFRS 9.

With reference to the ECL approach, the Group is currently working on models, data and system design and testing and plans to run detailed impact assessment for IFRS 9 impairment in due course, while progressing with such design activities.

Quantitative impacts on UniCredit consolidated financial statements at initial application are to date not available, reflecting the status of the above-mentioned activities. The main impacts on UniCredit Group are expected to come from the implementation of the new impairment model, which will result in higher credit loss allowances for performing loans. Adjustments to carrying values of financial instruments due to IFRS 9 transition will impact the book value of equity as of 1 January 2018.

Furthermore, the adoption of the new ECL framework may eventually result in changes, in addition to the financial reporting processes, also to the bank’s risk management organisation and processes, including both front office credit management processes (e. g. underwriting, credit monitoring) and back office provisioning processes. Such changes are currently under analysis and will be implemented in compliance within the regulation enforcement timeframe.

Under the current capital approach, any deficit between regulatory expected loss (“EL”) and IAS 39 accounting allowance is deducted from CET1 capital, while any excess is added back to Tier 2 capital. In the absence of any amendment to Basel regulatory rules, the new ECL approach is expected to affect negatively regulatory capital as of 1 January 2018. However, to date it is unclear how regulators will treat the interaction of the accounting impairment allowance and the Basel concept of expected loss: the current Basel framework was designed to deal with IAS 39 accounting allowances based on incurred loss, while IFRS 9 will trigger expected loss to impact accounting equity. Accordingly, final implications on regulatory capital are still uncertain to date.

Key concepts within the ECL approach include the assessment of a significant increase in credit risk and the measurement of ECL. Such concepts, according to the standard, must be based on reasonable and supportable information that is available without undue cost or effort, and must reflect historical, current and forward-looking information.

As described above, the concept of "significant increase in credit risk" will drive the timing of recognising lifetime ECL (i.e. those exposures assigned to Stage 2) as opposed to 12-month expected credit losses (i.e. Stage 1) in the measurement of the impairment allowance.

With reference to the assessment of a significant increase in credit risk interpretations and policies at UniCredit Group are now being defined, with the risk parameter of probability of default taking a key role in the assessment at portfolio level, together with trigger indicators used in the risk monitoring processes at portfolio and individual exposure level. In addition, the more-than-30-days-past-due rebuttable presumption will also be taken into account, unless for specific parts of portfolio where such information has no substantive relationship with the credit risk driver. Macroeconomic variables and forward-looking information are being factored into such assessment at portfolio level, starting from the stress testing statistics and processes already in place.

With reference to ECL measurement, internal ratings-based Basel models are used as the starting point. The detailed design of IFRS 9 entails a switch from a 12-month time horizon to long-life parameters and from a through-the-cycle and downturn approach to a point-in-time logic for probability of default and loss given default. Long-life parameters will factor both historical information, where trends and correlations to credit risk are identified, and forward-looking events as well as macroeconomic forecasts at portfolio level as mentioned above.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 Regulatory Deferral Accounts permits a company which is a first-time adopter of IFRS to continue to account, with some limited changes, for regulatory deferral account balances in accordance with the previously used generally accepted accounting policies. The Standard became effective on 1 January 2016. But in October 2015 it was announced that the European Commission will not propose endorsement of the Standard by the EU.

IFRS 15 Revenue from Contracts with Customers

On 28 May 2014, the IASB issued IFRS 15, which specifies when and how revenue from contracts with customers is to be recognised in all lines of business. The Standard supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The Standard will be effective from 1 January 2017; its endorsement by the EU is expected for the second quarter of 2016. The Group will analyse the potential effects of this Standard.

IFRS 16 Leases

The IASB issued IFRS 16 Leases on 13 January 2016. The main idea behind the new Standard is to recognise in the lessee's statement of financial position all leases and the related contractual rights and obligations. In the future the lessee will not need to make a distinction between finance leases and operating leases, which has so far been required under IAS 17. The new rules will have to be applied for financial years beginning on or after 1 January 2019 and will replace the currently applicable rules of IAS 17 Leases and the related interpretations. A timetable for endorsement of the Standard by the EU is not yet available. The Group will analyse the potential effects of the application of this Standard.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

In May 2014, the IASB issued amendments to IAS 16 and IAS 38, clarifying that the use of revenue-based depreciation methods for property, plant and equipment is not appropriate, and significantly limiting the use of revenue-based depreciation methods for intangible assets. The amendments were endorsed by the EU in December 2015; they will be applied from 1 January 2016. These amendments will only have insignificant effects on the Bank Austria Group.

Amendments to IAS 16 and IAS 41 concerning bearer plants

In June 2014, the IASB issued amendments to IAS 16 and IAS 41 concerning bearer plants. They became effective on 1 January 2016 and were endorsed by the EU in November 2015. These amendments have no effect on the Bank Austria Group.

Amendments to IFRS 10, IFRS 12, IAS 27 and IAS 28

On 12 August 2014 the IASB issued an amendment to IAS 27 concerning use of the equity method in separate financial statements. This amendment became effective on 1 January 2016; it was endorsed by the EU in December 2015. It will have no effect on the Bank Austria Group's consolidated financial statements.

On 11 September 2014 the IASB issued amendments to IFRS 10 and IAS 28 concerning the sale or contribution of assets between an investor and its associate or joint venture. In February 2015, the European Financial Reporting Advisory Group (EFRAG) recommended that the EU endorsement process in respect of these amendments be suspended until further notice because a conflict with IAS 28.32 was identified; in the meantime, the IASB has confirmed that a conflict exists. In December 2015, the IASB decided to defer the effective date of the amendments to these Standards indefinitely.

On 18 December 2014 the IASB issued amendments to IFRS 10, IFRS 12 and IAS 28 concerning a consolidation exception for investment entities. This amendment became effective on 1 January 2016; its endorsement by the EU is expected for the second quarter of 2016. It will have no effect on the Bank Austria Group.

Amendment to IFRS 11 Joint Arrangements

This amendment clarifies the accounting for acquisitions of interests in joint operations if these constitute a business. The amendment was published on 6 May 2014 and became effective on 1 January 2016; it was endorsed by the EU in November 2015. Effects on the Bank Austria Group will only result if such a transaction is made in the future.

Amendments to IAS 1 Presentation of Financial Statements

On 18 December 2014 the IASB, under its Disclosure Initiative, published amendments to IAS 1 concerning various clarifications and additional disclosure requirements. The amendments became effective on 1 January 2016; they were endorsed by the EU in December 2015. The amendments will result in minor additional information to be given by the Bank Austria Group in the notes to the consolidated financial statements.

Amendments to IAS 12 Income Taxes

On 19 January 2016 the IASB issued amendments to IAS 12 Income Taxes in connection with the recognition of deferred tax assets for unrealised losses. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2017. Endorsement of the amendments by the EU is expected for the fourth quarter of 2016.

Amendments to IAS 7 Statement of Cash Flows

On 26 January 2016 the IASB issued amendments to IAS 7 Statement of Cash Flows with the objective of improving information on changes in liabilities arising from financing activities. The amendments are to be applied for annual periods beginning on or after 1 January 2017. Endorsement of the Standard by the EU is expected for the fourth quarter of 2016.

Amendments resulting from "Annual Improvements to IFRS 2012–2014 Cycle"

On 25 September 2014 the IASB issued amendments under the Annual Improvements to IFRS project. These amendments relate to minor adjustments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, with regard to changes in methods of disposal; amendments to IFRS 7 Financial Instruments: Disclosures, in connection with the application to servicing contracts; more specific information in IAS 19 Employee Benefits with regard to the currency of the discount rate to be applied; and clarifications with regard to wordings in IAS 34 Interim Financial Reporting. The amendments became effective on 1 January 2016; they were endorsed by the EU in December 2015. The effects on the Bank Austria Group are considered to be negligible.

A.5 – Significant accounting policies

A.5.1 – Business Combinations

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

A business combination may result in a parent-subsidiary relationship in which the acquirer is the parent and the acquiree a subsidiary of the acquirer. A business combination may involve the purchase of the net assets of another entity – in which case goodwill can arise – or the purchase of the equity of the other entity (mergers).

IFRS 3 requires that all business combinations shall be accounted for by applying the purchase method, which involves the following steps:
- identifying the acquirer;
- determining the acquisition date;
- recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- recognising and measuring goodwill or a gain from a bargain purchase.

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

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

If the acquisition concerns a percentage less than 100% of the assets of the acquired company, non-controlling interests are recognised.
At the acquisition date, non-controlling interests are valued:
- either at fair value ("full goodwill method") or
- as a proportion of non-controlling interests in the assets, liabilities and identifiable contingent liabilities of the acquired company.

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

Business combinations under common control (e.g. transfers of entities to and from other subsidiaries of UniCredit S.p.A. outside our Bank Austria Group) are accounted for using the predecessor basis of accounting, with any effects directly recognised in equity.

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

A.5.2 – Foreign currency translation

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

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

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

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

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

A – Accounting policies (CONTINUED)

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

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

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

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

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

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

Exchange rates used for foreign currency translation

(Exchange rate in currency/€)

		2015		2014		CHANGE IN %	
		AVERAGE	END OF REPORTING PERIOD	AVERAGE	END OF REPORTING PERIOD	AVERAGE	END OF REPORTING PERIOD
Azerbaijani manat	AZN	1.1392	1.6977	1.0422	0.9525	9.31 %	78.25 %
Convertible mark	BAM	1.9558	1.9558	1.9558	1.9558	0.00 %	0.00 %
Bulgarian lev	BGN	1.9558	1.9558	1.9558	1.9558	0.00 %	0.00 %
Swiss franc	CHF	1.0679	1.0835	1.2146	1.2024	–12.08 %	–9.89 %
Czech crown	CZK	27.2792	27.0230	27.5359	27.7350	–0.93 %	–2.57 %
Croatian kuna	HRK	7.6137	7.6380	7.6344	7.6580	–0.27 %	–0.26 %
Hungarian forint	HUF	309.9960	315.9800	308.7060	315.5400	0.42 %	0.14 %
Kyrgyzstan som	KGS	71.4439	82.9689	71.1620	71.5352	0.40 %	15.98 %
Kazakh tenge	KZT	247.3370	370.3485	238.1550	221.4599	3.86 %	67.23 %
Lithuanian litas	LTL	3.4528	3.4528	3.4528	3.4528	0.00 %	0.00 %
Latvian lat	LVL	0.7015	0.7028	0.7015	0.7028	0.00 %	0.00 %
Polish zloty	PLN	4.1841	4.2639	4.1843	4.2732	0.00 %	–0.22 %
Romanian leu	RON	4.4454	4.5240	4.4437	4.4828	0.04 %	0.92 %
Serbian dinar	RSD	120.6870	121.4513	117.2310	121.1225	2.95 %	0.27 %
Russian rouble	RUB	68.0720	80.6736	50.9518	72.3370	33.60 %	11.52 %
Turkish lira	TRY	3.0255	3.1765	2.9065	2.8320	4.09 %	12.16 %
Ukrainian hryvnia	UAH	24.2814	26.1587	15.8643	19.2060	53.06 %	36.20 %
US dollar	USD	1.1095	1.0887	1.3285	1.2141	–16.48 %	–10.33 %

A – Accounting policies (CONTINUED)

A.5.3 – Financial instruments

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

Initial recognition and measurement

A financial instrument is any contract giving rise to a financial asset at one company and a financial liability or equity instrument at another company. In accordance with IAS 39, all financial assets and liabilities, including derivative financial instruments, have to be recognised in the statement of financial position and measured in accordance with their assigned classification. As regards the date of initial recognition, IAS 39 specifies that an entity may use either trade date accounting or settlement date accounting. In the entire UniCredit Group, initial recognition is at the settlement date as required by the Bank of Italy.

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

The group classifies its financial instruments into the following categories:

- at fair value through profit or loss
  - – held for trading
  - – designated under the "fair value option"
- available for sale (AfS)
- held to maturity (HtM)
- loans and receivables

All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and liabilities recorded at fair value through profit or loss.

Amortised cost

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

The effective interest method is a method of allocating the interest income or interest expense over the life of a financial asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Commissions forming an integral part of the effective interest rate include loan drawdown fees or underwriting fees relating to a financial asset not designated at fair value, e. g., fees received as compensation for the assessment of the issuer's or borrower's financial situation, for valuation and registration of security, and generally for the completion of the transaction (management fees).

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

Impairment of financial assets

At each balance sheet date an entity assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Losses expected as a result of future events, no matter how likely, are not recognised.

A – Accounting policies (CONTINUED)

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to our attention about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower which the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; however, the disappearance of an active market due to the fact that a company's financial instruments are no longer traded publicly is no evidence of impairment; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of borrowers in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the group.

Objective evidence of impairment for an investment in an equity instrument includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment may not be recovered.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss is recognised in the profit and loss item "Impairment losses".

If the terms of a loan, receivable or held-to-maturity investment are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. If a loan, receivable or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Objective evidence of impairment is initially assessed individually; however, if it is determined that there is no objective evidence of individual impairment, the asset is included in a group of financial assets with similar credit risk characteristics and assessed collectively.

Formula-based approaches and statistical methods may be used to assess impairment losses on a group of financial assets. Models used incorporate the time value of money, and consider cash flows over the entire residual life of the asset (not just the following year) and do not give rise to an impairment loss on initial recognition of a financial asset. They take into account losses already sustained but not manifest in the group of financial assets at the time of measurement, on the basis of past experience of losses on assets having a similar credit risk to the group of assets being measured.

Reversals of impairment losses

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's creditworthiness), the previously recognised impairment loss is reversed and the amount of the reversal is recognised in profit and loss item "Impairment losses" except in the case of AfS equity instruments (see section 5.3.2 below).

The reversal shall not result – at the date the impairment is reversed – in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised.

A – Accounting policies (CONTINUED)

Derecognition

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

Before evaluating whether, and to what extent, derecognition is appropriate, under IAS 39 an entity should determine whether the relevant conditions apply to a financial asset in its entirety or to a part of a financial asset. The standard is applied to a part of financial assets being transferred if, and only if, the part being considered for derecognition meets one of the following conditions:

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

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

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

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

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

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

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

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

Lastly, it should be noted that securities lending transactions collateralised by other securities or not collateralised were recorded as off-balance sheet items.

A.5.3.2 – Categories of financial instruments

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

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

A – Accounting policies (CONTINUED)

Financial assets and financial liabilities held for trading (HfT)
A financial asset is classified as held for trading if it is:
- acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- a derivative (except for derivatives which constitute financial guarantees, see Section 5.3.3, and derivatives designated as hedging instruments – see Section 5.3.3).

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

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

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

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

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

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

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

If it is necessary to separate an embedded derivative from its host contract, but it is not possible to measure the embedded derivative separately either at acquisition or at a subsequent financial reporting date, the entire combined contract is treated as a financial asset or financial liability at fair value through profit or loss.

When an embedded derivative is separated, the host contract is recognised according to its accounting classification.

Some derivatives are traded on organised exchanges where the terms of the contracts are standardised and quoted prices for the instruments are generally available publicly. Non-exchange traded derivatives, commonly referred to as over-the-counter (OTC) derivatives, are transacted directly between market counterparties with the terms of the contracts often tailored to the parties' specific requirements. These trades are usually governed by general terms published by the International Swaps and Derivatives Association (ISDA) and may be accompanied by a Credit Support Annex (CSA), which details the requirements for the posting of collateral.

A – Accounting policies (CONTINUED)

All derivatives are initially measured at fair value.

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

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

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

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

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

Financial assets and liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value; changes in fair value are recorded in the item "Net change in financial assets and liabilities at fair value through profit or loss". Interest earned or incurred is accrued in interest income or interest expense using the effective interest rate.

FlaFV includes financial assets and liabilities:
(i) not belonging to the regulatory trading book, whose risk is:
  - connected with debt positions measured at fair value
  - and managed by the use of derivatives not treatable as accounting hedges.

(ii) represented by hybrid (combined) instruments containing embedded derivatives that otherwise should have been separated from the host contract.

FlaFV are accounted for in a similar manner to HfT financial instruments (see above), however gains and losses, whether realised or unrealised, are recognised in item "Gains (losses) on financial assets and liabilities measured at fair value".

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

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

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

Equity instruments (shares) not listed in an active market and whose fair value cannot be reliably determined are valued at cost. If there is objective evidence of an impairment loss on an available-for-sale financial asset, the cumulative loss that had been recognised directly in the equity item “Revaluation reserves”, is removed from equity and recognised in profit or loss under the item “Impairment losses (b) available-for-sale financial assets”.

The loss of value is normally considered lasting if fair value falls to less than 50% of the carrying amount or if fair value is lower than the carrying amount for more than 18 months.

If however the fall in the fair value of the instrument is over 20% but less than or equal to 50% or continues for no less than 9 months but no longer than 18 months, further market indicators are used for a review. If the results of the review are such as to prejudice the recovery of the amount originally invested, a lasting loss of value is recognised. The amount taken to profit and loss is the difference between the carrying amount (value of initial recognition less any impairment loss already recognised in profit or loss) and current fair value. Given the low volume of available-for-sale equity instruments, there is currently no material case in which this is applied in the Bank Austria Group. Where instruments are valued at amortised cost, the amount of the loss is determined as the difference between their carrying value and the present value of estimated future cash flows, discounted at the current market yield on similar financial assets.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss, but recognised in equity.

In respect of debt instruments, any circumstances indicating that the borrower/issuer is experiencing financial difficulties which could prejudice the collection of the principal or interest, represent an impairment loss. A lasting loss of value of equity instruments is assessed on the basis of indicators such as fair value below the carrying amount and adverse changes in the environment in which the company operates, as well as the issuer’s debt service difficulties.

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

Held-to-maturity investments (HtM)

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

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

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

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

A – Accounting policies (CONTINUED)

Loans and receivables

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

These items include debt instruments with the above characteristics or those subject to portfolio reclassification in accordance with the rules of IAS 39 (see Section A.7.5) and the net value of finance leases of assets under construction or awaiting lease, provided the leases have the characteristics of contracts entailing the transfer of risk.

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

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

- when a loan or receivable is derecognised: in the item “Gains and losses on disposal”;

or:

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

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

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

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

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

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

The amount of the loss on non-performing exposure – classified as “bad loans” and “unlikely to pay” as specified below – is the difference between the carrying value and the present value of estimated cash flows discounted at the original interest rate of the financial asset. If the original rate is not immediately available, or if obtaining it is too burdensome, its best approximation will be applied.

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

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

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

In the notes to the financial statements, write-downs of impaired loans are classified as specific in the relevant income statement item even when the calculation is flat-rate or statistical, as indicated below.

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

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

According to UniCredit Group guidelines, non-performing loans and receivables are classified in the following categories:
- **Bad loans:** credit exposures, formally considered uncollectible, to insolvent borrowers, even if insolvency has not been judicially ascertained. The impairment loss assessment is performed in general on an analytical basis (including the validation of the provision with coverage levels statistically defined for certain loan portfolios below a set threshold). If the individual loan amounts are not significant, the assessment of impairment loss is performed on a collective basis aggregating similar exposures.
- **Unlikely to pay:** on-balance sheet and off-balance sheet exposures which do not meet the conditions to be classified as "bad loans". The classification as "unlikely to pay" derives from the assessment of the debtor's unlikeliness, without actions such as realisation of collateral, to fully repay his/her credit obligation (principal and/or interest). The classification within the "unlikely to pay" category is not necessarily related to the explicit presence of anomalies (repayment failure) but rather is tied to the existence of evidence of a debtor's risk of default. The impairment loss assessment is performed in general on an analytical basis (also checking the coverage level which is statistically defined for certain loan portfolios below a set threshold) or on a collective basis aggregating similar exposures.
- **Past due:** on-balance sheet exposures other than those classified among "bad loans" or "unlikely to pay", which at the reference date have amounts that are 90 days past due or over limits. Non-performing past-due amounts can be determined by reference to the individual debtor or to the individual transaction.

In respect of loans and receivables on which no specific write-downs have been made, any impairment losses which have been incurred as at the end of the reporting period but have not yet been identified by the bank are covered by a portfolio-based write-down. In this context we use the Loss Confirmation Period Method. The Loss Confirmation Period is the period between the occurrence of a loss event or the default of a borrower and the time when the bank identifies the loss. The Loss Confirmation Period is determined on a differentiated basis for various loan portfolios. The loss which has been incurred but has not yet been identified is estimated by using Basel parameters (expected loss – with a one-year time horizon) for the differentiated loan portfolios and the respective loss confirmation period.

Allowances for impairment reduce the loan or receivable's carrying amount. The risk inherent in off-balance-sheet items, such as loan commitments, losses due to impairment of guarantees and comparable credit derivatives under IAS 39, is recognised in profit or loss under the item "Impairment losses (d) other financial assets", offsetting the item "Other liabilities".

A 5.3.3 Further definitions in the context of financial instruments

Factoring

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

Guarantees and credit derivatives in the same class

Guarantees and credit derivatives in the same class measured under IAS 39 (i.e. contracts under which the issuer makes pre-established payments in order to compensate the guaranteed party or buyer of protection for losses sustained due to default by a debtor on the maturity of a debt instrument) are initially and subsequently (on remeasurement following impairment losses) recognised in the item "Other liabilities". On first recognition guarantees given are recognised at fair value, which usually corresponds to the amount received when the guarantee is issued. After initial recognition, guarantees given are recognised at the greater of the initially recognised value, net of any amortised portion, and the estimated amount required to meet the obligation. The effects of valuation, related to any impairment of the underlying, are recognised in the same balance-sheet item contra item "Write-downs and write-backs due to impairment of other financial transactions" in the income statement.

Finance leases

Finance leases effectively transfer all the risks and benefits of ownership of an asset to the lessee; ownership of the asset is transferred to the lessee, however not necessarily at contractual maturity.
The lessee acquires the economic benefit of the use of the leased asset for most of its useful life, in exchange for a commitment to pay to the lessor an amount approximately equivalent to the fair value of the asset and related finance costs.

Recognition in the lessor's accounts is as follows:
- in assets, the value of the loan, less the principal of lease payments due and paid by the lessee;
- in profit or loss, interest received.

See the sections on "Property, plant and equipment" and "Intangible assets" below for the treatment of the lessee's assets.

Forbearance

Forbearance measures are concessions made by a bank to a debtor facing or about to face difficulties in meeting its financial commitments. If such measures involve a loss, they will lead to the recognition of an impairment loss in accordance with IAS 39. For further information on forbearance see section E.9 in the risk report.

Hedge accounting

Hedging instruments are those created to hedge market risks (interest-rate, currency and price) to which the hedged positions are exposed.

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

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

A hedge is regarded as highly effective if, at the inception of the hedge and in subsequent periods, it is determined prospectively to remain highly effective, and the retrospectively verified that the hedge ratio (i.e. the changes in fair value of hedged items and hedging instruments) is within a range of 80–125 per cent. The hedge is assessed on an ongoing basis and thus must prospectively remain highly effective throughout the financial reporting periods for which the hedge has been designated.

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

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

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

Hedging derivatives are measured at fair value. Specifically:

- **Fair value hedging** – an effective fair value hedge is accounted for as follows: the gain or loss from remeasuring the hedging instrument at fair value is recognised through profit or loss in the item "Fair value adjustments in hedge accounting"; the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised through profit or loss in the same item. If the hedging relationship is terminated for reasons other than the sale of the hedged item, this is measured according to the original criterion dictated by the accounting standard applied to the relevant portfolio. In the case of interest-bearing instruments, the difference between the carrying amount of the hedged item on termination of the hedging and the carrying amount it would have had if the hedge had never existed, is recognised through profit or loss in interest receivable or payable over the residual life of the original hedge. The difference in fair value of the hedging derivative since the latest effectiveness testing date is recognised in profit or loss under the item "Fair value adjustments in hedge accounting". If the hedged item is sold or repaid, the portion of fair value which is still unamortized is at once recognised through profit or loss in the item "Gains and losses on disposal or repurchase".
- **Cash flow hedging** – hedging instruments are valued at fair value. A change in the fair value of a hedging instrument that is considered effective is recognised in the equity item "Revaluation reserves". The ineffective portion of the gain or loss is recognised through profit or loss in the item "Fair value adjustments in hedge accounting". If a cash flow hedge is determined to be no longer effective or the hedging relationship is terminated, the cumulative gain or loss on the hedging instrument that remains recognised in "Revaluation reserves" from the period when the hedge was effective remains separately recognised in "Revaluation reserves" until the forecast hedged transaction occurs or is determined to be no longer possible; in the latter case gains or losses are transferred through profit or loss to "Fair value adjustments in hedge accounting". The fair value changes recorded in item "Revaluation reserves" are also disclosed in the Statement of Comprehensive Income.
- **Hedging a net investment in a foreign entity** – hedges of a net investment in a foreign entity are accounted for similarly to cash flow hedges. The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognised directly in equity is recognised through profit or loss on disposal of the foreign entity.

A – Accounting policies (CONTINUED)

- **Portfolio fair value hedge for financial assets (liabilities)** – IAS 39 allows a fair-value item hedged against interest rate fluctuations to be not only a single asset or liability but also a monetary position contained in a number of financial assets or liabilities (or parts of them); accordingly, a group of derivatives can be used to offset fair-value fluctuations in hedged items due to changes in market rates. Macro hedging may not be used for net positions resulting from the offsetting of assets and liabilities. As for fair value micro hedging, macro hedging is considered highly effective if, at the inception of the hedge and in subsequent periods, changes in the fair value attributable to the hedged position are offset by changes in fair value of the hedging instrument and if the hedge ratio is retrospectively assessed falling within the range of 80–125 per cent. Net changes – gains or losses – in the fair value of the macro-hedged assets and liabilities attributable to the hedged risk are recognised in special line items on the asset or liability side and offset the profit and loss item "Fair value adjustments in hedge accounting". The ineffectiveness of the hedging arises to the extent that the change in the fair value of the hedging item differs from the change in the fair value of the hedged monetary position. The extent of hedge ineffectiveness is in any case recognised in the profit and loss item "Fair value adjustments in hedge accounting". If the hedging relationship is terminated, for reasons other than the sale of the hedged items, a cumulative gain or loss in the balance sheet line items is recognised through profit or loss in interest income or expenses, along the residual life of the hedged financial assets or liabilities. If the latter are sold or repaid, unamortised fair value is at once recognised through profit and loss in the item "Gains and losses on disposal or repurchase".

A portfolio fair value hedge is used by our Russian banking subsidiary AO UniCredit Bank and by our Romanian subsidiary UniCredit Consumer Financing IFN S.A. In AO UniCredit Bank, portfolio fair value hedge accounting is part of an interest rate risk hedging strategy that helps to avoid discrepancies between the economic substance of deals concluded for hedging purposes and their accounting treatment. Interest rate swaps are designated as hedging instruments. UniCredit Consumer Financing IFN S.A. uses interest rate swaps to hedge a portfolio of euro-denominated fixed-rate loans against interest rate risk. Our Serbian banking subsidiary UniCredit Bank Serbia J.S.C. uses a portfolio fair value hedge for a portfolio of fixed-rate loans denominated in foreign currency.

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

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

Equity investments

The principles governing the recognition and measurement of equity investments under IFRS 10 and IFRS 11 are given in detail in Part A.3 – Consolidation principles. Remaining interests other than subsidiaries, associates and joint ventures, and interests recognised in items "Non-current assets and disposal groups classified as held for sale" and "Liabilities included in disposal groups classified as held for sale" are classified as AfS financial assets or financial assets at fair value through profit and loss and treated accordingly.

Repo transactions and securities lending

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

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

The same rules apply to securities lending transactions. Counterparty risk related to such securities lending or borrowing transactions is shown in the tables in section "E.9 – Credit risk".

Liabilities, debt securities in issue and subordinated loans

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

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

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

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

Securities in issue are recognised net of repurchased amounts; the difference between the carrying value of the liability and the amount paid to repurchase it is taken to profit and loss under the item "Gains and losses on repurchases of financial liabilities". Subsequent disposal by the issuer is considered as a new issue which does not produce gains or losses.

Loan securitisations

Loans and receivables also include loans securitised which cannot be derecognised under IAS 39.

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

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

Asset encumbrance

The term "asset encumbrance" refers to assets pledged as security for a company's own liabilities and commitments. Such assets continue to be recognised in the financial statements as long as the Bank Austria Group retains beneficial ownership. For information on assets pledged as security see section F.8.

A.6 – Information on other financial statement line items

A.6.1 – Cash and cash equivalents

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

A – Accounting policies (CONTINUED)

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

The item includes:
- land;
- buildings;
- furniture and fixtures;
- plant and machinery;
- other machinery and equipment;

and is divided between
- assets used in the business and
- assets held as investments

Assets used in the business are held for use in the production or supply of goods or services or for administrative purposes and are expected to be used during more than one period. This category also (conventionally) includes assets to be let or under construction and to be leased under a finance lease, only for those finance leases which provide for retention of risk by the lessor until the acceptance of the asset by the lessee and the start of rentals under the finance lease (see also section "loans and receivables" for finance leases with risk transfer).

The item includes assets used by the Group as lessee under a finance lease, or let/hired out by the Group as lessor under an operating lease.

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

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

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

Subsequent costs are added to the carrying amount or recognised as a separate asset only when it is probable that there will be future economic benefits in excess of those initially foreseen and the cost can be reliably measured. Other expenses borne at a later time (e.g. normal maintenance costs) are recognised in the year they are incurred in profit and loss items:
- "General and administrative expenses", if they refer to assets used in the business; or:
- "Other net operating income", if they refer to property held for investment.

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

Exceptions are made for property investments underlying liabilities whose yield is linked to their fair value. For these latter assets the fair value model as per IAS 40 paragraph 32A is used.

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

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

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

An item with an indefinite useful life is not depreciated.

Land and buildings are recognised separately, even if acquired together. Land is not depreciated since it usually has an indefinite useful life. Buildings, conversely, have a finite useful life and are therefore subject to depreciation.

The estimate of the useful life of an asset is reviewed at least at each accounting period-end on the basis inter alia of the conditions of use of the asset, of maintenance conditions and expected obsolescence, and, if expectations differ from previous estimates, the depreciation amount for the current and subsequent financial years is adjusted accordingly.

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

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

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or sale in the future and any difference between sale proceeds or recoverable value and carrying value is recognised in the profit and loss item "Gains and losses on disposal of investments".

A.6.3 – Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance which is expected to be used during more than one period, and from which future economic benefits are probable.

Intangible assets are principally goodwill, software, brands and customer-related intangible assets.

Intangible assets other than goodwill are recognised at purchase cost, i. e. including any cost incurred to bring the asset into use, less accumulated amortisation and impairment losses.

An intangible asset with a finite life is subject to straight-line amortisation over its estimated useful life.

Useful life is usually assessed as follows:
- software: maximum 7 years
- other intangible assets: maximum 20 years
- customer base: maximum 20 years

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

For an intangible asset with an indefinite life even if there are no indications of impairment, the carrying amount is compared annually with its recoverable value. If the carrying amount is greater than the recoverable value, the difference is recognised in the profit and loss item "Impairment/write-backs on intangible assets".

If the value of a previously impaired intangible asset, other than goodwill is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there were no losses recognised on the prior-year impairment.

A.6.4 – Non-current assets held for sale

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

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

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

A.6.5 – Income tax

Tax assets and tax liabilities are recognised in the consolidated balance sheet respectively in the item "Tax assets" or in the item "Tax liabilities".

In compliance with the "balance sheet liability method", current and deferred tax items are:
- current tax assets, i.e. amount of tax paid in excess of income tax due in accordance with local tax regulations;
- current tax liabilities, i.e. amount of corporate tax due in accordance with local tax regulations;
- deferred tax assets, i.e. amounts of income tax recoverable in future fiscal years and attributable to:
  - deductible temporary differences;
  - the carryforward of unused tax losses; and
  - the carryforward of unused tax credits
- deferred tax liabilities, i.e. the amounts of income tax due in future fiscal years in respect of taxable temporary differences.

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

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

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

Furthermore, deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profit will be generated by the entity. In accordance with the provisions of IAS12, the probability that sufficient future taxable profit against which the deferred tax assets can be utilised will be available is reviewed periodically. The carrying amount of deferred tax assets should be reduced to the extent that it is not probable that sufficient taxable profit will be available.

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

Current and deferred taxes are recognised in profit and loss item "Tax expense (income) related to profit or loss from continuing operations", except for tax relating to items that in the same or in another fiscal year are credited or charged directly to equity, such as those relating to gains or losses on available-for-sale financial assets and those relating to changes in the fair value of cash flow hedging instruments, whose changes in value are recognised, net of tax, directly in the Statement of Comprehensive Income – valuation reserves.

Pursuant to the group taxation rules introduced in Austria in 2005, Bank Austria has formed a group of companies. Profit and loss transfer agreements have been concluded with 23 group members (2014: 25), tax compensation agreements have been reached with 42 companies (2014: 56) and there is one joint control arrangement. These agreements and arrangements do not include foreign companies.

A.6.6 – Other assets

The components of this item are accounts receivable from deliveries of goods and the performance of services, tax claims and deferred tax assets unless these relate to income tax.

A.6.7 – Deposits from banks/customers, debt securities in issue

These financial liabilities are recognised initially at fair value, net of transaction costs incurred. Subsequently these instruments are measured at amortised cost using the effective interest rate.

A.6.8 – Provisions for risks and charges and contingent liabilities

A.6.8.1 – Long-term employee benefits

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

In detail:
- Defined-benefit plans provide a series of benefits depending on factors such as age, years of service and compensation policies. Under this type of plan actuarial and investment risks are borne by the company;
- Defined-contribution plans are plans under which the company makes fixed contributions. Benefits are the result of the amount of contributions paid and return on contributions invested. The employer bears no actuarial and/or investment risks connected with this type of plans as it has no legal or implicit obligation to make further contributions, should the plan not be sufficient to provide benefit to all employees.

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

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

Under a commitment to provide defined benefits, UniCredit Bank Austria AG continues to recognise a pension provision for the entitlements of employees who retired before the pension reform as at 31 December 1999 became effective, and – as a special feature of UniCredit Bank Austria AG's staff regulations – for the future benefits, equivalent to those under mandatory insurance, earned by active employees and pensioners for whom UniCredit Bank Austria AG has assumed the obligations of the mandatory pension insurance scheme pursuant to Section 5 of the Austrian General Social Insurance Act (ASVG) if these persons signed a pension agreement not later than 29 February 2016 and if they leave the company to take retirement by 31 December 2016.

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

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

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

- Discount rate/Austria: 2.05% p.a. (2014: 2.10% p.a.)
  This percentage is the rounded percentage according to the Mercer Yield Curve (MYC) as at 31 December 2015 based on the cash flows determined for the pension plan for active employees and pensioners. The duration applicable to the pension plan is 12.55 years (2014: 17.84 years); the weighted duration for the pension, severance payment and anniversary bonus plans is 12 years (2014: 17 years).
- Increases under collective bargaining agreements: 2.05% p.a. (2014: 2.05% p.a.)
  (Assumption of increases for employees and non-Bank Austria ASVG pensioners; the percentage rate applied for Bank Austria ASVG was 1.4%, unchanged compared with the previous year.)
- Career trends include regular salary increases under the current collective bargaining agreement for employees of Austrian banks and the effects of the transitional rules under the 2005 reform of Bank Austria's staff regulations. The rate applied in calculating non-regular salary increases was 0.25% p.a. (2014: 0.25% p.a.) (assumption of increases for active employees).
- For the purpose of calculating the provision for anniversary bonuses, additional wage-related costs were taken into account for the first time through an additional amount of 1.53% (2014: 0%) following changes in the Austrian Tax Reform Act 2015/2016.
- Pension increase (Bank Austria ASVG): 1.40% p.a. (2014: 1.40% p.a.).
- Pension increase (others): 2.05% p.a., (2014: 2.05% p.a.).
- No discount for staff turnover.
- Retirement age: as a basis for calculation in respect of employees enjoying “permanent tenure” status in accordance with the internal agreement dated 30 December 1999 (as amended on 1 May 2007) on the payment of a Bank Austria ASVG pension equivalent, the age of 60 for men and 55 for women, with a transition to the retirement age of 65, has been taken into account. For all other employees, the new retirement age of 65 for men and women has been taken into account in accordance with the applicable rules (2003 pension reform including transitional rules). If the corridor pension rule results in a lower retirement age, the lower age was used as retirement age.
- 2008-P statistical tables of Aktuarverein Österreich (life-expectancy tables for salaried staff).

Sensitivity analysis

(€ million)

		EFFECT ON DEFINED BENEFIT OBLIGATION	
		31 DEC. 2015	31 DEC. 2014
Discount rate	–0.25%	111	242
	0.25%	–106	–227
Salary increase rate	–0.25%	–11	–62
	0.25%	11	64
Pension increase rate	–0.25%	–96	–168
	0.25%	100	177

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

The resulting adjustment of €757 million (after tax) to the measurement of the defined benefit obligation was recognised directly in equity in accordance with IAS 19.

A.6.8.2 – Other provisions

Provisions for risks and charges are recognised when

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

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

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

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

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

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

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

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

A.6.8.3 – Share-based payments

Equity-settled payments made to employees in consideration of services rendered, using equity instruments comprise:

- Stock options;
- Performance shares (i.e. awarded on attainment of certain objectives);
- Restricted shares (i.e. subject to a lock-up period).

Considering the difficulty of reliably measuring the fair value of the services acquired against equity-settled payments, reference is made to the fair value of the instruments themselves, measured at the date of the allocation.

This fair value is recognised as cost in the profit and loss item "Administrative costs – staff expense" offsetting the Shareholders' Equity item "Reserves", on an accrual basis over the period in which the services are acquired.

The fair value of a cash-settled share-based payment, the services acquired and the liability incurred are measured at the fair value of the liability, recognised in the item "Other liabilities". The fair value of the liability, as long as it remains unsettled, is remeasured at each balance sheet date and all changes in fair value are recognised in the profit and loss item "Administrative costs".

A.6.8.4 – Other long-term employee benefits

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

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

A.6.9 – Equity

Equity is composed of paid-in capital, i.e., capital made available to the company by shareholders (subscribed capital plus capital reserves), other reserves (retained earnings, profit carried forward from the previous year and net profit), foreign currency translation reserves, IAS 39 reserves and actuarial gains/losses. The IAS 39 reserves include gains and losses on available-for-sale financial assets (available-for-sale reserve), which are not recognised in income, and those components of hedge accounting in accordance with IAS 39 which are not included in income (cash flow hedge reserve), after adjustment for deferred taxes.

Treasury shares held by subsidiaries are deducted from equity. The difference between the price on a later sale of treasury shares and the related post-tax repurchase cost is recognised directly in equity.

A.6.10 – Net interest

Interest income and expense and similar income and expense items relate to monetary items – i.e. liquidity and debt, financial instruments held for trading, measured at fair value through profit or loss or available for sale, HtM financial assets, loans and receivables, deposits, and securities in issue.

Interest income and expense are recognised through profit or loss with respect to all instruments measured at amortised cost, using the effective interest method.

Interest also includes the net credit or debit balance of differentials and margins on financial derivatives:
- hedging interest-bearing assets and liabilities;
- HfT but linked for business purposes to assets and liabilities designated as measured at fair value (fair value option);
- linked for business purposes to HfT assets and liabilities paying differentials or margins on different maturities.

A.6.11 – Fees and commissions

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

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

A.6.12 – Dividends

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

A.6.13 – Gains and losses on disposals of financial instruments

This item shows the results from disposals of loans and receivables, available-for-sale financial assets, held-to-maturity investments and financial liabilities. Gains and losses on disposal of financial assets held for trading and on financial instruments at fair value through profit or loss are not included.

A.6.14 – Gains and losses on financial assets/liabilities at fair value through profit or loss

This item includes gains and losses on financial assets and financial liabilities as well as the results from the measurement of these items at their fair values.

A.6.15 – Impairment losses on loans/Impairment losses on other financial transactions

These items include write-downs of loans, write-offs and additions to provisions for guarantees and commitments, and income from write-backs as well as recoveries of loans previously written off.

A.6.16 – Impairment/write-backs on property, plant and equipment and on intangible assets

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

A.6.17 – Profit (loss) on equity investments

The investor’s share of profit or loss of the investee after the date of acquisition is recognised in this item.

A.6.18 – Gains and losses on disposal of investments

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

A.7 – Information on fair value

A.7.1 – General overview

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Independent price verification requires that the prices for trading positions be verified at least monthly by Risk Management units that are independent from the units that assume the risk exposure. This verification calls for comparing and adjusting the daily price in line with valuations obtained from independent market participants.

For instruments not quoted in active markets, the above verification process uses prices contributed by information providers as a reference, and assigns a greater weighting to those prices that are considered representative of the instrument being valued.

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

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

A.7.2 – Fair value hierarchy

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

To be specific, three levels are specified:

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

The following tables show a breakdown of financial assets and liabilities designated at fair value according to the above-mentioned levels, as well as the annual changes of Level 3 assets or liabilities.

Accounting portfolios – Breakdown by fair value levels

(€ million)

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	31 DEC. 2015			31 DEC. 2014		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets held for trading	134	2,810	69	225	3,236	72
Financial assets at fair value through profit or loss	–	72	16	2	52	57
Available-for-sale financial assets	19,648	4,070	1,030	15,980	4,960	1,133
Hedging derivative assets	–	3,284	6	–	3,932	20
Property, plant and equipment (measured at fair value)	–	–	69	–	–	70
TOTAL	**19,782**	**10,236**	**1,190**	**16,208**	**12,179**	**1,351**
Financial liabilities held for trading	34	2,578	30	28	3,308	117
Financial liabilities at fair value through profit or loss	–	544	3	–	666	5
Hedging derivative liabilities	–	2,761	21	–	3,290	12
TOTAL	**34**	**5,883**	**54**	**28**	**7,264**	**134**

A – Accounting policies (CONTINUED)

Annual changes in assets at fair value level 3

(€ million)

	2014				
	ASSETS				
	HELD FOR TRADING	AT FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE FOR SALE	HEDGING DERIVATIVES	PROPERTY, PLANT AND EQUIPMENT
Opening balances	**13**	**86**	**1,220**	**2**	**69**
Increases	**681**	**11**	**684**	**18**	**8**
Purchases	660	–	628	18	–
Profits recognised in:					
Income statement	19	2	–	–	8
of which unrealised gains 1)	*7*	–	–	–	*8*
Equity 2)	x	x	21	–	–
Transfers from other levels	1	7	4	–	–
Other increases	1	3	31	–	–
Decreases	**–623**	**–41**	**–771**	**–**	**6**
Sales	–608	–	–198	–	2
Redemptions	–13	–31	–38	–	–
Losses recognised in:					–
Income statement	–1	–10	–4	–	–
of which unrealised losses 3)	*–1*	*–10*	*–1*	–	–
Equity 4)	x	x	–43	–	–
Transfers to other levels	–	–	–51	–	–
Other decreases	–1	–	–437	–	4
Closing balances	**72**	**57**	**1,133**	**20**	**70**

	2015				
	ASSETS				
	HELD FOR TRADING	AT FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE FOR SALE	HEDGING DERIVATIVES	PROPERTY, PLANT AND EQUIPMENT
Opening balances	**72**	**57**	**1,133**	**20**	**70**
Increases	**518**	**11**	**699**	**4**	**1**
Purchases	491	–	431	3	–
Profits recognised in:	–	–	–	–	–
Income statement	25	9	77	–	–
of which unrealised gains 1)	*3*	*4*	–	–	–
Equity 2)	–	–	77	–	–
Transfers from other levels	–	–	201	–	–
Other increases	2	2	–10	1	1
Decreases	**–520**	**–51**	**–802**	**–18**	**–2**
Sales	–490	–38	–221	–18	–
Redemptions	–28	–13	–89	–	–
Losses recognised in:	–	–	–	–	–
Income statement	–1	–	–22	–	–2
of which unrealised losses 3)	–	–	–	–	*–2*
Equity 4)	–	–	22	–	–
Transfers to other levels	–	–	–316	–	–
Other decreases	–1	–1	–154	–	–1
Closing balances	**69**	**16**	**1,030**	**6**	**69**

1), 3) Increases/decreases in financial assets are recognised in the income statement in the following items:
- Gains and losses on financial assets held for trading;
- Fair value adjustments in hedge accounting;
- Gains and losses on financial assets at fair value through profit or loss.

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

A – Accounting policies (CONTINUED)

Annual changes in financial liabilities at fair value level 3

(€ million)

	2014		
	FINANCIAL LIABILITIES		
	HELD FOR TRADING	AT FAIR VALUE THROUGH PROFIT OR LOSS	HEDGING DERIVATIVES
Opening balances	**7**	**9**	**1**
Increases	**125**	**24**	**11**
Issuance	116	–	11
Losses recognised in:			
Income statement	9	–	–
of which unrealised losses [1]	–	–	–
Equity	X	X	–
Transfers from other levels	–	–	–
Other increases	–	24	–
Decreases	**–15**	**–28**	**–**
Redemptions	–14	–	–
Purchases	–	–	–
Profits recognised in:			
Income statement	–1	–	–
of which unrealised gains	*–1*	–	–
Equity	X	X	–
Transfers to other levels	–	–	–
Other decreases	–	–28	–
Closing balances	**117**	**5**	**12**
	2015		
	FINANCIAL LIABILITIES		
	HELD FOR TRADING	AT FAIR VALUE THROUGH PROFIT OR LOSS	HEDGING DERIVATIVES
Opening balances	**117**	**5**	**12**
Increases	**30**	**23**	**9**
Issuance	13	–	9
Losses recognised in:			
Income statement	17	–	–
of which unrealised losses	*8*	–	–
Equity	x	x	–
Transfers from other levels	–	–	–
Other increases	–	23	–
Decreases	**–118**	**–25**	**–**
Redemptions	–117	–	–
Purchases	–	–	–
Profits recognised in:			
Income statement	–	–	–
of which unrealised gains [2]	–	–	–
Equity	x	x	–
Transfers to other levels	–	–	–
Other decreases	–	–25	–
Closing balances	**30**	**3**	**21**

1), 2) Increases/decreases in financial liabilities are recognised in the income statement in the following items:
- Gains and losses on financial liabilities held for trading;
- Fair value adjustments in hedge accounting;
- Gains and losses on financial liabilities at fair value through profit or loss.

A – Accounting policies (CONTINUED)

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

	31 DECEMBER 2015		31 DECEMBER 2014	
	LEVEL 1	LEVEL 2	LEVEL 1	LEVEL 2
Financial assets				
Financial assets held for trading				
Transfer from Level 1	x	–	x	–
Transfer from Level 2	–	x	6	x
Financial assets at fair value through profit or loss				
Transfer from Level 1	x	–	x	12
Transfer from Level 2	–	x	–	x
Available-for-sale financial assets				
Transfer from Level 1	x	–10	x	2
Transfer from Level 2	–199	x	181	x
Hedging derivatives assets				
Transfer from Level 1	x	–	x	–
Transfer from Level 2	–	x	–	x
Financial liabilities				
Financial liabilities held for trading				
Transfer from Level 1	x	–	x	–
Transfer from Level 2	–	x	–	x
Financial liabilities at fair value through profit or loss				
Transfer from Level 1	x	–	x	–
Transfer from Level 2	–	x	–	x
Hedging derivatives liabilities				
Transfer from Level 1	x	–	x	–
Transfer from Level 2	–	x	–	x

The level migrations for fixed income securities are mainly due to fluctuations in market liquidity measured by UniCredit Group's bond IPV process on a daily basis. Level migrations between Level 1 and Level 2 in particular are usually due to increasing or decreasing marketability of the relevant financial instrument.

A.7.3 – Day One Profit/Loss

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

Under IAS 39, recognition of a Day-One Profit/Loss requires the relevant fair value to be determined by reference to a market price quotation in an active market for an identical asset or an identical liability or on the basis of a valuation technique which uses only observable market data. The latter is ensured through the use of conservative valuation models, the processes described above for revising the models used and related parameters and value adjustments to reflect model risk.

The fair value portion of these instruments which is determined on the basis of subjective (non-observable) parameters is reflected in the carrying amount of these instruments as a fair value adjustment to reflect model risk and is not recognised in the profit and loss account.

Recognition of this portion in the profit and loss account is made only when objective (observable) parameters are applied and therefore the adjustments are derecognised.

The balance of value adjustments to reflect model risk was €56 million at 31 December 2015 (31 December 2014: €71 million).

A – Accounting policies (CONTINUED)

A.7.4 – Additional information on fair value

We hereby provide information required under IFRS 13 about accounting portfolios measured at fair value on a recurring basis.

Fixed income securities

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

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

Structured financial products

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

Asset-backed securities

UniCredit's "Structured Credit Bonds Valuation Group Policy" is centred on:
- extension and implementation across all the Group's legal entities of the new Independent Price Verification (IPV) process suited to the changed market conditions for structured credit bonds;
- integration of the current Fair Value Adjustments Policy.

According to the IPV process the quality of a price is assessed based upon the availability of quotes of independent market players for identical assets. The process relies in the first instance on Markit as reliable collector of market quotes.
As a second step "fallback" prices are assessed by benchmarking each security to a pool of similar securities with available market quotes.

OTC derivatives

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

Equity instruments

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

Investment funds

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

Private equity funds

Private equity funds are disclosed as Level 3 since reliable NAV prices are usually not available. When reliable information for fair value measurements is not available, private equity funds are valued at cost and classified as available for sale ("fixed assets") under IAS 39. An increase in value of the private equity asset does not lead to an increase in book value, while a value increase is only shown at exit via capital gains. A decline of value might give reason for an impairment if certain criteria are met. Objective evidence is given when an adverse effect on the expected future cash flows can be presumed, and quantified reliably, and is significant or prolonged.

A – Accounting policies (CONTINUED)

Other funds

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

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

Fair value adjustments

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

- Credit and debit valuation adjustment (CVA/DVA)
- Model risk
- Close-out risk
- Market liquidity risk
- Other adjustments

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

Credit and debit valuation adjustment (CVA/DVA)

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

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

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

In general, a bilateral CVA calculation based on market-implied PDs and LGDs (CDS) is applied. Exceptions are Wrong Way Risk and Group-internal risks, which are calculated on a unilateral basis.

For customers with PD=1 (i.e. defaulted customers), an additional CVA/DVA is not calculated in order to avoid double counting with a general or specific loan loss provision.

OIS Discounting Adjustment

The group applies the effect of OIS (overnight index swap) discounting for collateralised exposures with the following central adjustment: for EUR interest rate derivatives, the EUR discount curve is replaced with the OIS curve and the impact on profit or loss is evaluated via a full revaluation. In order to cover the OIS effect from non-EUR currencies, an additional OIS-model reserve was booked.

Model risk

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

Close-out risk

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

Other adjustments

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

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

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

According to Group Market Risk Governance Guidelines, in order to ensure the adequate separation between functions in charge of development activities and functions in charge of validation, all pricing models developed by legal entities' front-office functions are centrally and independently tested and validated by the Holding Company Market Risk functions. The purpose of this independent control framework is to assess model risk arising from models' theoretical soundness, calibration techniques where needed, and the appropriateness of the model for a specific product in a defined market.

In addition to daily marking to market or marking to model, Independent Price Verification (IPV) shall be performed. The Global Bond IPV Project is aimed at supplying a fair value (FV) for any illiquid instrument.

The sensitivity analysis for Level 3 positions with respect to the unobservable model input is based on the following categories of model inputs:

Credit Spreads (SP): For instruments exposed to issuer risk the unobservable input is mainly the issuer credit spread.
Interest Rates (IR): In the absence of liquid interest rate swap markets the term structure of the yield curve is proxied.
Equity (EQ): In the absence of active markets equity prices are proxied.

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

The sensitivity analysis for the Bank Austria Group reveals that the Level 3 position resides in the regulatory banking book (BB); from a financial reporting perspective the fixed income securities are predominantly booked as available for sale (AfS) and derivatives in the BB are mainly used for hedge accounting. As the portfolio in the Bank Austria Group is rather plain by nature, there are materially no more complex unobservable model inputs applied.

A – Accounting policies (CONTINUED)

(€ million)

PRODUCT CATEGORIES			FAIR VALUE ASSETS	FAIR VALUE LIABILITIES	UNOBSERVABLE PARAMETERS	RANGE
Derivatives	Financial					
		Equity	49.1	−45.7	Underlying	15%
		Foreign Exchange	4.9	−4.6	Interest Rate	100 bps
Debt Securities and Loans		Corporate/Government/Other	929.5	−2.9	Price	10 bps to 300 bps
Equity Securities		Unlisted Equity & Holdings	151.1		Price	15%
Units in Investment Funds		Real Estate & Other Funds	49.4		Price	15%

(€ million)

PRODUCT CATEGORIES			FAIR VALUE MOVEMENTS GIVEN REASONABLE POSSIBLE ALTERNATIVES
Derivatives	Equity	+/−	7.2
	Foreign Exchange	+/−	0.7
	Interest Rate	+/−	0.0
Debt Securities and Loans	Corporate/Government/Other	+/−	12.8
Equity Securities	Unlisted Equity & Holdings	+/−	3.6
Units in Investment Funds	Real Estate & Other Funds	+/−	4.9

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

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

Option pricing model

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

Discounted cash flow

Discounted cash flow valuation techniques generally consist of developing an estimate of future cash flows that are expected to occur over the life of an instrument. The model requires the estimation of the cash flow and the adoption of market parameters for the discounting: the discount rate or discount margin reflects the credit and/or funding spreads required by the market for instruments with similar risk and liquidity profiles to produce a "present value". The fair value of the contract is given by the sum of the present values of future cash flows.

Hazard Rate Model

Unlike bonds, the gain or loss from a CDS position cannot be computed simply by taking the difference between current market quoted price plus the coupons received and the purchase price. To value a CDS we need to use a term structure of default swap spreads, a recovery rate assumption and a model.

Market approach

A valuation technique that uses prices generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.

Adjusted NAV

Net asset value is the total value of a fund's assets less liabilities. An increase in net asset value would result in an increase in a fair value measurement.

A – Accounting policies (CONTINUED)

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

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

Volatility

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

There are different types of volatility: volatility of interest rate, inflation volatility, volatility of foreign exchange and volatility of equity stocks, equity or other indices.

Correlation

Correlation is a measure of the relationship between the movements of two variables. When parameters are positively correlated, an increase in correlation results in a higher fair value measurement. On the contrary, given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in a fair value measurement. Therefore changes in correlation levels can have a major impact, favourable or unfavourable, on the fair value of an instrument, depending on the type of correlation.

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

Dividends

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

Interest rate curve

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

Credit spreads

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

Loss Given Default (LGD)/recovery rate

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

A – Accounting policies (CONTINUED)

Price
Where market prices are not observable, comparison via proxy is used to measure a fair value.

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

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

Financial instruments not carried at fair value (FV), including “Loans and receivables with customers and banks” and “Deposits from customers and banks”, are not managed on a fair value basis.

For these instruments, fair values are calculated solely in order to comply with disclosure requirements and do not impact the balance sheet nor profit or loss. As these instruments are generally not traded, FV measurement is based on internal parameters partly classified as unobservable inputs.

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

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

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

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

For the purpose of defining the level of the fair value hierarchy (Level 2 or Level 3), the bank estimates whether the estimated credit spread has a material effect on the fair value. If the fair value calculated on the basis of a discount rate including the estimated credit spread does not differ materially from a risk-free present value, the loans and receivables are classified as Level 2. Short-term transactions for which fair value is stated as being equal to carrying amount using the approximation rule in accordance with IFRS 7.29 are classified as Level 3. The methods applied in assessing in the best possible manner whether inputs are observable and significant are adjusted to changes in market conditions.

Liabilities
The fair value of liabilities, recorded at amortised cost, is determined using the Discounted Cash Flow model as previously described for loans and receivables. The bank’s own credit spread is determined using Bank Austria’s subordinated and non-subordinated risk curves.

The classification into the levels of the fair value hierarchy is made according to the same methodology as for loans and receivables.

Held-to-maturity investments
Considering that held-to-maturity investments are mainly composed of securities, fair value for this asset class is determined according to what was previously explained in the section “Additional information on fair value – fixed income securities”.

A – Accounting policies (CONTINUED)

Cash and cash balances

Cash and cash balances are not carried at fair value in the consolidated statement of financial position, but they are carried at book value, due to their short-term nature and generally negligible credit risk.

Debt securities in issue

The fair value of debt securities in issue, recorded at amortised cost, is determined using the Discounted Cash Flow model.

A.7.5 – Transfer between portfolios

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

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

The following table shows the effects of this reclassification by item in the statement of financial position and by income statement item as at 31 December 2015:

Reclassified financial assets: carrying amount, fair value and effects on comprehensive income (€ million)

TYPES OF INSTRUMENTS	ACCOUNTING PORTFOLIO BEFORE RECLASSIFICATION	ACCOUNTING PORTFOLIO AFTER RECLASSIFICATION	CARRYING AMOUNT AS AT 31 DEC. 2015	FAIR VALUE AS AT 31 DEC. 2015	INCOME/EXPENSES ABSENT RECLASSIFICATION (BEFORE TAXES)		INCOME/EXPENSES RECOGNISED DURING THE PERIOD (BEFORE TAXES)	
					FROM MEASUREMENT	OTHER	FROM MEASUREMENT	OTHER
Debt securities								
	HFT	AFS	4	4	–	–	–	–
	HFT	HTM	–	–	–	–	–	–
	HFT	Loans to banks	–	–	–	–	–	–
	HFT	Loans to customers	345	339	–10	5	3	8
	AFS	Loans to banks	1,978	1,995	17	35	–	54
TOTAL			**2,327**	**2,338**	**7**	**40**	**3**	**62**

A.8 – Group of consolidated companies and changes in the group of consolidated companies of the Bank Austria Group in 2015

Consolidated companies

Investments in subsidiaries (consolidated line by line)

		OWNERSHIP RELATIONSHIP				
			2015		2014	
NAME	MAIN OFFICE/ OPERATIONAL HQ	HELD BY	HOLDING %	VOTING RIGHTS % *)	HOLDING %	VOTING RIGHTS %
AI BETEILIGUNGS GMBH Issued capital EUR 35,000	VIENNA	UNICREDIT BANK AUSTRIA AG	100.00		100.00	
ALLEGRO LEASING GESELLSCHAFT M.B.H. Issued capital EUR 3,576,202	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
ALLIB LEASING S.R.O. Issued capital CZK 100,000	PRAGUE	UNICREDIT LEASING CZ, A.S.	100.00		100.00	
ALLIB NEKRETNINE D.O.O. ZA POSLOVANJE NEKRETNINAMA Issued capital HRK 20,000	ZAGREB	LOCAT CROATIA DOO	100.00		Addition as at 01 April 2015	
ALLIB ROM S.R.L. Issued capital RON 680,000	BUCHAREST	UNICREDIT CONSUMER FINANCING IFN S.A.	Sold on 30 July 2015		0.02	
		UNICREDIT LEASING CORPORATION IFN S.A.			99.98	
ALMS LEASING GMBH. Issued capital EUR 36,337	VIENNA	UNICREDIT LEASING (AUSTRIA) GMBH	100.00		100.00	
ALPINE CAYMAN ISLANDS LTD. Issued capital EUR 798	GEORGETOWN	UNICREDIT BANK AUSTRIA AG	100.00		100.00	
ALV IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
AMBASSADOR PARC DEDINJE D.O.O. BEOGRAD Issued capital RSD 2,715,063	BELGRADE	UCTAM D.O.O. BEOGRAD	100.00		100.00	
ANTARES IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80		100.00	
AO UNICREDIT BANK Issued capital RUR 41,787,805,174	MOSCOW	UNICREDIT BANK AUSTRIA AG	100.00		100.00	
ARANY PENZUEGYI LIZING ZRT. Issued capital HUF 60,000,000	BUDAPEST	UNICREDIT BANK HUNGARY ZRT.	100.00		100.00	
ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
"ARTIST" MARKETING ENTERTAINMENT GMBH Issued capital EUR 50,000	VIENNA	MY BETEILIGUNGS GMBH	Liquidated 30 July 2015		100.00	
AUSTRIA LEASING GMBH Issued capital EUR 36,336	VIENNA	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	0.40		0.40	
		GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.40		99.60	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
AWT HANDELS GESELLSCHAFT M.B.H. Issued capital EUR 2,906,913	VIENNA	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	Merger as at 11 Nov. 2015		100.00	
B 03 IMMOBILIEN GMBH & CO KG Issued capital EUR 10,000	VIENNA	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	90.00		100.00	
		INV TOTALUNTERNEHMER GMBH	10.00			

*) Voting rights are disclosed only if different from the percentage of holding.

A – Accounting policies (CONTINUED)

NAME	MAIN OFFICE/ OPERATIONAL HQ	HELD BY	OWNERSHIP RELATIONSHIP			
			2015		2014	
			HOLDING %	VOTING RIGHTS %*)	HOLDING %	VOTING RIGHTS %
B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH Issued capital EUR 730,000	VIENNA	IMMOBILIEN HOLDING GMBH	99.75		Addition as at 20 Oct. 2015	
B A I BETEILIGUNGSVERWALTUNGS-GMBH Issued capital EUR 730,000	VIENNA	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES. M. B. H.	0.25		0.25	
		IMMOBILIEN HOLDING GMBH	99.75		99.75	
BA ALPINE HOLDINGS, INC. Issued capital USD 74,435,918	WILMINGTON	UNICREDIT BANK AUSTRIA AG	100.00		100.00	
BA BETRIEBSOBJEKTE GMBH Issued capital EUR 5,630,000	VIENNA	UNICREDIT BANK AUSTRIA AG	100.00		100.00	
BA BETRIEBSOBJEKTE GMBH & CO BETA VERMIETUNGS OG Issued capital EUR 1,000	VIENNA	BA BETRIEBSOBJEKTE GMBH	94.00		99.90	
		MY DREI HANDELS GMBH	6.00		0.10	
BA BETRIEBSOBJEKTE PRAHA, SPOL. S. R. O. Issued capital CZK 100,000	PRAGUE	BA BETRIEBSOBJEKTE GMBH	100.00		100.00	
BA CA SECUND LEASING GMBH Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
BA CREDITANSTALT BULUS EOOD Issued capital BGN 6,250,000	SOFIA	UNICREDIT LEASING EAD	100.00		100.00	
BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M. B. H. Issued capital EUR 363,364	VIENNA	UNICREDIT LEASING (AUSTRIA) GMBH	100.00		100.00	
BA GEBAEUDEVERMIETUNGSGMBH Issued capital EUR 36,336	VIENNA	BA GVG-HOLDING GMBH	89.00		70.00	
		BA-CA MARKETS & INVESTMENT BETEILIGUNG GES. M. B. H.	10.00			
		PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	1.00			
BA GVG-HOLDING GMBH Issued capital EUR 18,168	VIENNA	UNICREDIT BANK AUSTRIA AG	100.00		100.00	
BA IMMO GEWINNSCHEIN FONDS1 Issued capital EUR 0	VIENNA	UNICREDIT BANK AUSTRIA AG	99.00		99.00	
BA PRIVATE EQUITY GMBH IN LIQU. Issued capital EUR 1,200,000	VIENNA	UNICREDIT BANK AUSTRIA AG	Liquidated 01 Oct. 2015		100.00	
BA-CA ANDANTE LEASING GMBH Issued capital EUR 36,500	VIENNA	UNICREDIT LEASING (AUSTRIA) GMBH	100.00		100.00	
BA-CA FINANCE (CAYMAN) II LIMITED Issued capital EUR 15,000	GEORGETOWN	ALPINE CAYMAN ISLANDS LTD.	100.00		100.00	
BA-CA FINANCE (CAYMAN) LIMITED Issued capital EUR 15,000	GEORGETOWN	ALPINE CAYMAN ISLANDS LTD.	100.00		100.00	
BA-CA LEASING DREI GARAGEN GMBH Issued capital EUR 35,000	VIENNA	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
BA-CA LEASING MAR IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
BA-CA MARKETS & INVESTMENT BETEILIGUNG GES. M. B. H. Issued capital EUR 127,177	VIENNA	UNICREDIT BANK AUSTRIA AG	100.00		100.00	
BA-CA PRESTO LEASING GMBH Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
BA-CA WIEN MITTE HOLDING GMBH Issued capital EUR 35,000	VIENNA	UNICREDIT BANK AUSTRIA AG	100.00		100.00	

*) Voting rights are disclosed only if different from the percentage of holding.

A – Accounting policies (CONTINUED)

NAME	MAIN OFFICE/ OPERATIONAL HQ	HELD BY	OWNERSHIP RELATIONSHIP			
			2015		2014	
			HOLDING %	VOTING RIGHTS %*)	HOLDING %	VOTING RIGHTS %
BA/CA-LEASING BETEILIGUNGEN GMBH Issued capital EUR 454,000	VIENNA	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
BACA CENA IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
BACA CHEOPS LEASING GMBH Issued capital EUR 36,500	VIENNA	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	Sold on 01 Sept. 2015		100.00	
BACA HYDRA LEASING GMBH Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
BACA KOMMUNALLEASING GMBH Issued capital EUR 36,500	VIENNA	UNICREDIT LEASING (AUSTRIA) GMBH	100.00		100.00	
BACA LEASING ALFA S.R.O. Issued capital CZK 110,000	PRAGUE	UNICREDIT LEASING CZ, A.S.	100.00		100.00	
BACA LEASING CARMEN GMBH Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
BACA LEASING GAMA S.R.O. Issued capital CZK 110,000	PRAGUE	UNICREDIT LEASING CZ, A.S.	100.00		100.00	
BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH Issued capital EUR 21,936,492	VIENNA	CALG IMMOBILIEN LEASING GMBH	98.80		99.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	1.00		1.00	
BACA NEKRETNINE DRUSTVO SA OGRANICENOM ODGOVORNOSCU Issued capital BAM 29,685,557	SARAJEVO	DV ALPHA GMBH	100.00		Addition as at 22 Dec. 2015	
BACA-LEASING AQUILA INGATLANHASNOSITO KORLATOLT FELELOSSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100.00	
BACA-LEASING GEMINI INGATLANHASZNOSITO KORLATOLT FELELOSSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	AWT HANDELS GESELLSCHAFT M.B.H.	Sold on 07 May 2015		100.00	
BACA-LEASING OMIKRON INGATLANHASZNOSTO KORLATOLT FELELOSSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100.00	
BACAL ALPHA DOO ZA POSLOVANJE NEKRETNINAMA Issued capital HRK 20,000	ZAGREB	LOCAT CROATIA DOO	100.00		Addition as at 01 April 2015	
BACAL BETA NEKRETNINE D.O.O. ZA POSLOVANJE NEKRETNINAMA Issued capital HRK 100,000	ZAGREB	LOCAT CROATIA DOO	100.00		Addition as at 01 April 2015	
BAI WOHNUNGSEIGENTUMSGESELLSCHAFT M.B.H. Issued capital EUR 73,000	VIENNA	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	99.90		99.90	
		BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	0.10		0.10	
BAL CARINA IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
BAL DEMETER IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80		100.00	
BAL HESTIA IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	

*) Voting rights are disclosed only if different from the percentage of holding.

A – Accounting policies (CONTINUED)

NAME	MAIN OFFICE/ OPERATIONAL HQ	HELD BY	OWNERSHIP RELATIONSHIP			
			2015		2014	
			HOLDING %	VOTING RIGHTS %*)	HOLDING %	VOTING RIGHTS %
BAL HORUS IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
BAL HYPNOS IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
BAL LETO IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80		100.00	
BAL OSIRIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
BAL SOBEK IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT ZEGA LEASING GMBH	99.80		100.00	
BANK AUSTRIA CREDITANSTALT LEASING IMMOBILIENANLAGEN GMBH Issued capital EUR 36,500	VIENNA	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
BANK AUSTRIA FINANZSERVICE GMBH Issued capital EUR 490,542	VIENNA	UNICREDIT BANK AUSTRIA AG	100.00		100.00	
BANK AUSTRIA HUNGARIA BETA LEASING KORLATOLT FELELOSSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100.00	
BANK AUSTRIA LEASING ARGO IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		WOEM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	99.80		100.00	
BANK AUSTRIA LEASING HERA IMMOBILIEN LEASING GMBH Issued capital EUR 36,337	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80		100.00	
BANK AUSTRIA LEASING IKARUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
BANK AUSTRIA LEASING MEDEA IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
BANK AUSTRIA REAL INVEST CLIENT INVESTMENT GMBH Issued capital EUR 145,500	VIENNA	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	100.00		100.00	
BANK AUSTRIA REAL INVEST IMMOBILIEN-KAPITALANLAGE GMBH Issued capital EUR 5,000,000	VIENNA	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	100.00		100.00	
BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH Issued capital EUR 10,900,500	VIENNA	UNICREDIT BANK AUSTRIA AG	94.95		94.95	
BANK AUSTRIA WOHNBAUBANK AG Issued capital EUR 18,765,944	VIENNA	UNICREDIT BANK AUSTRIA AG	100.00		100.00	
BAREAL IMMOBILIENTREUHAND GMBH Issued capital EUR 35,000	VIENNA	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	100.00		50.00	
BAULANDENTWICKLUNG GDST 1682/8 GMBH & CO OEG Issued capital EUR 0	VIENNA	CALG ANLAGEN LEASING GMBH	1.00		1.00	
		CALG IMMOBILIEN LEASING GMBH	99.00		99.00	
BDK CONSULTING LLC IN LIQUIDATION Issued capital UAH 0	LUCK	PUBLIC JOINT STOCK COMPANY UKRSOTSBANK	Liquidated 14 May 2015		100.00	

*) Voting rights are disclosed only if different from the percentage of holding.

A – Accounting policies (CONTINUED)

			OWNERSHIP RELATIONSHIP			
			2015		2014	
NAME	MAIN OFFICE/ OPERATIONAL HQ	HELD BY	HOLDING %	VOTING RIGHTS %*)	HOLDING %	VOTING RIGHTS %
BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH Issued capital EUR 36,500	VIENNA	UNICREDIT LEASING (AUSTRIA) GMBH	100.00		100.00	
"BF NINE" HOLDING GMBH Issued capital EUR 35,000	VIENNA	ALLEGRO LEASING GESELLSCHAFT M.B.H.	100.00		100.00	
BREWO GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
BUCHSTEIN IMMOBILIENVERWALTUNG GMBH UND CO OG Issued capital EUR 18,168	VIENNA	UNICREDIT BANK AUSTRIA AG	100.00		100.00	
BULBANK LEASING EAD Issued capital BGN 2,050,000	SOFIA	UNICREDIT LEASING EAD	Merger as at 04 Sept. 2015		100.00	
CA-LEASING DELTA INGATLANHASZNOSITO KORLATOLT FELELOSSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	AWT HANDELS GESELLSCHAFT M.B.H.	Merger as at 01 July 2015		100.00	
CA-LEASING EPSILON INGATLANHASZNOSITO KORLATOLT FELELOSSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	AWT HANDELS GESELLSCHAFT M.B.H.	Merger as at 01 July 2015		100.00	
CA-LEASING EURO, S.R.O. Issued capital CZK 100,000	PRAGUE	UNICREDIT LEASING CZ, A.S.	100.00		100.00	
CA-LEASING KAPPA INGATLANHASZNOSITO KORLATOLT FELELOSSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100.00	
CA-LEASING OMEGA INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	AWT HANDELS GESELLSCHAFT M.B.H.	Merger as at 01 Dec. 2015		100.00	
CA-LEASING OVUS S.R.O. Issued capital CZK 100,000	PRAGUE	UNICREDIT LEASING CZ, A.S.	100.00		100.00	
CA-LEASING SENIOREN PARK GMBH Issued capital EUR 36,500	VIENNA	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
CA-ZETA REAL ESTATE DEVELOPMENT LIMITED LIABILITY COMPANY Issued capital HUF 3,000,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100.00	
CABET-HOLDING GMBH Issued capital EUR 290,909	VIENNA	UNICREDIT BANK AUSTRIA AG	100.00		100.00	
CABO BETEILIGUNGSGESELLSCHAFT M.B.H. Issued capital EUR 35,000	VIENNA	CABET-HOLDING GMBH	100.00		100.00	
CAC REAL ESTATE, S.R.O. Issued capital CZK 110,000	PRAGUE	UNICREDIT LEASING CZ, A.S.	Sold on 15 June 2015		100.00	
"CAFU" VERMOEGENSVERWALTUNG GMBH & CO OG Issued capital EUR 6,719,227	VIENNA	SCHOELLERBANK AKTIENGESELLSCHAFT	100.00		100.00	
CAL-PAPIER INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100.00	
CALG 307 MOBILIEN LEASING GMBH Issued capital EUR 90,959	VIENNA	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80		99.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	1.00		1.00	

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*) Voting rights are disclosed only if different from the percentage of holding.

A – Accounting policies (CONTINUED)

		OWNERSHIP RELATIONSHIP				
			2015		2014	
NAME	MAIN OFFICE/ OPERATIONAL HQ	HELD BY	HOLDING %	VOTING RIGHTS % *)	HOLDING %	VOTING RIGHTS %
CALG 443 GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,336	VIENNA	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80		99.00	
		CALG IMMOBILIEN LEASING GMBH	1.00		1.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
CALG 445 GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 18,168	VIENNA	CALG IMMOBILIEN LEASING GMBH	99.80	100.00	100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	0.00		
CALG 451 GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,500	VIENNA	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
CALG ALPHA GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,500	VIENNA	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
CALG ANLAGEN LEASING GMBH Issued capital EUR 55,945,753	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
CALG ANLAGEN LEASING GMBH & CO GRUNDSTUECKVERMIETUNG UND -VERWALTUNG KG Issued capital EUR 2,326,378	MUNICH	CALG ANLAGEN LEASING GMBH	99.90		99.90	
CALG DELTA GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 13,318,789	VIENNA	CALG ANLAGEN LEASING GMBH	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
CALG GAMMA GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,337	VIENNA	CALG IMMOBILIEN LEASING GMBH	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
CALG GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,500	VIENNA	CALG IMMOBILIEN LEASING GMBH	74.80		75.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	25.00		25.00	
CALG IMMOBILIEN LEASING GMBH Issued capital EUR 41,384,084	VIENNA	CALG ANLAGEN LEASING GMBH	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
CALG IMMOBILIEN LEASING GMBH & CO. 1050 WIEN, SIENBENBRUNNENGASSE 19–21 OG Issued capital EUR 300	VIENNA	CALG IMMOBILIEN LEASING GMBH	Sold on 19 March 2015		100.00	
CALG IMMOBILIEN LEASING GMBH & CO. 1120 WIEN, SCHOENBRUNNER SCHLOSSSTRASSE 38–42 OG Issued capital EUR 300	VIENNA	CALG IMMOBILIEN LEASING GMBH	99.80	100.00	100.00	
CALG IMMOBILIEN LEASING GMBH & CO. PROJEKT ACHT OG Issued capital EUR 300	VIENNA	CALG IMMOBILIEN LEASING GMBH	99.80	100.00	100.00	
CALG IMMOBILIEN LEASING GMBH & CO. PROJEKT VIER OG Issued capital EUR 300	VIENNA	CALG IMMOBILIEN LEASING GMBH	99.80	100.00	100.00	
CALG MINAL GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 18,286	VIENNA	CALG ANLAGEN LEASING GMBH	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
CARD COMPLETE SERVICE BANK AG Issued capital EUR 6,000,000	VIENNA	UNICREDIT BANK AUSTRIA AG	50.10		50.10	
CARDS & SYSTEMS EDV-DIENSTLEISTUNGS GMBH Issued capital EUR 75,000	VIENNA	CARD COMPLETE SERVICE BANK AG	5.00		5.00	
		UNICREDIT BANK AUSTRIA AG	52.00		52.00	

*) Voting rights are disclosed only if different from the percentage of holding.

A – Accounting policies (CONTINUED)

			OWNERSHIP RELATIONSHIP			
			2015		2014	
NAME	MAIN OFFICE/ OPERATIONAL HQ	HELD BY	HOLDING %	VOTING RIGHTS % *)	HOLDING %	VOTING RIGHTS %
CASTELLANI LEASING GMBH Issued capital EUR 1,800,000	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00		Addition as at 15 Dec. 2015	
		UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	90.00			
CEAKSCH VERWALTUNGS G.M.B.H. (IN LIQ.) Issued capital EUR 35,000	VIENNA	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	100.00		100.00	
CENTAR KAPTOL DOO Issued capital HRK 46,830,400	ZAGREB	ZAGREBACKA BANKA D.D.	100.00		100.00	
CENTER HEINRICH-COLLIN-STRASSE 1 VERMIETUNGS GMBH U.CO KG Issued capital EUR 0	VIENNA	BA IMMO GEWINNSCHEIN FONDS1	Sold on 05 Nov. 2015		83.46	
		BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH			0.10	
CHARADE LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80		75.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	25.00		25.00	
CHEFREN LEASING GMBH Issued capital EUR 36,500	VIENNA	UNICREDIT LEASING (AUSTRIA) GMBH	100.00		100.00	
CIVITAS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
COMMUNA - LEASING GRUNDSTUECKS-VERWALTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	REAL-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
CONTRA LEASING-GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80		75.00	
		JAUSERN-LEASING GESELLSCHAFT M.B.H.	25.00		25.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
DBC SP.Z O.O. Issued capital PLN 50,000	WARSAW	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100.00	
DC BANK AG Issued capital EUR 5,000,000	VIENNA	CARD COMPLETE SERVICE BANK AG	99.94		99.94	
DC ELEKTRONISCHE ZAHLUNGSSYSTEME GMBH Issued capital EUR 35,000	VIENNA	KSG KARTEN-VERRECHNUNGS- UND SERVICEGESELLSCHAFT M.B.H.	100.00		100.00	
DEBO LEASING IFN S.A. Issued capital RON 724,400	BUCHAREST	UNICREDIT CONSUMER FINANCING IFN S.A.	0.01		0.01	
		UNICREDIT LEASING CORPORATION IFN S.A.	99.99		99.99	
DINERS CLUB CS, S.R.O. Issued capital EUR 995,000	BRATISLAVA	DC BANK AG	100.00		100.00	
DINERS CLUB POLSKA SP.Z.O.O. Issued capital PLN 7,500,000	WARSAW	DC BANK AG	100.00		100.00	
DIRANA LIEGENSCHAFTS-VERWERTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 17,500	VIENNA	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100.00	
DLV IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
DOBLERHOF IMMOBILIEN GMBH & CO KG	VIENNA	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	90.00		100.00	
DOBLERHOF IMMOBILIEN GMBH & CO KG Issued capital EUR 10,000	VIENNA	EUROGATE BETEILIGUNGSVERWALTUNG GMBH	10.00			
DONAUMARINA PROJEKTENTWICKLUNG GMBH Issued capital EUR 35,000	VIENNA	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	100.00		100.00	

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A – Accounting policies (CONTINUED)

			OWNERSHIP RELATIONSHIP			
			2015		2014	
NAME	MAIN OFFICE/ OPERATIONAL HQ	HELD BY	HOLDING %	VOTING RIGHTS %*)	HOLDING %	VOTING RIGHTS %
DONAUTURM AUSSICHTSTURM-UND RESTAURANT-BETRIEBSGESELLSCHAFT M.B.H. Issued capital EUR 880,000	VIENNA	IMMOBILIEN HOLDING GMBH	95.00		95.00	
DONAUTURM LIEGENSCHAFTSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 1,820,000	VIENNA	IMMOBILIEN HOLDING GMBH	94.85		94.85	
DR. W. W. DONATH IMMOBILIENVERWALTUNG GMBH Issued capital EUR 37,000	VIENNA	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	100.00		100.00	
DUODEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Issued capital EUR 36,500		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
DV ALPHA GMBH Issued capital EUR 35,000	VIENNA	PIRTA VERWALTUNGS GMBH	100.00		100.00	
DV BETEILIGUNGSVERWALTUNGS GMBH Issued capital EUR 35,000	VIENNA	PIRTA VERWALTUNGS GMBH	100.00		100.00	
EKAZENT GEBAEUDEVERMIETUNG GMBH Issued capital EUR 1,310,000	VIENNA	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	0.06		0.06	
		EKAZENT REALITAETENGESELLSCHAFT M.B.H.	99.94		99.94	
EKAZENT IMMOBILIEN MANAGEMENT GMBH Issued capital EUR 35,000	VIENNA	IMMOBILIEN HOLDING GMBH	100.00		100.00	
EKAZENT REALITAETENGESELLSCHAFT M.B.H. Issued capital EUR 4,370,000	VIENNA	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	0.02		0.01	
		IMMOBILIEN HOLDING GMBH	99.98		99.99	
EUROGATE BETEILIGUNGSVERWALTUNG GMBH Issued capital EUR 35,000	VIENNA	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	100.00		100.00	
EUROGATE PROJEKTENTWICKLUNG GMBH Issued capital EUR 35,000	VIENNA	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	100.00		100.00	
EUROGATE PROJEKTENTWICKLUNG GMBH & CO AREA BETA KG Issued capital EUR 35,000	VIENNA	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	100.00		100.00	
EUROLEASE AMUN IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Issued capital EUR 36,500		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
EUROLEASE ANUBIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Issued capital EUR 36,500		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
EUROLEASE ISIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Issued capital EUR 36,500		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
EUROLEASE MARDUK IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Issued capital EUR 36,500		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
EUROLEASE RA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Issued capital EUR 36,500		UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80		100.00	
EUROLEASE RAMSES IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Issued capital EUR 14,398,879		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
EUROPA BEFEKTETESI ALAPKEZELOE ZRT (EUROPA INVESTMENT FUND MANAGEMENT LTD.) Issued capital HUF 100,000,000	BUDAPEST	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00		100.00	
EUROPE REAL-ESTATE INVESTMENT FUND Issued capital HUF 0	BUDAPEST	UNICREDIT BANK HUNGARY ZRT.	100.00		100.00	
EUROVENTURES-AUSTRIA-CA-MANAGEMENT GESMBH Issued capital EUR 36,336	VIENNA	CABET-HOLDING GMBH	100.00		100.00	

*) Voting rights are disclosed only if different from the percentage of holding.

A – Accounting policies (CONTINUED)

			OWNERSHIP RELATIONSHIP			
			2015		2014	
NAME	MAIN OFFICE/ OPERATIONAL HQ	HELD BY	HOLDING %	VOTING RIGHTS % *)	HOLDING %	VOTING RIGHTS %
EXPANDA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Issued capital EUR 36,500		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
FACTORBANK AKTIENGESELLSCHAFT Issued capital EUR 3,000,000	VIENNA	UNICREDIT BANK AUSTRIA AG	100.00		100.00	
FMC LEASING INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100.00	
FMZ SAVARIA SZOLGALTATO KORLATOLT FELELOESSEG TARSASAG Issued capital HUF 3,000,000	BUDAPEST	UNICREDIT LEASING KFT	75.00		75.00	
FMZ SIGMA PROJEKTENTWICKLUNGS GMBH Issued capital EUR 35,000	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80		100.00	
FOLIA LEASING GESELLSCHAFT M.B.H. Issued capital EUR 1,981,769	VIENNA	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
FUGATO LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	100.00		100.00	
G.N.E. GLOBAL GRUNDSTUECKSVERWERTUNG GESELLSCHAFT M.B.H.	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Issued capital EUR 36,337		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H. Issued capital EUR 21,872,755	VIENNA	CALG IMMOBILIEN LEASING GMBH	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
GARAGE AM HOF GESELLSCHAFT M.B.H.	VIENNA	IMMOBILIEN HOLDING GMBH	90.60		90.60	
Issued capital EUR 220,000		SCHOELLERBANK AKTIENGESELLSCHAFT	2.00		2.00	
GBS GRUNDSTUECKS-VERWALTUNGSGESELLSCHAFT M.B.H.	VIENNA	CALG ANLAGEN LEASING GMBH	99.00		100.00	
GBS GRUNDSTUECKS-VERWALTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	1.00			
GEBAEUDELEASING GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80		99.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	1.00		1.00	
GEMEINDELEASING GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H. Issued capital EUR 18,333	VIENNA	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	37.30		37.50	
		CALG IMMOBILIEN LEASING GMBH	37.50		37.50	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	25.00		25.00	
GENERAL LOGISTIC SOLUTIONS LLC Issued capital RUB 142,309,444	MOSCOW	UCTAM RU LIMITED LIABILITY COMPANY	100.00		100.00	
GRUNDSTUECKSVERWALTUNG LINZ-MITTE GMBH Issued capital EUR 35,000	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
GUS CONSULTING GMBH IN LIQUIDATION Issued capital EUR 30,000,000	VIENNA	UNICREDIT BANK AUSTRIA AG	Liquidated 14 March 2015		100.00	

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A – Accounting policies (CONTINUED)

			OWNERSHIP RELATIONSHIP			
			2015		2014	
NAME	MAIN OFFICE/ OPERATIONAL HQ	HELD BY	HOLDING %	VOTING RIGHTS %*)	HOLDING %	VOTING RIGHTS %
HBF PROJEKTENTWICKLUNG ZWEI GMBH & CO KG Issued capital EUR 1,000	VIENNA	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	100.00	0.00	95,00	0,00
		VECTIGAL IMMOBILIEN GMBH	–	100.00	5.00	100.00
HBF PROJEKTENTWICKLUNG DREI GMBH & CO KG Issued capital EUR 1,000	VIENNA	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	100.00	0.00	95.00	0.00
		VECTIGAL IMMOBILIEN GMBH	–	100.00	5.00	100.00
HBF PROJEKTENTWICKLUNG EINS GMBH & CO KG Issued capital EUR 1,000	VIENNA	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	100.00	0.00	95.00	0.00
		VECTIGAL IMMOBILIEN GMBH	–	100.00	5.00	100.00
HERKU LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80		75.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	25.00		25.00	
HONEU LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80		75.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	25.00		25.00	
HUMAN RESOURCES SERVICE AND DEVELOPMENT GMBH Issued capital EUR 18,168	VIENNA	UNICREDIT BANK AUSTRIA AG	100.00		100.00	
HVB AUTO LEASING EOOD Issued capital BGN 8,073,320	SOFIA	HVB LEASING EOOD	Merger as at 04 Sept. 2015		100.00	
HVB LEASING CZECH REPUBLIC S.R.O. Issued capital CZK 49,632,000	PRAGUE	UNICREDIT LEASING CZ, A.S.	100.00		100.00	
HVB-LEASING AIDA INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	AWT HANDELS GESELLSCHAFT M.B.H.	Merger as at 01 July 2015		100.00	
HVB-LEASING ATLANTIS INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100.00	
HVB LEASING EOOD Issued capital BGN 9,353,510	SOFIA	UNICREDIT BULBANK AD	Merger as at 16 April 2015		100.00	
HVB-LEASING FIDELIO INGATLANHASNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	AWT HANDELS GESELLSCHAFT M.B.H.	Merger as at 01 July 2015		100.00	
HVB-LEASING FORTE INGATLANHASNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100.00	
HVB-LEASING GARO INGATLANHSZNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,100,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100.00	
HVB-LEASING HAMLET INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100.00	
HVB-LEASING JUPITER INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100.00	
HVB-LEASING MAESTOSO INGATLANHASZNOSITO KFT. Issued capital HUF 3,100,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100.00	
HVB-LEASING NANO INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	AWT HANDELS GESELLSCHAFT M.B.H.	Merger as at 01 Dec. 2015		100.00	
HVB-LEASING ROCCA INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100.00	

*) Voting rights are disclosed only if different from the percentage of holding.

A – Accounting policies (CONTINUED)

			OWNERSHIP RELATIONSHIP			
			2015		2014	
NAME	MAIN OFFICE/ OPERATIONAL HQ	HELD BY	HOLDING %	VOTING RIGHTS %*)	HOLDING %	VOTING RIGHTS %
HVB-LEASING RUBIN KFT. Issued capital HUF 3,000,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100.00	
HVB-LEASING SMARAGD KFT. Issued capital HUF 3,000,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00			
HVB-LEASING SPORT INGATLANHASZNOSITO KORLATOLT FELELOEOASSEGUE TARSASAG Issued capital HUF 3,100,000	BUDAPEST	AWT HANDELS GESELLSCHAFT M.B.H.	Merger as at 01 July 2015		100.00	
“HYPOVEREINS IMMOBILIEN” EOOD Issued capital BGN 100,000	SOFIA	UNICREDIT BULBANK AD	100.00		100.00	
IMMOBILIEN HOLDING GMBH Issued capital EUR 36,336	VIENNA	ZETA FUENF HANDELS GMBH	100.00		100.00	
IMMOBILIEN RATING GMBH Issued capital EUR 50,000	VIENNA	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	61.00		61.00	
		UNICREDIT BANK AUSTRIA AG	19.00		19.00	
		UNICREDIT LEASING (AUSTRIA) GMBH	19.00		19.00	
IMMOBILIENLEASING GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	74.80		75.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	25.00		25.00	
IMU IMMOBILIENENTWICKLUNG MUTHGASSE GMBH & CO KG Issued capital EUR 2,500	VIENNA	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	60.00		60.00	
INPROX CHOMUTOV, S.R.O. Issued capital CZK 100,000	PRAGUE	UNICREDIT LEASING CZ, A.S.	100.00		100.00	
INPROX KLADNO, S.R.O. Issued capital CZK 100,000	PRAGUE	UNICREDIT LEASING CZ, A.S.	100.00		100.00	
INPROX POPRAD, SPOL. S.R.O. Issued capital EUR 6,639	BRATISLAVA	UNICREDIT LEASING SLOVAKIA A.S.	100.00		100.00	
INPROX SR I., SPOL. S R.O. Issued capital EUR 6,639	BRATISLAVA	UNICREDIT LEASING SLOVAKIA A.S.	100.00		100.00	
INTERKONZUM DOO SARAJEVO Issued capital BAM 18,410,493	SARAJEVO	DV ALPHA GMBH	100.00		Addition as at 22 Dec. 2015	
INTRO LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	100.00		100.00	
INV TOTALUNTERNEHMER GMBH Issued capital EUR 35,000	VIENNA	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	100.00		100,00	
ISB UNIVERSALE BAU GMBH Issued capital EUR 6,288,890	BERLIN	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100.00	
IVONA BETEILIGUNGSVERWALTUNG GMBH Issued capital EUR 18,168	VIENNA	BA IMMO GEWINNSCHEIN FONDS1	100.00		100.00	
JAUSERN-LEASING GESELLSCHAFT M.B.H. Issued capital EUR 2,802,537	VIENNA	UNICREDIT LEASING (AUSTRIA) GMBH	100.00		100.00	
“JOHA” GEBAEUDE- ERRICHTUNGS- UND VERMIETUNGS- GESELLSCHAFT M.B.H. Issued capital EUR 37,000	LEONDING	UNO-EINKAUFSZENTRUM-VERWALTUNGSGESELLSCHAFT M.B.H.	99.03		99.03	
KAISERWASSER BAU- UND ERRICHTUNGS GMBH UND CO OG Issued capital EUR 36,336	VIENNA	UNICREDIT BANK AUSTRIA AG	99.80	0.00	99.80	
KLEA TERRAIN- UND BAU-GESELLSCHAFT M.B.H. Issued capital EUR 3,650,000	VIENNA	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	–		100.00	
		IMMOBILIEN HOLDING GMBH	100.00			
KLEA WOHNBAU GESELLSCHAFT GMBH Issued capital EUR 35,000	VIENNA	KLEA TERRAIN- UND BAU-GESELLSCHAFT M.B.H.	Merger as at 12 Nov. 2015		100.00	
KLEA ZS-IMMOBILIENVERMIETUNG G.M.B.H. Issued capital EUR 36,336	VIENNA	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.20			
		UNICREDIT BANK AUSTRIA AG	99.80		100.00	

*) Voting rights are disclosed only if different from the percentage of holding.

A – Accounting policies (CONTINUED)

NAME	MAIN OFFICE/ OPERATIONAL HQ	HELD BY	OWNERSHIP RELATIONSHIP			
			2015		2014	
			HOLDING %	VOTING RIGHTS % *)	HOLDING %	VOTING RIGHTS %
KLEA ZS-LIEGENSCHAFTSVERMIETUNG G.M.B.H. Issued capital EUR 36,336	VIENNA	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.20			
		UNICREDIT BANK AUSTRIA AG	99.80		100.00	
KSG KARTEN-VERRECHNUNGS- UND SERVICEGESELLSCHAFT M.B.H. Issued capital EUR 44,000	VIENNA	CARD COMPLETE SERVICE BANK AG	100.00		100.00	
KUNSTHAUS LEASING GMBH Issued capital EUR 36,500	VIENNA	KUTRA GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	5.00		5.00	
		UNICREDIT LEASING (AUSTRIA) GMBH	95.00		95.00	
KUR- UND SPORTHOTEL GESELLSCHAFT M.B.H. Issued capital EUR 3,650,000	KITZBUHEL	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	–		100.00	
		KLEA TERRAIN- UND BAU-GESELLSCHAFT M.B.H.	100.00			
KUTRA GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
LAGERMAX LEASING GMBH Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
LAGEV IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
LARGO LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	1.00		1.00	
		VAPE COMMUNA LEASINGGESELLSCHAFT M.B.H.	98.80		99.00	
LASSALLESTRASSE BAU-, PLANUNGS-, ERRICHTUNGS- UND VERWERTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	1.00			
		UNICREDIT BANK AUSTRIA AG	99.00		100.00	
LBC UNTERNEHMENSBETEILIGUNGSGES.M.B.H. Issued capital EUR 37,000	VIENNA	IMMOBILIEN HOLDING GMBH	Merger as at 12 Nov. 2015		100.00	
LEASFINANZ BANK GMBH Issued capital EUR 5,136,500	VIENNA	BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH	100.00		100.00	
LEASFINANZ GMBH Issued capital EUR 672,053	VIENNA	BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH	100.00		100.00	
LEGATO LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80		75.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	25.00		25.00	
LELEV IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
LINDENGASSE BUROHAUSGESELLSCHAFT M.B.H. Issued capital EUR 37,000	VIENNA	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	0.20		0.20	
		KLEA TERRAIN- UND BAU-GESELLSCHAFT M.B.H.	99.80		99.80	
LINO HOTEL-LEASING GMBH Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	

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A – Accounting policies (CONTINUED)

			OWNERSHIP RELATIONSHIP			
			2015		2014	
NAME	MAIN OFFICE/ OPERATIONAL HQ	HELD BY	HOLDING %	VOTING RIGHTS % *)	HOLDING %	VOTING RIGHTS %
LIPARK LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80		75.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	25.00		25.00	
LIVA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 38,731	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80		100.00	
LLC UKROTSBUD (IN LIQUIDATION) Issued capital UAH 150,000,000	KIEV	PUBLIC JOINT STOCK COMPANY UKRSOTSBANK	100.00		99.00	
LOCAT CROATIA DOO Issued capital HRK 39,000,000	ZAGREB	ZAGREBACKA BANKA D.D.	100.00		Addition as at 01 April 2015	
LTD SI&C AMC UKRSOTS REAL ESTATE (IN LIQUIDATION) Issued capital UAH 7,000,000	KIEV	PUBLIC JOINT STOCK COMPANY UKRSOTSBANK	100.00		99.99	
M. A. V. 7., BANK AUSTRIA LEASING BAUTRAEGER GMBH & CO. OG.	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	1.96			
Issued capital EUR 3,707		UNICREDIT LUNA LEASING GMBH	98.04		100.00	
M.A.I.L. BETEILIGUNGSMANAGEMENT GESELLSCHAFT M.B.H. & CO. MCL THETA KG Issued capital EUR 0	VIENNA	TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H.	100.00	0.00	100.00	0.00
"MARTIANEZ COMERCIAL, SOCIEDAD ANONIMA" Issued capital EUR 0	PUERTO DE LA CRUZ	BF NINE HOLDING GMBH	100.00		99.96	
MBC IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
MC MARKETING GMBH Issued capital EUR 300,000	VIENNA	UNICREDIT BANK AUSTRIA AG	Liquidated 30 July 2015		100.00	
MC RETAIL GMBH Issued capital EUR 35,000	VIENNA	MC MARKETING GMBH	Liquidated 30 July 2015		100.00	
MCL RE LJUBLJANA, POSLOVNI NAJEM NEPREMI NIN, D.O.O. Issued capital EUR 7,500	LJUBLJANA	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		Addition as at 01 Oct. 2015	
MENUETT GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Issued capital EUR 36,337		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
MIK 2012 KARLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100.00	
MM OMEGA PROJEKTENTWICKLUNGS GMBH Issued capital EUR 35,000	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80		100.00	
MOEGRA LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80		75.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	25.00		25.00	
MY BETEILIGUNGS GMBH Issued capital EUR 17,500	VIENNA	UNICREDIT BANK AUSTRIA AG	Liquidated 30 July 2015		100.00	
MY DREI HANDELS GMBH Issued capital EUR 17,500	VIENNA	UNICREDIT BANK AUSTRIA AG	100.00		Addition as at 31 Dec. 2015	
NAGE LOKALVERMIETUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80		100.00	

*) Voting rights are disclosed only if different from the percentage of holding.

A – Accounting policies (CONTINUED)

		OWNERSHIP RELATIONSHIP				
			2015		2014	
NAME	MAIN OFFICE/ OPERATIONAL HQ	HELD BY	HOLDING %	VOTING RIGHTS %*)	HOLDING %	VOTING RIGHTS %
NATA IMMOBILIEN-LEASING GESELLSCHAFT M.B.H. Issued capital EUR 18,200	VIENNA	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	51.50		51.50	
		UNICREDIT LEASING (AUSTRIA) GMBH	6.00		6.00	
NOE HYPO LEASING ASTRICTA GRUNDSTUECKVERMIETUNGS GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	UNICREDIT LEASING (AUSTRIA) GMBH	95.00		95.00	
NORDBAHNHOF BAUFELD 39 PROJEKTENTWICKLUNG GMBH & CO KG Issued capital EUR 1,000	VIENNA	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	Merger as at 17 Nov. 2015		7.00	
		UNICREDIT BANK AUSTRIA AG			93.00	
NORDBAHNHOF BAUFELD ACHT PROJEKTENTWICKLUNG GMBH Issued capital EUR 35,000	VIENNA	NORDBAHNHOF PROJEKTE HOLDING GMBH	100.00		100.00	
NORDBAHNHOF BAUFELD FUENF PROJEKTENTWICKLUNG GMBH Issued capital EUR 35,000	VIENNA	NORDBAHNHOF PROJEKTE HOLDING GMBH	100.00		100.00	
NORDBAHNHOF BAUFELD SECHS PROJEKTENTWICKLUNG GMBH & CO KG Issued capital EUR 1,000	VIENNA	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	Merger as at 17 Nov. 2015		7.00	
		UNICREDIT BANK AUSTRIA AG			93.00	
NORDBAHNHOF BAUFELD SIEBEN PROJEKTENTWICKLUNG GMBH Issued capital EUR 35,000	VIENNA	NORDBAHNHOF PROJEKTE HOLDING GMBH	100.00		100.00	
NORDBAHNHOF PROJEKTE HOLDING GMBH Issued capital EUR 35,000	VIENNA	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	7.00		7.00	
		UNICREDIT BANK AUSTRIA AG	93.00		93.00	
OCT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80		100.00	
OLG HANDELS- UND BETEILIGUNGS-VERWALTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	100.00		100.00	
OOO UNICREDIT LEASING Issued capital RUR 149,160,248	MOSCOW	AO UNICREDIT BANK	100.00		100.00	
PALAIS ROTHSCHILD VERMIETUNGS GMBH & CO OG Issued capital EUR 2,180,185	VIENNA	SCHOELLERBANK AKTIENGESELLSCHAFT	100.00		100.00	
PARZHOF-ERRICHTUNGS- UND VERWERTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.60		99.80	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	0.20		0.20	
PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH Issued capital EUR 36,336	VIENNA	UNICREDIT BANK AUSTRIA AG	100.00		Addition as at 16 Dec. 2015	
PELOPS LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	EUROLEASE RAMSES IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
PESTSZENTIMREI SZAKORVOSI RENDELOE KFT. Issued capital HUF 3,000,000	BUDAPEST	AWT HANDELS GESELLSCHAFT M.B.H.	Merger as at 01 July 2015		100.00	
PIANA LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
PIRTA VERWALTUNGS GMBH Issued capital EUR 2,067,138	VIENNA	UNICREDIT BANK AUSTRIA AG	100.00		100.00	

*) Voting rights are disclosed only if different from the percentage of holding.

A – Accounting policies (CONTINUED)

NAME	MAIN OFFICE/ OPERATIONAL HQ	HELD BY	OWNERSHIP RELATIONSHIP 2015 HOLDING %	2015 VOTING RIGHTS %*)	2014 HOLDING %	2014 VOTING RIGHTS %
POLLUX IMMOBILIEN GMBH Issued capital EUR 36,500	VIENNA	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.20			
		UNICREDIT BANK AUSTRIA AG	99.80		100.00	
POMINVEST DD Issued capital HRK 17,434,000	SPLIT	ZAGREBACKA BANKA D.D.	88.66	88.95	88.66	88.95
POSATO LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80		75.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	25.00		25.00	
PRELUDE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80		99.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	1.00		1.00	
PRIVATE JOINT STOCK COMPANY FERROTRADE INTERNATIONAL (IN LIQU.) Issued capital UAH 167,989,547	KIEV	PUBLIC JOINT STOCK COMPANY UKRSOTSBANK	100.00		100.00	
PRO WOHNBAU AG	VIENNA	IMMOBILIEN HOLDING GMBH	99.69		99.69	
Issued capital EUR 23,621,113		KLEA TERRAIN- UND BAU-GESELLSCHAFT M.B.H.	0.31		0.31	
PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	74.80		75.00	
Issued capital EUR 36,500		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	25.00		25.00	
PRVA STAMBENA STEDIONICA DD ZAGREB Issued capital HRK 80,000,000	ZAGREB	ZAGREBACKA BANKA D.D.	100.00		100.00	
PUBLIC JOINT STOCK COMPANY UKRSOTSBANK	KIEV	UNICREDIT BANK AUSTRIA AG	91.36	91.37	35.58	35.58
Issued capital UAH 7,866,182,810		UNICREDIT SPA	8.44	8.44	37.33	37.34
QUADEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Issued capital EUR 36,500		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
QUART Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	CALG ANLAGEN LEASING GMBH	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
QUINT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Issued capital EUR 36,500		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
RAMSES IMMOBILIEN GESELLSCHAFT M.B.H. & CO OG	VIENNA	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.50			
Issued capital EUR 36,500		RAMSES-IMMOBILIENHOLDING GMBH	0.20		0.20	
		UNICREDIT BANK AUSTRIA AG	99.30		99.30	
RANA-LIEGENSCHAFTSVERWERTUNG GMBH Issued capital EUR 72,700	VIENNA	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	99.90		99.90	
REAL INVEST EUROPE D BA RI KAG Issued capital EUR 0	VIENNA	UNICREDIT BANK AUSTRIA AG	86.90		75.64	
REAL INVEST IMMOBILIEN GMBH Issued capital EUR 36,400	VIENNA	TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H.	99.00		99.00	
REAL-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Issued capital EUR 36,500		UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80		100.00	
REAL-RENT LEASING GESELLSCHAFT M.B.H. Issued capital EUR 73,000	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	

*) Voting rights are disclosed only if different from the percentage of holding.

A – Accounting policies (CONTINUED)

		OWNERSHIP RELATIONSHIP				
			2015		2014	
NAME	MAIN OFFICE/ OPERATIONAL HQ	HELD BY	HOLDING %	VOTING RIGHTS % *)	HOLDING %	VOTING RIGHTS %
REGEV REALITAETEN-VERWERTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 726,728	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
RIGEL IMMOBILIEN GMBH Issued capital EUR 36,500	VIENNA	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.20			
		UNICREDIT BANK AUSTRIA AG	99.80		100.00	
RONDO LEASING GMBH Issued capital EUR 36,336	VIENNA	WOEM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	Sold on 16 Feb. 2015		100.00	
RSB ANLAGENVERMIETUNG GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	CALG IMMOBILIEN LEASING GMBH	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
RVT BAUTRAEGER GESELLSCHAFT M.B.H. Issued capital EUR 37,000	VIENNA	IMMOBILIEN HOLDING GMBH	100.00		100.00	
SAS-REAL INGATLANUEZEMELTETOE ES KEZELOE KFT. (ENGLISH :SAS-REAL KFT) Issued capital HUF 750,000,000	BUDAPEST	UNICREDIT BANK HUNGARY ZRT.	100.00		100.00	
SCHOELLERBANK AKTIENGESELLSCHAFT Issued capital EUR 20,000,000	VIENNA	UNICREDIT BANK AUSTRIA AG	100.00		100.00	
SCHOELLERBANK INVEST AG Issued capital EUR 2,543,549	SALZBURG	SCHOELLERBANK AKTIENGESELLSCHAFT	100.00		100.00	
SCHOTTENGASSE 6-8 IMMOBILIEN GMBH Issued capital EUR 10,000	VIENNA	UNICREDIT BANK AUSTRIA AG	Liquidated 18 Sept. 2015		100.00	
SECA-LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	74.80		75.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	25.00			
SEDEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80		100.00	
SEXT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H Issued capital EUR 36,500	VIENNA	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
SIA UNICREDIT INSURANCE BROKER Issued capital EUR 15,082	RIGA	SIA UNICREDIT LEASING	100.00		100.00	
SIA “UNICREDIT LEASING” Issued capital EUR 15,569,120	RIGA	UNICREDIT BANK AUSTRIA AG	100.00		100.00	
SIGMA LEASING GMBH Issued capital EUR 18,286	VIENNA	CALG ANLAGEN LEASING GMBH	99.40		99.60	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	0.40		0.40	
SIRIUS IMMOBILIEN GMBH Issued capital EUR 36,500	VIENNA	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.20			
		UNICREDIT BANK AUSTRIA AG	99.80		99.80	
SONATA LEASING-GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	1.00		1.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	98.80		99.00	
SPECTRUM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	WOEM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	100.00		100.00	

*) Voting rights are disclosed only if different from the percentage of holding.

A – Accounting policies (CONTINUED)

		OWNERSHIP RELATIONSHIP				
			2015		2014	
NAME	MAIN OFFICE/ OPERATIONAL HQ	HELD BY	HOLDING %	VOTING RIGHTS %*)	HOLDING %	VOTING RIGHTS %
STEWE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	24.00		24.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	75.80		76.00	
SUCCESS 2015 B.V. Issued capital EUR 1	AMSTERDAM	UNICREDIT LEASING (AUSTRIA) GMBH	100.00		Addition as at 01 Nov. 2015	
SUVREMENE POSLOVNE KOMUNIKACIJE D.O.O Issued capital HRK 1,110,000	ZAGREB	ZAGREBACKA BANKA D.D.	100.00		100.00	
SVIF UKRSOTSBUD Issued capital UAH 0	KIEV	PUBLIC JOINT STOCK COMPANY UKRSOTSBANK	100.00		100.00	
TERZ Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Issued capital EUR 36,500		UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80		100.00	
TREDEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Issued capital EUR 36,500		UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80		100.00	
TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H. Issued capital EUR 365,000	VIENNA	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	100.00		100.00	
U2 ASPERN BAUPLATZ 1 BETEILIGUNGS-GMBH Issued capital EUR 35,000	VIENNA	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	100.00		Addition as at 17 Dec. 2015	
U2 ASPERN BAUPLATZ 1 GMBH & CO KG Issued capital EUR 10,000	VIENNA	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	90.00	0.00	Addition as at 17 Dec. 2015	
		U2 ASPERN BAUPLATZ 1 BETEILIGUNGS-GMBH	10.00	0.00		
UCL NEKRETNINE D.O.O. Issued capital BAM 10,000	SARAJEVO	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	30.00		30.00	
		UNICREDIT LEASING (AUSTRIA) GMBH	70.00		70.00	
UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	VIENNA	ALLEGRO LEASING GESELLSCHAFT M.B.H.	10.00		Addition as at 01 Dec. 2015	
Issued capital EUR 10,000		BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H.	90.00			
UCTAM BALTICS SIA Issued capital EUR 4,265,585	RIGA	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00		100.00	
UCTAM BULGARIA EOOD Issued capital BGN 20,000	SOFIA	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00		100.00	
UCTAM CZECH REPUBLIC SRO Issued capital CZK 45,500,000	PRAGUE	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	99.96		99.96	
		UNICREDIT TURN-AROUND MANAGEMENT GMBH	0.04		0.04	
UCTAM D.O.O. BEOGRAD Issued capital RSD 564,070,470	BELGRADE	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00		100.00	
UCTAM HUNGARY KFT Issued capital HUF 10,200,000	BUDAPEST	EUROPA BEFEKTETESI ALAPKEZELOE ZRT (EUROPA INVESTMENT FUND MANAGEMENT LTD.)	0.33	0.33	0.33	1.00
		UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	99.67	99.67	99.67	99.00
UCTAM RO S.R.L. Issued capital RON 30,257,830	BUCHAREST	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00		100.00	
UCTAM RU LIMITED LIABILITY COMPANY Issued capital RUB 4,000,000	MOSCOW	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00		100.00	
UCTAM UKRAINE LLC Issued capital UAH 1,013,324	KIEV	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	99.99		99.99	

*) Voting rights are disclosed only if different from the percentage of holding.

A – Accounting policies (CONTINUED)

NAME	MAIN OFFICE/ OPERATIONAL HQ	HELD BY	OWNERSHIP RELATIONSHIP			
			2015		2014	
			HOLDING %	VOTING RIGHTS % *)	HOLDING %	VOTING RIGHTS %
UCTAM UPRAVLJANJE D.O.O. Issued capital EUR 7,500	LJUBLJANA	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00		100.00	
UFFICIUM IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	KUTRA GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	5.00		5.00	
Issued capital EUR 36,337		UNICREDIT LEASING (AUSTRIA) GMBH	95.00		95.00	
UNICOM IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Issued capital EUR 36,500		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
UNICREDIT AURORA LEASING GMBH Issued capital EUR 219,000	VIENNA	UNICREDIT LEASING (AUSTRIA) GMBH	100.00		100.00	
UNICREDIT AUTO LEASING E.O.O.D. Issued capital BGN 2,205,830	SOFIA	UNICREDIT LEASING EAD	Merger as at 04 Sept. 2015		100.00	
UNICREDIT BANK A.D. BANJA LUKA Issued capital BAM 97,055,000	BANJA LUKA	UNICREDIT BANK AUSTRIA AG	98.43		98.39	
UNICREDIT BANK AUSTRIA AG Issued capital EUR 1,681,033,521	VIENNA	UNICREDIT SPA	100.00		100.00	
UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S. Issued capital CZK 8,754,617,898	PRAGUE	UNICREDIT BANK AUSTRIA AG	99.96		99.94	
UNICREDIT BANK D.D.	MOSTAR	ZAGREBACKA BANKA D.D.	99.30	93.31	30.14	24.40
Issued capital BAM 119,195,000		UNICREDIT BANK AUSTRIA AG	–		65.63	65.69
UNICREDIT BANK HUNGARY ZRT. Issued capital HUF 24,118,220,000	BUDAPEST	UNICREDIT BANK AUSTRIA AG	100.00		100.00	
UNICREDIT BANK S.A. Issued capital RON 1,101,604,066	BUCHAREST	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	0.01		0.01	
		BANK AUSTRIA-CEE BETEILIGUNGSGMBH	0.01		0.01	
		BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	0.01		0.01	
		UNICREDIT BANK AUSTRIA AG	95.62		95.52	50.56
		UNICREDIT LEASING (AUSTRIA) GMBH	0.01		0.01	
UNICREDIT BANK SERBIA JSC Issued capital RSD 23,607,620,000	BELGRADE	UNICREDIT BANK AUSTRIA AG	100.00		100.00	
UNICREDIT BANKA SLOVENIJA D.D. Issued capital EUR 20,383,765	LJUBLJANA	UNICREDIT BANK AUSTRIA AG	99.99		99.99	
UNICREDIT BROKER D.O.O. SARAJEVO BROKERSKO DRUSTVO U OSIGURANJU Issued capital BAM 7,823	SARAJEVO	UNICREDIT BANK D.D.	49.00			
		UNICREDIT INSURANCE MANAGEMENT CEE GMBH	51.00		100.00	
UNICREDIT BROKER S.R.O. Issued capital EUR 8,266	BRATISLAVA	UNICREDIT LEASING SLOVAKIA A.S.	100.00		100.00	
UNICREDIT BULBANK AD Issued capital BGN 285,776,674	SOFIA	UNICREDIT BANK AUSTRIA AG	99.45		99.45	
UNICREDIT CAIB POLAND S.A. Issued capital PLN 225,141,851	WARSAW	UNICREDIT BANK AUSTRIA AG	Sold on 02 Jan. 2015		100.00	
UNICREDIT CENTER AM KAISERWASSER GMBH Issued capital EUR 35,000	VIENNA	UNICREDIT BANK AUSTRIA AG	100.00		100.00	
UNICREDIT CONSUMER FINANCING EAD Issued capital BGN 2,800,000	SOFIA	UNICREDIT BULBANK AD	100.00		100.00	
UNICREDIT CONSUMER FINANCING IFN S.A.	BUCHAREST	UNICREDIT BANK S.A.	50.10		50.10	
Issued capital RON 103,269,200		UNICREDIT SPA	49.90		49.90	
UNICREDIT FACTORING CZECH REPUBLIC AND SLOVAKIA, A.S. Issued capital CZK 222,600,000	PRAGUE	UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S.	100.00		Addition as at 20 Jan. 2015	
UNICREDIT FACTORING EAD Issued capital BGN 1,000,000	SOFIA	UNICREDIT BULBANK AD	100.00		100.00	
UNICREDIT FLEET MANAGEMENT S.R.O. Issued capital CZK 5,000,000	PRAGUE	UNICREDIT LEASING CZ, A.S.	100.00		100.00	
UNICREDIT FLEET MANAGEMENT S.R.O. Issued capital EUR 6,639	BRATISLAVA	UNICREDIT LEASING SLOVAKIA A.S.	100.00		100.00	

*) Voting rights are disclosed only if different from the percentage of holding.

A – Accounting policies (CONTINUED)

			OWNERSHIP RELATIONSHIP			
			2015		2014	
NAME	MAIN OFFICE/ OPERATIONAL HQ	HELD BY	HOLDING %	VOTING RIGHTS % *)	HOLDING %	VOTING RIGHTS %
UNICREDIT FUGGETLEN BIZTOSITASKOEZVETITOE SZOLGALTATO KFT. Issued capital HUF 5,000,000	BUDAPEST	UNICREDIT BANK HUNGARY ZRT.	100.00		25.20 74.80	
UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	VIENNA	EUROLEASE RAMSES IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	99.80		100.00	
Issued capital EUR 14,383,206		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
UNICREDIT INGATLANLIZING ZRT Issued capital HUF 81,000,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100,00	
UNICREDIT INSURANCE BROKER EOOD Issued capital BGN 5,000	SOFIA	UNICREDIT LEASING EAD	100.00		100.00	
UNICREDIT INSURANCE BROKER SRL Issued capital RON 150,000	BUCHAREST	UNICREDIT LEASING CORPORATION IFN S.A.	100.00		100.00	
UNICREDIT INSURANCE MANAGEMENT CEE GMBH Issued capital EUR 156,905	VIENNA	DV ALPHA GMBH	100.00		100.00	
UNICREDIT JELZALOGBANK ZRT. Issued capital HUF 3,000,000,000	BUDAPEST	UNICREDIT BANK HUNGARY ZRT.	100.00		100.00	
UNICREDIT KFZ LEASING GMBH Issued capital EUR 648,265	VIENNA	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	100.00		100.00	
UNICREDIT LEASING (AUSTRIA) GMBH Issued capital EUR 93,510,420	VIENNA	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	10.00		10.00	
		PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.02			
		UNICREDIT BANK AUSTRIA AG	89.98	89.98	90.00	89.98
UNICREDIT LEASING CORPORATION IFN S.A.	BUCHAREST	UNICREDIT BANK S.A.	99.96		99.90	
Issued capital RON 90,989,013		UNICREDIT CONSUMER FINANCING IFN S.A.	0.04		0.10	
UNICREDIT LEASING CROATIA D.O.O. ZA LEASING Issued capital HRK 28,741,800	ZAGREB	ZAGREBACKA BANKA D.D.	100.00		Addition as at 01 April 2015	
UNICREDIT LEASING CZ, A.S. Issued capital CZK 981,452,000	PRAGUE	UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S.	100.00		100.00	
UNICREDIT LEASING D.O.O. Issued capital BAM 8,479,356	SARAJEVO	UNICREDIT BANK D.D.	100.00		Addition as at 22 Dec. 2015	
UNICREDIT LEASING EAD Issued capital BGN 2,605,000	SOFIA	UNICREDIT BULBANK AD	100.00		100.00	
UNICREDIT LEASING FLEET MANAGEMENT S.R.L.	BUCHAREST	DV ALPHA GMBH	90.02		90.02	
Issued capital RON 680,000		UNICREDIT LEASING CORPORATION IFN S.A.	9.98		9.98	
UNICREDIT LEASING FUHRPARKMANAGEMENT GMBH Issued capital EUR 364,000	VIENNA	UNICREDIT LEASING (AUSTRIA) GMBH	100.00		100.00	
UNICREDIT LEASING HUNGARY ZRT	BUDAPEST	UNICREDIT BANK HUNGARY ZRT.	100.00			
Issued capital HUF 50,000,000		AWT HANDELS GESELLSCHAFT M.B.H.			100.00	
UNICREDIT LEASING IMMOTRUCK ZRT. Issued capital HUF 50,000,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100.00	
UNICREDIT LEASING INSURANCE SERVICES S.R.O. Issued capital EUR 5,000	BRATISLAVA	UNICREDIT LEASING SLOVAKIA A.S.	100.00		Addition as at 08 Jan. 2015	
UNICREDIT LEASING KFT Issued capital HUF 3,100,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100.00	
UNICREDIT LEASING LUNA KFT Issued capital HUF 3,000,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	80.00		80.00	
UNICREDIT LEASING MARS KFT Issued capital HUF 3,000,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	80.00		80.00	
UNICREDIT LEASING REAL ESTATE S.R.O. Issued capital EUR 106,221	BRATISLAVA	UNICREDIT LEASING SLOVAKIA A.S.	Merger as at 08 Jan. 2015		100.00	
UNICREDIT LEASING ROMANIA S.A.	BUCHAREST	UNICREDIT TIRIAC BANK S.A.	Merger as at 04 June 2015		100.00	
UNICREDIT LEASING SLOVAKIA A.S. Issued capital EUR 26,560,000	BRATISLAVA	UNICREDIT LEASING CZ, A.S.	100.00		100.00	

*) Voting rights are disclosed only if different from the percentage of holding.

A – Accounting policies (CONTINUED)

NAME	MAIN OFFICE/ OPERATIONAL HQ	HELD BY	OWNERSHIP RELATIONSHIP			
			2015		2014	
			HOLDING %	VOTING RIGHTS % *)	HOLDING %	VOTING RIGHTS %
UNICREDIT LEASING TECHNIKUM GMBH	VIENNA	LEASFINANZ GMBH	99.80		100.00	
Issued capital EUR 1,435,000		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
UNICREDIT LEASING URANUS KFT Issued capital HUF 3,000,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	80.00		80.00	
UNICREDIT LEASING VERSICHERUNGSSERVICE GMBH & CO KG Issued capital EUR 36,500	VIENNA	UNICREDIT LEASING (AUSTRIA) GMBH	100.00		100.00	
UNICREDIT LEASING, LEASING, D.O.O. Issued capital EUR 25,039,658	LJUBLJANA	UNICREDIT BANKA SLOVENIJA D.D.	100.00		Addition as at 31 July 2015	
UNICREDIT LUNA LEASING GMBH Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
UNICREDIT MOBILIEN UND KFZ LEASING GMBH Issued capital EUR 36,500	VIENNA	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80		99.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	1.00		1.00	
UNICREDIT OPERATIV LIZING KFT Issued capital HUF 3,000,000	BUDAPEST	UNICREDIT BANK HUNGARY ZRT.	100.00		Addition as at 08 Oct. 2015	
UNICREDIT PARTNER D.O.O. BEOGRAD Issued capital RSD 2,001,875	BELGRADE	ALLEGRO LEASING GESELLSCHAFT M.B.H.	100.00		100.00	
UNICREDIT PARTNER D.O.O. ZA TRGOVINU I USLUGE	ZAGREB	UNICREDIT INSURANCE MANAGEMENT CEE GMBH	20.00		Addition as at 01 April 2015	
Issued capital HRK 200,000		UNICREDIT LEASING CROATIA D.O.O. ZA LEASING	80.00			
UNICREDIT PARTNER LLC Issued capital UAH 53,557	KIEV	UNICREDIT INSURANCE MANAGEMENT CEE GMBH	100.00		100.00	
UNICREDIT PEGASUS LEASING GMBH	VIENNA	CALG IMMOBILIEN LEASING GMBH	74.80		75.00	
Issued capital EUR 36,500		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	25.00		25.00	
UNICREDIT POJISTOVACI MAKLERSKA SPOL.S R.O. Issued capital CZK 510,000	PRAGUE	UNICREDIT LEASING CZ, A.S.	100.00		100.00	
UNICREDIT POLARIS LEASING GMBH Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
UNICREDIT RENT D.O.O. BEOGRAD Issued capital RSD 3,285,948,900	BELGRADE	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100.00	
UNICREDIT TECHRENT LEASING GMBH Issued capital EUR 36,336	VIENNA	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.00		99.00	
		UNICREDIT LEASING (AUSTRIA) GMBH	1.00		1.00	
UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH Issued capital EUR 750,000	VIENNA	UNICREDIT TURN-AROUND MANAGEMENT GMBH	100.00		100.00	
UNICREDIT TURN-AROUND MANAGEMENT GMBH Issued capital EUR 72,673	VIENNA	UNICREDIT BANK AUSTRIA AG	100.00		100.00	
UNICREDIT ZAVAROVALNO ZASTOPNISKA DRUZBA D.O.O. Issued capital EUR 40,000	LJUBLJANA	UNICREDIT INSURANCE MANAGEMENT CEE GMBH	100.00		100.00	
UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
UNICREDIT-LEASING HOSPES KFT Issued capital HUF 1,000,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100.00	

*) Voting rights are disclosed only if different from the percentage of holding.

A – Accounting policies (CONTINUED)

		OWNERSHIP RELATIONSHIP				
			2015		2014	
NAME	MAIN OFFICE/ OPERATIONAL HQ	HELD BY	HOLDING %	VOTING RIGHTS %*)	HOLDING %	VOTING RIGHTS %
UNICREDIT-LEASING NEPTUNUS KFT Issued capital HUF 3,010,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	96.35		96.35	
UNICREDIT-LEASING ORION INGATLANHASZNOSITO KORLATOLT FELELOSSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100.00	
UNIVERSALE INTERNATIONAL REALITAETEN GMBH Issued capital EUR 32,715,000	VIENNA	UNICREDIT BANK AUSTRIA AG	100.00		100.00	
UNO-EINKAUFSZENTRUM-VERWALTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 37,000	LEONDING	TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H.	100.00		100.00	
VAPE COMMUNA LEASINGGESELLSCHAFT M.B.H. Issued capital EUR 431,630	VIENNA	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80		75.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	25.00		25.00	
VECTIGAL IMMOBILIEN GMBH Issued capital EUR 40,000	VIENNA	B A I BETEILIGUNGSVERWALTUNGS-GMBH	100.00		Addition as at 30 Dec. 2015	
VECTIGAL IMMOBILIEN GMBH & CO KG Issued capital EUR 2,470,930	VIENNA	KLEA TERRAIN- UND BAU-GESELLSCHAFT M.B.H.	100.00		100.00	
VIENNA DC BAUTRAEGER GMBH Issued capital EUR 18,168	VIENNA	WED WIENER ENTWICKLUNGSGESELLSCHAFT FUER DEN DONAURAUM AKTIENGESELLSCHAFT	100.00		100.00	
VIENNA DC TOWER 1 LIEGENSCHAFTSBESITZ GMBH Issued capital EUR 17,500	VIENNA	WED DONAU-CITY GESELLSCHAFT M.B.H.	100.00		100.00	
VIENNA DC TOWER 2 LIEGENSCHAFTSBESITZ GMBH Issued capital EUR 17,500	VIENNA	WED DONAU-CITY GESELLSCHAFT M.B.H.	100.00		100.00	
WED DONAU-CITY GESELLSCHAFT M.B.H. Issued capital EUR 726,728	VIENNA	WED WIENER ENTWICKLUNGSGESELLSCHAFT FUER DEN DONAURAUM AKTIENGESELLSCHAFT	100.00		100.00	
WIEN MITTE IMMOBILIEN GMBH Issued capital EUR 17,500	VIENNA	B A I BAUTRAGER AUSTRIA IMMOBILIEN GMBH	Sold on 15 Dec. 2015		50.00	
		BA-CA WIEN MITTE HOLDING GMBH			50.00	
WED HOLDING GESELLSCHAFT M.B.H. Issued capital EUR 72,673	VIENNA	UNICREDIT BANK AUSTRIA AG	59.60		53.83	
WED WIENER ENTWICKLUNGSGESELLSCHAFT FUER DEN DONAURAUM AKTIENGESELLSCHAFT Issued capital EUR 3,634,368	VIENNA	UNICREDIT BANK AUSTRIA AG	38.00		38.00	
		WED HOLDING GESELLSCHAFT M.B.H.	62.00		62.00	
WOEM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 3,322,141	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
WOHNBAUERRICHTUNGS-UND-VERWERTUNGS-GMBH Issued capital EUR 6,615,700	VIENNA	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	0.28		0.28	
		IMMOBILIEN HOLDING GMBH	99.72		99.72	
WOHNPARK BRANDENBURG-GORDEN GMBH Issued capital EUR 51,150	BRANDENBURG	IMMOBILIEN HOLDING GMBH	5.18		5.18	
		KLEA TERRAIN- UND BAU-GESELLSCHAFT M.B.H.	94.82		94.82	
Z LEASING ALFA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
Z LEASING ARKTUR IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
Z LEASING AURIGA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80		100.00	

*) Voting rights are disclosed only if different from the percentage of holding.

A – Accounting policies (CONTINUED)

			OWNERSHIP RELATIONSHIP			
			2015		2014	
NAME	MAIN OFFICE/ OPERATIONAL HQ	HELD BY	HOLDING %	VOTING RIGHTS % *)	HOLDING %	VOTING RIGHTS %
Z LEASING CORVUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H.	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Z LEASING DORADO IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	CALG GRUNDSTUECKVERWALTUNG GMBH	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Z LEASING DRACO IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Z LEASING GAMA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
Z LEASING GEMINI IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80		100.00	
Z LEASING HEBE IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	GEBAEUDELEASING GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT M.B.H.	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Z LEASING HERCULES IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80		100.00	
Z LEASING IPSILON IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80		100.00	
Z LEASING ITA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Z LEASING JANUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Z LEASING KALLISTO IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 263,958	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
Z LEASING KAPA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Z LEASING LYRA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Z LEASING NEREIDE IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
Z LEASING OMEGA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80		100.00	
		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Z LEASING PERSEUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 16,134,987	VIENNA	BANK AUSTRIA LEASING ARGO IMMOBILIEN LEASING GMBH	100.00		100.00	

*) Voting rights are disclosed only if different from the percentage of holding.

A – Accounting policies (CONTINUED)

			OWNERSHIP RELATIONSHIP			
			2015		2014	
NAME	MAIN OFFICE/ OPERATIONAL HQ	HELD BY	HOLDING %	VOTING RIGHTS %*)	HOLDING %	VOTING RIGHTS %
Z LEASING SCORPIUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Issued capital EUR 36,500		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
Z LEASING TAURUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H.	99.80		100.00	
Issued capital EUR 73,000		UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Z LEASING VENUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Issued capital EUR 36,500		UNICREDIT LEASING (AUSTRIA) GMBH	99.80		100.00	
Z LEASING VOLANS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20			
Issued capital EUR 36,500		UNICREDIT PEGASUS LEASING GMBH	99.80		100.00	
ZABA PARTNER DOO ZA POSREDOVANJE U OSIGURANJU I REOSIGURANJU Issued capital HRK 1,500,000	ZAGREB	ZAGREBACKA BANKA D.D.	100.00		100.00	
ZAGREB NEKRETNINE DOO Issued capital HRK 5,000,000	ZAGREB	ZAGREBACKA BANKA D.D.	100.00		100.00	
ZAGREBACKA BANKA D.D. Issued capital HRK 6,404,839,100	ZAGREB	UNICREDIT BANK AUSTRIA AG	84.48		84.48	
"ZANE BH" DOO Issued capital BAM 131,529	SARAJEVO	ZAGREB NEKRETNINE DOO	100.00		100.00	
ZAO LOCAT LEASING RUSSIA Issued capital RUR 107,000,000	MOSCOW	OOO UNICREDIT LEASING	100.00		100.00	
ZAPADNI TRGOVACKI CENTAR D.O.O. Issued capital HRK 20,000	RIJEKA	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00		100.00	
ZB INVEST DOO Issued capital HRK 4,000,000	ZAGREB	ZAGREBACKA BANKA D.D.	100.00		100.00	
ZETA FUENF HANDELS GMBH Issued capital EUR 17,500	VIENNA	UNICREDIT BANK AUSTRIA AG	100.00		100.00	
ZM REVITALISIERUNGS-UND VERMIETUNGS-GMBH Issued capital EUR 2,056,561	VIENNA	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	0.04		0,04	
		IMMOBILIEN HOLDING GMBH	99.96		99.96	

*) Voting rights are disclosed only if different from the percentage of holding.

Breakdown of non-controlling interests

Non-controlling interests

(€ million)

	31 DEC. 2015	31 DEC. 2014
ZABA Subgroup	385	397
Public Joint Stock Company "Ukrsotsbank"	–226	–280
UniCredit Tiriac Bank S.A.	29	28
card complete Service Bank AG	25	24
UniCredit Consumer Financing IFN S.A.	25	21
Other entities	45	29
Consolidation adjustments	–45	–26
TOTAL	**238**	**193**

A – Accounting policies (CONTINUED)

Investments in subsidiaries with material non-controlling interests, 2015

NAME	TOTAL ASSETS	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	FINANCIAL LIABILITIES	SHARE-HOLDERS' EQUITY	SHARE-HOLDERS' EQUITY ATTRIB-UTABLE TO NON CONTROLLING INTERESTS	NON-CONTROLLING INTERESTS %
Zagrebacka banka d.d. (ZABA Subgroup)	13,720,029	668,627	12,736,284	315,118	11,576,281	1,970,106	305,860	15.53
Public Joint Stock Company “Ukrsotsbank”	2,028,603	–	–	2,028,603	–	487,711	–225,688	8.64
UniCredit Bank d.d. (ZABA Subgroup)	2,236,335	296,196	1,890,015	50,124	1,815,969	365,901	58,852	16.07
UniCredit Tiriac Bank S.A.	6,750,593	154,264	6,492,675	103,654	5,982,343	681,676	29,112	4.34
card complete Service Bank AG	535,254	1	492,250	43,003	209,623	50,483	25,190	49.90
UniCredit Consumer Financing IFN S.A.	302,200	–	298,774	3,426	250,730	47,583	25,329	52.08

Investments in subsidiaries with material non-controlling interests, 2014

NAME	TOTAL ASSETS	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	FINANCIAL LIABILITIES	SHARE-HOLDERS' EQUITY	SHARE-HOLDERS' EQUITY ATTRIB-UTABLE TO NON CONTROLLING INTERESTS	NON-CONTROLLING INTERESTS %
Zagrebacka banka d.d. (ZABA Subgroup)	13,408,537	368,856	12,780,776	167,728	11,072,460	2,198,788	341,366	15.53
Public Joint Stock Company “Ukrsotsbank”	2,450,053	–	–	–	–	273,826	–279,601	27.09
UniCredit Bank d.d. (ZABA Subgroup)	2,024,883	151,480	1,824,862	31,080	1,653,926	325,501	46,946	14.42
UniCredit Tiriac Bank S.A.	6,386,667	132,007	6,144,016	74,059	5,625,463	639,493	28,435	4.44
card complete Service Bank AG	584,214	1	547,348	6,824	263,925	47,292	23,599	49.90
UniCredit Consumer Financing IFN S.A.	298,213	–	296,060	894	254,219	40,357	21,037	52.13

A – Accounting policies (CONTINUED)

(€ thousand)

NET INTEREST MARGIN	OPERATING INCOME	OPERATING COSTS	TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	TOTAL PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	PROFIT (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS	NET PROFIT OR LOSS (1)	OCI (2)	COMPREHENSIVE INCOME (3) = (1) + (2)	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	DIVIDENDS PAID TO NON-CONTROLLING INTERESTS
344,386	505,829	–226,949	–67,401	–52,470	–	–52,470	10,300	–42,170	–6,547	23,446
–	–	2	–4,572	–4,572	–125,725	–130,297	2,924	–127,373	–11,000	–
76,596	111,487	–60,304	45,657	40,755	–	40,755	–121	40,634	6,530	–
154,244	290,442	–149,378	57,403	48,385	–	48,385	392	48,777	2,117	–
5,991	75,096	–54,534	18,534	18,534	–	18,534	–	18,534	9,248	7,142
22,836	26,852	–10,750	9,068	7,728	–	7,728	–	7,728	4,025	–

(€ thousand)

NET INTEREST MARGIN	OPERATING INCOME	OPERATING COSTS	TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	TOTAL PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	PROFIT (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS	NET PROFIT OR LOSS (1)	OCI (2)	COMPREHENSIVE INCOME (3) = (1) + (2)	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	DIVIDENDS PAID TO NON-CONTROLLING INTERESTS
329,753	482,965	–221,664	182,367	143,863	–	143,863	1,276	145,139	22,533	9,453
–	2	–2	3	3	–207,222	–207,219	1,477	–205,742	–55,727	–
70,864	105,134	–58,849	35,274	31,395	–	31,395	–499	30,896	4,456	–
154,557	297,264	–155,117	32,554	27,137	–	27,137	4,970	32,107	1,426	–
5,132	70,990	–53,816	15,039	15,039	–	15,039	–	15,039	7,504	8,144
28,763	30,414	–9,297	13,811	11,593	–	11,593	–	11,593	6,043	–

A – Accounting policies (CONTINUED)

Investments in associates and joint ventures, 2015

NAME	MAIN OFFICE/ OPERATIONAL HQ	NATURE OF RELATION-SHIP	OWNERSHIP RELATIONSHIP 2015			
			HELD BY	FINANCIAL INVEST-MENTS %	VOTES %	CARRYING AMOUNT € THOUSAND
Under joint control						
FIDES LEASING GMBH Issued capital EUR 57,229	VIENNA	2	CALG ANLAGEN LEASING GMBH	50.00		23
HETA BA LEASING SUED GMBH Issued capital EUR 36,500	KLAGENFURT	2	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	50.00		3,264
KOC FINANSAL HIZMETLER AS GROUP Issued capital TRY 3,011,274,868	ISTANBUL	2	UNICREDIT BANK AUSTRIA AG	50.00		2,898,178 *)
MARIAHILFERGUERTEL GRUNDSTUECKSVERMIETUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 660,000	VIENNA	5	EKAZENT REALITAETENGESELLSCHAFT M.B.H.	50.00		3,056
MUTHGASSE ALPHA HOLDING GMBH Issued capital EUR 35,000	VIENNA	5	B A I BAUTRAGER AUSTRIA IMMOBILIEN GMBH	52.94	50.00	20
ZS EINKAUFSZENTER ERRICHTUNGS-UND VERMIETUNGS-AKTIENGESELLSCHAFT Issued capital EUR 7,300,000	VIENNA	5	IMMOBILIEN HOLDING GMBH	50.00		22,128
Under significant influence						
ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJIE DOBROVOLJNIM MIROVINSKIM FONDOM Issued capital HRK 90,000,000	ZAGREB	5	ZAGREBACKA BANKA D.D.	49.00		10,208
ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJIE OBVEZNIM MIROVINSKIM FONDOM Issued capital HRK 15,000,000	ZAGREB	5	ZAGREBACKA BANKA D.D.	49.00		1,999
ARWAG HOLDING-AKTIENGESELLSCHAFT Issued capital EUR 3,000,000	VIENNA	5	IMMOBILIEN HOLDING GMBH	34.38		22,603
BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT Issued capital EUR 55,000,000	INNSBRUCK	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	37.53	41.29	564,071
			UNICREDIT BANK AUSTRIA AG	9.85	5.42	
BARN B.V. Issued capital EUR 195,020,000	AMSTERDAM	2	UNICREDIT BANK AUSTRIA AG	40.00		41,383
BKS BANK AG Issued capital EUR 72,072,000	KLAGENFURT	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	25.47	29.64	240,231
			UNICREDIT BANK AUSTRIA AG	7.29	7.46	
CASH SERVICE COMPANY AD Issued capital BGN 12,500,000	SOFIA	5	UNICREDIT BULBANK AD	20.00		1,397
CBD INTERNATIONAL SP.ZO.O. Issued capital PLN 100,500	WARSAW	2	ISB UNIVERSALE BAU GMBH	49.75		5,912
GLAMAS BETEILIGUNGSVERWALTUNGS GMBH & CO BETA KG Issued capital EUR 10,000	VIENNA	5	B A I BAUTRAGER AUSTRIA IMMOBILIEN GMBH	30.00		130
HSG ZANDER GMBH Issued capital EUR 363,364	VIENNA	5	B A I BAUTRAGER AUSTRIA IMMOBILIEN GMBH	36.00		5,608
LISCIV MUTHGASSE GMBH & CO KG Issued capital EUR 10,000	VIENNA	5	B A I BAUTRAGER AUSTRIA IMMOBILIEN GMBH	30.00		2
MARINA CITY ENTWICKLUNGS GMBH Issued capital EUR 120,000	VIENNA	2	CABET-HOLDING GMBH	25.00		0
MARINA TOWER HOLDING GMBH Issued capital EUR 35,000	VIENNA	5	CABET-HOLDING GMBH	25.00		383
“MEGAPARK” OOD Issued capital BGN 5,000	SOFIA	5	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	43.50		0
MULTIPLUS CARD D.O.O. ZA PROMIDZBU I USLUGE Issued capital HRK 5,000,000	ZAGREB	2	SUVREMENE POSLOVNE KOMUNIKACIJE D.O.O	25.00		0

*) Koç Financial Services (KFS, Koç Finansal Hizmetler A.Ş.) is a 50:50 joint venture between Bank Austria Group and the Koç Group. In its consolidated financial statements, Bank Austria Group has accounted for the equity interest in Koç Financial Services Group using the equity method since 1 January 2014.

Koç Financial Services holds about 81.8% of the shares in Yapı Kredi Bankası A.Ş., the remaining 18.2% are publicly traded on the Istanbul Stock Exchange.

Measured by the market price on 31 December 2015, the market value of the Bank Austria Group’s share in the equity interest in Yapı Kredi Bankası A.Ş. is about €1,841 million (31 December 2014: €2,991 million).

A – Accounting policies (CONTINUED)

			OWNERSHIP RELATIONSHIP 2015			
NAME	MAIN OFFICE/ OPERATIONAL HQ	NATURE OF RELATION-SHIP	HELD BY	FINANCIAL INVEST-MENTS %	VOTES %	CARRYING AMOUNT € THOUSAND
NOTARTREUHANDBANK AG Issued capital EUR 8,030,000	VIENNA	1	UNICREDIT BANK AUSTRIA AG	25.00		6,411
OBERBANK AG Issued capital EUR 96,299,925	LINZ	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	26.02	28.69	540,892
			UNICREDIT BANK AUSTRIA AG	3.74	1.46	
OBJEKT-LEASEGRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 107,912	VIENNA	2	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	49.23		244
			UNICREDIT LEASING (AUSTRIA) GMBH	0.77		
OESTERREICHISCHE HOTEL- UND TOURISMUSBANK GESELLSCHAFT M.B.H. Issued capital EUR 11,628,000	VIENNA	1	UNICREDIT BANK AUSTRIA AG	50.00		14,204
OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT Issued capital EUR 130,000,000	VIENNA	1	CABET-HOLDING GMBH	24.75		372.,897
			SCHOELLERBANK AKTIENGESELLSCHAFT	8.26		
			UNICREDIT BANK AUSTRIA AG	16.14		
OESTERREICHISCHE WERTPAPIERDATEN SERVICE GMBH Issued capital EUR 36,336	VIENNA	2	UNICREDIT BANK AUSTRIA AG	29.30		19
PALATIN GRUNDSTUECKVERWALTUNGS GESELLSCHAFT M.B.H. Issued capital EUR 36,336	STOCKERAU	2	UNICREDIT LEASING (AUSTRIA) GMBH	50.00		410
PSA PAYMENT SERVICE AUSTRIA GMBH Issued capital EUR 285,000	VIENNA	2	CAFU VERMOEGENSVERWALTUNG GMBH & CO OG	4.50	4.50	6,111
			SCHOELLERBANK AKTIENGESELLSCHAFT	0.02	0.02	
			UNICREDIT BANK AUSTRIA AG	19.48		
PURGE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	2	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	50.00		0
RCI FINANCIAL SERVICES S.R.O. Issued capital CZK 70,000,000	PRAGUE	2	UNICREDIT LEASING CZ, A.S.	50.00	49.86	15,591
REMBRA LEASING GESELLSCHAFT M.B.H. Issued capital EUR 886,336	VIENNA	2	UNICREDIT LEASING (AUSTRIA) GMBH	50.00		25
SP PROJEKTENTWICKLUNG SCHOENEFELD GMBH & CO.KG Issued capital EUR 102,258	SCHOENEFELD	5	UNICREDIT BANK AUSTRIA AG	50.00		8,697
"UNI" GEBAEUDEMANAGEMENT GMBH Issued capital EUR 18,168	LINZ	2	BA GVG-HOLDING GMBH	50.00		0
VBV DELTA ANLAGEN VERMIETUNG GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	5	IMMOBILIEN HOLDING GMBH	40.00		4,843
WKBG WIENER KREDITBUERGSCHAFTS- UND BETEILIGUNGSBANK AG Issued capital EUR 15,308,027	VIENNA	2	UNICREDIT BANK AUSTRIA AG	22.12		7,213
WWE WOHN- UND WIRTSCHAFTSPARK ENTWICKLUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	5	B A I BAUTRAGER AUSTRIA IMMOBILIEN GMBH	25.00		698

Nature of relationship:
1 = Banks
2 = Financial entities
3 = Ancillary banking entities services
4 = Insurance enterprises
5 = Non-financial enterprises
6 = Other equity investments

Voting rights are disclosed only if different from the percentage of holding.

A – Accounting policies (CONTINUED)

Investments in associates and joint ventures: accounting information 2015

NAME	TOTAL ASSETS	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	NON-FINANCIAL ASSETS	TOTAL LIABILITIES	FINANCIAL LIABILITIES
Under joint control						
FIDES LEASING GMBH	48,528	–	48,415	113	48,483	47,428
HETA BA LEASING SUED GMBH	6,539	–	4,509	2,030	9	–
KOC FINANSAL HIZMETLER AS GROUP	29,919,613	292,993	28,815,865	810,755	27,021,435	25,088,173
MARIAHILFERGUERTEL GRUNDSTUECKSVERMIETUNGS-GESELLSCHAFT M.B.H.	7,870	–	–	7,870	1,758	–
MUTHGASSE ALPHA HOLDING GMBH	850	–	–	850	812	–
ZS EINKAUFSZENTER ERRICHTUNGS-UND VERMIETUNGS-AKTIENGESELLSCHAFT	65,411	–	–	65,411	21,155	–
Under significant influence						
ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJIE DOBROVOLJNIM MIROVINSKIM FONDOM	6,042	–	5,275	767	1,964	–
ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJIE OBVEZNIM MIROVINSKIM FONDOM	24,461	–	18,952	5,510	3,633	–
ARWAG HOLDING-AKTIENGESELLSCHAFT	430,813	–	–	430,813	365,066	–
BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT	9,322,688	175,264	8,724,990	422,434	8,177,199	7,890,180
BARN BV	654,740	6,123	630,389	18,229	551,283	530,646
BKS BANK AG	6,995,686	225,653	6,624,419	145,614	6,159,068	5,936,379
CASH SERVICE COMPANY AD	7,437	–	–	7,437	457	–
CBD INTERNATIONAL SP.ZO.O.	25,110	–	–	25,110	20,533	–
GLAMAS BETEILIGUNGSVERWALTUNGS GMBH & CO BETA KG	4,812	–	–	4,812	4,377	–
HSG ZANDER GMBH	26,802	–	–	26,802	11,228	–
LISCIV MUTHGASSE GMBH & CO KG	3,690	–	–	3,690	3,683	–
MARINA CITY ENTWICKLUNGS GMBH	12,472	–	–	12,472	12,690	–
MARINA TOWER HOLDING GMBH	1,502	–	–	1,502	35	–
MEGAPARK OOD	69,933	–	–	69,933	105,172	–
MULTIPLUS CARD D.O.O. ZA PROMIDZBU I USLUGE	1,485	–	159	1,326	2,300	1,355
NOTARTREUHANDBANK AG	1,762,110	7	1,761,609	493	1,736,469	1,734,279
OBERBANK AG	18,346,451	225,104	17,365,697	755,650	16,477,446	15,742,575
OBJEKT-LEASE GRUNDSTUECKSVERWALTUNGSGESELLSCHAFT M.B.H.	3,905	–	3,890	15	3,418	3,230
OESTERREICHISCHE HOTEL- UND TOURISMUSBANK GESELLSCHAFT M.B.H.	1,059,723	998	1,053,708	5,017	1,031,315	1,024,829
OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT	28,994,104	114,153	28,658,187	221,764	28,263,375	26,675,433
OESTERREICHISCHE WERTPAPIERDATEN SERVICE GMBH	1,849	–	1,159	690	1,784	727
PALATIN GRUNDSTUECKVERWALTUNGS GESELLSCHAFT M.B.H.	2,112	–	2,112	–	1,291	1,245
PSA PAYMENT SERVICE AUSTRIA GMBH	116,955	1	107,167	9,787	91,495	53,965
PURGE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	272	–	272	–	273	271
RCI FINANCIAL SERVICES S.R.O.	98,190	–	96,062	2,129	71,599	68,286
REMBRA LEASING GESELLSCHAFT M.B.H.	69	–	45	25	18	–
SCHULERRICHTUNGSGESELLSCHAFT M.B.H.	–	–	–	–	–	–
SP PROJEKTENTWICKLUNG SCHOENEFELD GMBH & CO.KG	18,912	–	5,145	13,767	1,520	–
UNI GEBAEUDEMANAGEMENT GMBH	1,830	–	–	1,830	1,901	–
VBV DELTA ANLAGEN VERMIETUNG GESELLSCHAFT M.B.H.	23,818	–	–	23,818	11,711	–
WKBG WIENER KREDITBUERGSCHAFTS- UND BETEILIGUNGSBANK AG	32,572	2	30,305	2,265	3,891	–
WWE WOHN- UND WIRTSCHAFTSPARK ENTWICKLUNGSGESELLSCHAFT M.B.H.	2,883	–	–	2,883	92	–

A – Accounting policies (CONTINUED)

(€ thousand)

NON-FINANCIAL LIABILITIES	NET EQUITY	TOTAL REVENUES	NET INTEREST MARGIN	IMPAIRMENT/ WRITE-BACKS ON TANGIBLE AND INTANGIBLE ASSETS	OPERATING COSTS	PROFIT (LOSS)	COMPRE-HENSIVE INCOME	POSITIVE DIFFERENCES	DIVIDENDS RECEIVED
1,055	45	671	68	–	–3	–1	–1	–	–
9	6,530	3,772	–	–	–17	3,739	3,739	–	–
1,933,262	2,898,178	2,881,737	829,625	–23,941	–555,480	349,498	335,040	–	56,966
1,758	6,112	–	–	–	–	0	–	–	–
812	38	–	–	–	–	–	–	–	–
21,155	44,256	–	–	–	–	–	–	–	–
1,964	4,078	5,219	93	–25	–1,565	2,205	2,205	–	876
3,633	20,828	18,378	258	–46	–5,977	9,786	9,786	–	4,152
365,066	65,748	–	–	–	–	–	–	–	–
287,019	1,145,489	402,187	175,294	–	–113,946	156,958	82,009	21,280	3,554
20,637	103,458	84,099	20,560	–	–20,115	5,616	–6,261	–	–
222,689	836,618	275,359	157,706	–	–115,778	57,301	56,592	–	2,715
457	6,981	3,808	–	–	–3,248	504	500	–	92
20,533	4,577	–	–	–	–637	–637	–637	3,632	–
4,377	435	–	–	–	–	–	–	–	–
11,228	15,574	–	–	–	–	–	–	–	–
3,683	8	–	–	–	–	–	–	–	–
12,690	–218	–	–	–	–	–	–213	–	–
35	1,467	–	–	–	–	–	–4	–	–
105,172	–35,239	3,876	–	–	–5,880	–5,880	–5,880	–	–
945	–815	4,600	–142	–72	–4,102	337	337	–	–
2,190	25,641	19,116	17,181	–321	–5,909	7,318	7,318	–	1,802
734,871	1,869,005	702,438	392,309	–	–300,696	155,044	173,428	–	5,277
188	487	47	6	–	–13	–1	–1	–	247
6,485	28,409	27,959	4,199	–89	–2,997	2,790	2,790	–	750
1,587,942	730,729	389,064	86,194	–	–85,630	40,457	40,457	13,743	9,840
1,057	65	5,074	–15	–255	–5,053	5	5	–	–
46	821	7	–	–	0	7	7	–	180
37,530	25,460	194,778	–754	–3,430	–1,255	13,575	13,575	–	2,942
2	–	6	1	–	–2	–6	–6	–	–
3,312	26,592	12,282	4,783	–	–2,021	4,281	4,281	2,297	2,640
18	51	3	–4	–	–55	–86	–86	–	–
–	–	–	–	–	–2	–2	–2	–	183
1,520	17,392	4,899	–48	–88	–4,655	127	127	–	–
1,901	–71	200	–	–	–154	46	46	–	–
11,711	12,107	–	–	–	–	–	–	–	–
3,891	28,681	2,300	1,353	–29	–1,659	–437	–437	–	–
92	2,791	–	–	–	–	–	–	–	–

Investments in associates and joint ventures, 2014

			OWNERSHIP RELATIONSHIP 2014			
NAME	MAIN OFFICE/ OPERATIONAL HQ	NATURE OF RELATION-SHIP	HELD BY	FINANCIAL INVEST-MENTS %	VOTES %	CARRYING AMOUNT € THOUSAND
Under joint control						
FIDES LEASING GMBH Issued capital EUR 57,229	VIENNA	2	CALG ANLAGEN LEASING GMBH	50.00		24
KOC FINANSAL HIZMETLER AS GROUP Issued capital TRL 3,093,741,012	ISTANBUL	2	UNICREDIT BANK AUSTRIA AG	50.00		2,932,503 *)
MARIAHILFERGUERTEL GRUNDSTUECKSVERMIETUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 660,000	VIENNA	5	EKAZENT REALITAETENGESELLSCHAFT M.B.H.	50.00		3,056
MUTHGASSE ALPHA HOLDING GMBH Issued capital EUR 35,000	VIENNA	5	B A I BAUTRAGER AUSTRIA IMMOBILIEN GMBH	52.94	50.00	20
ZS EINKAUFSZENTER ERRICHTUNGS-UND VERMIETUNGS-AKTIENGESELLSCHAFT Issued capital EUR 7,300,000	VIENNA	5	EKAZENT REALITAETENGESELLSCHAFT M.B.H.	50.00		22,128
Under significant influence						
ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJIE DOBROVOLJNIM MIROVINSKIM FONDOM Issued capital HRK 90,000,000	ZAGREB	2	ZAGREBACKA BANKA D.D.	49.00		9,542
ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJIE OBVEZNIM MIROVINSKIM FONDOM Issued capital HRK 15,000,000	ZAGREB	2	ZAGREBACKA BANKA D.D.	49.00		1,790
ARWAG HOLDING-AKTIENGESELLSCHAFT Issued capital EUR 3,000,000	VIENNA	5	IMMOBILIEN HOLDING GMBH	34.38		22,604
BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT Issued capital EUR 50,000,000	INNSBRUCK	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H. UNICREDIT BANK AUSTRIA AG	37.53 9.85	41.70 4.93	483,734
BARN BV Issued capital EUR 195,020,000	AMSTERDAM	2	UNICREDIT BANK AUSTRIA AG	40.00		43,888
BKS BANK AG Issued capital EUR 72,072,000	KLAGENFURT	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H. UNICREDIT BANK AUSTRIA AG	25.47 7.29	26.81 6.74	228,979
CASH SERVICE COMPANY AD Issued capital BGN 12,500,000	SOFIA	5	UNICREDIT BULBANK AD	20.00		1,389
CBD INTERNATIONAL SP.ZO.O. Issued capital PLN 100,500	WARSAW	5	ISB UNIVERSALE BAU GMBH	49.75		6,210
GLAMAS BETEILIGUNGSVERWALTUNGS GMBH & CO BETA KG Issued capital EUR 10,000	VIENNA	5	B A I BAUTRAGER AUSTRIA IMMOBILIEN GMBH	30.00		100
HSG ZANDER GMBH Issued capital EUR 363,364	VIENNA	5	IMMOBILIEN HOLDING GMBH	36.00		5,607
LISCIV MUTHGASSE GMBH & CO KG Issued capital EUR 10,000	VIENNA	5	B A I BAUTRAGER AUSTRIA IMMOBILIEN GMBH	30.00		0
MARINA CITY ENTWICKLUNGS GMBH Issued capital EUR 120,000	VIENNA	5	CABET-HOLDING GMBH	25.00		15
MARINA TOWER HOLDING GMBH Issued capital EUR 35,000	VIENNA	5	CABET-HOLDING GMBH	25.00		393
MEGAPARK OOD Issued capital BGN 5,000	SOFIA	5	AWT HANDELS GESELLSCHAFT M.B.H.	43.50		0
MULTIPLUS CARD D.O.O. ZA PROMIDZBU I USLUGE Issued capital HRK 5,000,000	ZAGREB	5	SUVREMENE POSLOVNE KOMUNIKACIJE D.O.O	25.00		0

A – Accounting policies (CONTINUED)

			OWNERSHIP RELATIONSHIP 2014			
NAME	MAIN OFFICE/ OPERATIONAL HQ	NATURE OF RELATIONSHIP	HELD BY	FINANCIAL INVESTMENTS %	VOTES %	CARRYING AMOUNT € THOUSAND
NOTARTREUHANDBANK AG Issued capital EUR 8,030,000	VIENNA	1	UNICREDIT BANK AUSTRIA AG	25.00		6,384
OBERBANK AG	LINZ	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	29.15	32.54	509,338
Issued capital EUR 85,635,000			UNICREDIT BANK AUSTRIA AG	4.19	1.65	
OBJEKT-LEASEGRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	2	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	49.23		443
Issued capital EUR 107,912			UNICREDIT LEASING (AUSTRIA) GMBH	0.77		
OESTERREICHISCHE HOTEL- UND TOURISMUSBANK GESELLSCHAFT M.B.H. Issued capital EUR 11,628,000	VIENNA	1	UNICREDIT BANK AUSTRIA AG	50.00		13,559
OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT	VIENNA	1	CABET-HOLDING GMBH	24.75		362,850
Issued capital EUR 130,000,000			SCHOELLERBANK AKTIENGESELLSCHAFT	8.26		
			UNICREDIT BANK AUSTRIA AG	16.14		
OESTERREICHISCHE WERTPAPIERDATEN SERVICE GMBH Issued capital EUR 36,336	VIENNA	5	UNICREDIT BANK AUSTRIA AG	29.30		18
PALATIN GRUNDSTUECKVERWALTUNGS GESELLSCHAFT M.B.H. Issued capital EUR 36,336	STOCKERAU	2	UNICREDIT LEASING (AUSTRIA) GMBH	50.00		587
PSA PAYMENT SERVICE AUSTRIA GMBH Issued capital EUR 285,000	VIENNA	2	CAFU VERMOEGENSVERWALTUNG GMBH & CO OG	4.50	4.50	5,982
			UNICREDIT BANK AUSTRIA AG	19.36	19.36	
PURGE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	2	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	50.00		2
RCI FINANCIAL SERVICES S.R.O. Issued capital CZK 70,000,000	PRAGUE	2	UNICREDIT LEASING CZ, A.S.	50.00	49.86	15,683
REMBRA LEASING GESELLSCHAFT M.B.H. Issued capital EUR 886,336	VIENNA	2	UNICREDIT LEASING (AUSTRIA) GMBH	50.00		69
SCHULERRICHTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,340	VIENNA	2	UNICREDIT LEASING (AUSTRIA) GMBH	50.00		643
SP PROJEKTENTWICKLUNG SCHOENEFELD GMBH & CO.KG Issued capital EUR 102,258	SCHOENEFELD	5	UNICREDIT BANK AUSTRIA AG	50.00		8,633
UNI GEBAEUDEMANAGEMENT GMBH Issued capital EUR 18,168	LINZ	5	BA GVG-HOLDING GMBH	50.00		0
VBV DELTA ANLAGEN VERMIETUNG GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	5	IMMOBILIEN HOLDING GMBH	40.00		4,843
WKBG WIENER KREDITBUERGSCHAFTS- UND BETEILIGUNGSBANK AG Issued capital EUR 15,065,745	VIENNA	2	UNICREDIT BANK AUSTRIA AG	22.73		7,819
WWE WOHN- UND WIRTSCHAFTSPARK ENTWICKLUNGSGESELLSCHAFT M.B.H.	VIENNA	5	IMMOBILIEN HOLDING GMBH	15.50		699
Issued capital EUR 36,336			UNICREDIT BANK AUSTRIA AG	9.50		

Nature of relationship:
1 = Banks
2 = Financial entities
3 = Ancillary banking entities services
4 = Insurance enterprises
5 = Non-financial enterprises
6 = Other equity investments

Voting rights are disclosed only if different from the percentage of holding.

A – Accounting policies (CONTINUED)

Investments in associates and joint ventures: accounting information 2014

NAME	TOTAL ASSETS	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	NON-FINANCIAL ASSETS	TOTAL LIABILITIES	FINANCIAL LIABILITIES
Under joint control						
FIDES LEASING GMBH	50,046	–	49,934	111	49,999	48,702
KOC FINANSAL HIZMETLER AS GROUP	27,947,175	354,260	26,844,320	748,595	25,014,672	22,999,489
MARIAHILFERGUERTEL GRUNDSTUECKSVERMIETUNGS-GESELLSCHAFT M.B.H.	7,870	–	–	7,870	1,758	–
MUTHGASSE ALPHA HOLDING GMBH	850	–	–	850	812	–
ZS EINKAUFSZENTER ERRICHTUNGS-UND VERMIETUNGS-AKTIENGESELLSCHAFT	65,411	–	–	65,411	21,155	–
Under significant influence						
ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJIE DOBROVOLJNIM MIROVINSKIM FONDOM	20,975	–	15,453	5,522	1,505	–
ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJIE OBVEZNIM MIROVINSKIM FONDOM	5,359	–	4,628	730	1,705	–
ARWAG HOLDING-AKTIENGESELLSCHAFT	430,813	–	–	430,813	365,066	–
BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT	9,388,703	58,674	8,941,271	388,758	8,412,754	8,145,260
BARN BV	532,685	–	–	532,685	422,966	–
BKS BANK AG	6,859,235	106,046	6,607,675	145,514	6,065,767	5,966,448
CASH SERVICE COMPANY AD	7,241	–	–	7,241	299	–
CBD INTERNATIONAL SP.ZO.O.	23,730	–	–	23,730	18,539	–
GLAMAS BETEILIGUNGSVERWALTUNGS GMBH & CO BETA KG	4,712	–	–	4,712	4,377	–
HSG ZANDER GMBH	26,802	–	–	26,802	11,228	–
LISCIV MUTHGASSE GMBH & CO KG	3,590	–	–	3,590	3,683	–
MARINA CITY ENTWICKLUNGS GMBH	12,033	–	–	12,033	12,038	–
MARINA TOWER HOLDING GMBH	1,506	–	–	1,506	35	–
MEGAPARK OOD	73,173	–	–	73,173	102,531	–
MULTIPLUS CARD D.O.O. ZA PROMIDZBU I USLUGE	1,326	–	270	1,056	2,474	1,444
NOTARTREUHANDBANK AG	1,379,752	–	–	1,379,752	1,354,220	–
OBERBANK AG	18,038,640	120,645	17,281,157	636,838	16,510,611	15,892,236
OBJEKT-LEASE GRUNDSTUECKSVERWALTUNGSGESELLSCHAFT M.B.H.	9,107	–	9,106	1	8,221	7,075
OESTERREICHISCHE HOTEL- UND TOURISMUSBANK GESELLSCHAFT M.B.H.	1,068,682	1,001	1,062,466	5,216	1,041,564	1,035,445
OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT	27,965,000	–	–	27,965,000	27,254,708	–
OESTERREICHISCHE WERTPAPIERDATEN SERVICE GMBH	1,696	–	–	1,696	1,635	–
PALATIN GRUNDSTUECKVERWALTUNGS GESELLSCHAFT M.B.H.	8,301	–	7,697	605	7,127	7,127
PSA PAYMENT SERVICE AUSTRIA GMBH	107,131	–	–	107,131	82,064	–
PURGE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	382	–	367	15	376	375
RCI FINANCIAL SERVICES S.R.O.	86,251	–	84,284	1,967	59,360	56,162
REMBRA LEASING GESELLSCHAFT M.B.H.	133	–	108	25	–	–
SCHULERRICHTUNGSGESELLSCHAFT M.B.H.	1,287	–	951	336	–	–
SP PROJEKTENTWICKLUNG SCHOENEFELD GMBH & CO.KG	19,060	–	–	19,060	1,795	–
UNI GEBAEUDEMANAGEMENT GMBH	1,917	–	–	1,917	2,035	–
VBV DELTA ANLAGEN VERMIETUNG GESELLSCHAFT M.B.H.	23,818	–	–	23,818	11,711	–
WKBG WIENER KREDITBUERGSCHAFTS- UND BETEILIGUNGSBANK AG	32,404	–	–	32,404	4,086	–
WWE WOHN- UND WIRTSCHAFTSPARK ENTWICKLUNGSGESELLSCHAFT M.B.H.	2,846	–	–	2,846	55	–

A – Accounting policies (CONTINUED)

(€ thousand)

NON-FINANCIAL LIABILITIES	NET EQUITY	TOTAL REVENUES	NET INTEREST MARGIN	IMPAIRMENT/ WRITE-BACKS ON TANGIBLE AND INTANGIBLE ASSETS	OPERATING COSTS	PROFIT (LOSS)	COMPRE-HENSIVE INCOME	POSITIVE DIFFERENCES	DIVIDENDS RECEIVED
1,297	46	727	4	–	–	−81	−81	–	–
2,015,183	2,932,503	2,362,092	724,703	−39,263	−524,399	335,983	379,801	–	53,969
1,758	6,112	–	–	–	–	–	–	–	–
812	38	–	–	–	–	–	–	–	–
21,155	44,256	–	–	–	–	–	–	–	–
1,505	19,470	16,375	467	−41	−5,573	8,490	8,490	–	3,692
1,705	3,653	4,583	102	−22	−1,304	1,829	1,829	–	753
365,066	65,748	–	–	–	–	–	–	–	–
267,494	975,949	222,423	178,792	–	−99,394	71,857	126,765	21,280	3,554
422,966	109,719	8,069	–	–	−22,293	−14,223	−78,217	–	–
99,319	793,468	206,948	157,554	–	−105,148	43,006	36,653	–	2,951
299	6,941	3,660	–	–	−3,224	393	390	–	–
18,539	5,191	218	–	–	−580	−362	−362	3,624	–
4,377	335	–	–	–	–	–	–	–	–
11,228	15,574	–	–	–	–	–	–	–	–
3,683	−92	–	–	–	–	–	–	–	–
12,038	−5	–	–	–	−319	−318	−318	–	–
35	1,471	–	–	–	−3	−3	−3	–	–
102,531	−29,358	4,721	–	–	−8,684	−3,963	−3,963	–	–
1,029	−1,148	4,459	−180	−90	−4,063	117	117	–	–
1,354,220	25,532	12,042	–	–	−5,198	6,844	6,844	–	1,710
618,375	1,528,029	464,586	342,939	–	−239,825	132,626	141,333	–	4,797
1,146	886	208	20	–	−62	−62	−62	–	–
6,119	27,118	6,712	3,577	–	−3,658	2,330	2,330	–	750
27,254,708	710,292	104,200	–	–	−38,920	65,280	65,280	13,743	9,840
1,635	61	3,435	–	–	−3,427	7	7	–	–
–	1,174	84	36	–	−21	53	53	–	–
82,064	25,067	30,545	–	–	−20,602	9,943	9,943	–	2,373
2	6	9	2	–	−2	−30	−30	–	–
3,197	26,892	14,881	5,657	–	−1,142	5,231	5,231	2,238	3,868
–	133	4	3	–	−6	−35	−35	–	–
–	1,287	256	256	–	–	256	256	–	–
1,795	17,265	1,240	–	–	−1,719	−479	−479	–	–
2,035	−117	187	–	–	−152	35	35	–	–
11,711	12,107	–	–	–	–	–	–	–	–
4,086	28,318	2,270	–	–	−2,626	−356	−356	–	–
55	2,791	–	–	–	–	–	–	–	–

Consolidated companies and changes in consolidated companies of the Bank Austria Group in 2015

	CONSOLIDATED COMPANIES	COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD	TOTAL
Opening balance	**413**	**37**	**450**
Additions	**23**	**1**	**24**
Newly established companies	11	–	11
Acquired companies	12	1	13
Disposals	**–36**	**–1**	**–37**
Companies sold or liquidated	–17	–1	–18
Mergers	–19	–	–19
CLOSING BALANCE	**400**	**37**	**437**

Profit or loss on disposal of companies previously included in consolidation (€ million)

	PROFIT OR LOSS
Center Heinrich-Collin Straße1 Vermietungs GmbH u Co KG	3
Wien Mitte Immobilien GmbH	36
TOTAL	**40**

Put options Tiriac and Mostar

The put option for 45.06 % of the shares in UniCredit Tiriac Bank S. A. was exercised by the contracting party in the second quarter of 2015 and the shares were transferred. The calculation of non-controlling interests in UniCredit Tiriac Bank S. A., Bucharest, for consolidation purposes had already been based on the economic equity interest of 95.52 % in the past, taking into account the effect of interlinked put / call options. The name of the bank was changed to "UniCredit Bank S. A." in the third quarter of 2015.

The put option in respect of shares in UniCredit Bank D. D., Mostar, was exercised in 2014. The closing of the transaction took place in September 2015.

Effect from the capital increase at Public Joint Stock Company "Ukrsotsbank"

In addition to debt forgiveness vis-à-vis the Ukrainian banking subsidiary Public Joint Stock Company Ukrsotsbank, Kiev (USB), in the amount of about US$250 million in the first quarter of 2015, a capital increase of about US$250 million was carried out at Ukrsotsbank (through the conversion of existing loans of UniCredit Bank Austria AG into equity) at the end of June 2015 to further strengthen the bank's capital base. As a result of this capital increase, the Bank Austria Group's shareholding interest in Ukrsotsbank rose from 72.91 % to currently 91.36 %. This change in shareholding interests resulted in shifts between shareholders' equity and non-controlling interests within the Bank Austria Group's equity.

Negative developments of economic conditions and / or of the Ukrainian currency UAH and a prolonged duration of the conflict in the region may significantly impact USB's ability to comply with regulatory requirements, in particular with regard to minimum capital requirements. Therefore, and in addition to the capital measures undertaken, UniCredit Bank Austria AG has issued a letter of intent in favour of USB in order to support USB's operations also prior to its future transfer.

Completion of purchase price allocation from the acquisition of the Immobilien Holding Group

With the closing dated 18 September 2014 the Bank Austria Group acquired 100 % of the shares in Immobilien Holding GmbH. Immobilien Holding GmbH is the holding company of the Immobilien Holding Group, which at the acquisition date comprised 56 legal entities.

Due to this acquisition, 34 entities have been included in the scope of consolidation as fully consolidated entities since 30 September 2014, amongst them Wien Mitte Immobilien GmbH, in which the Bank Austria Group had already had an indirect 50 % stake and which had therefore already been included in the group using the equity method until 30 September 2014. Nine further entities were included in the scope of consolidation at equity based on the fact that the Bank Austria Group had significant influence over them; the 13 remaining entities had not been included in the scope of consolidation based on materiality reasons, shares in these companies are shown as available-for-sale financial assets at cost.

A – Accounting policies (CONTINUED)

The Bank Austria Group had already been participating in 88 % of the results of the Immobilien Holding Group through a profit participation right. For strategic reasons, Bank Austria intends to dispose of its real estate participations. As a prerequisite of such a disposal, the remaining 12 % economic participation in the Immobilien Holding Group was purchased in this acquisition along with the gain of the control over the group. Simultaneously, the existing profit participation right structure was wound up. The respective entities have therefore been classified as “held for sale” since 30 September 2014 and are simultaneously treated as a “discontinued operation”.

The sales activities started in 2014 and have been pursued intensively since then.

The acquisition of the Immobilien Holding Group did not result in any goodwill or badwill based on the preliminary purchase price allocation in accordance with IFRS 3.45 in the consolidated financial statements as at 31 December 2014. The preliminary purchase price allocation was finalised as of June 2015, which means that the final result of first-time consolidation of the Immobilien Holding Group is reflected in the financial statements:

In the context of first-time consolidation as of 30 September 2014, the previously held profit participation right (PPR) was derecognised as part of the purchase price. According to IFRS 3.37 the PPR had to be remeasured to its proportionate fair value, which was determined on the basis of an external fairness opinion. The purchase price for the Immobilien Holding Group, composed of the fair value of the PPR derecognised as well as the cash consideration transferred, basically equalled the fair value of the net assets less the expected cost to sell for the packages intended to be sold according to IFRS 5.

The purchase price was composed of the following components: (€ million)

Profit participation right derecognised (fair value):	461
Cash consideration transferred	69
Purchase price for stake in Immobilien Holding GmbH	530
Derecognised investments in associates and AfS investments	55
TOTAL PURCHASE PRICE FOR THE IMMOBILIEN HOLDING GROUP	**585**

A contingent consideration was not part of the purchase agreement.

The assets and liabilities recognised in the course of first-time consolidation (and according to the purchase price allocation which has now been completed) mainly consisted of real estate assets with related financing liabilities. The expected costs of disposal in accordance with IFRS 5 had already been deducted:

(€ million)

Fair values of acquired assets less cost of disposal	1,303
Fair values of acquired liabilities	–714
Net asset value less cost of disposal	**589**
Less: non-controlling interests	–2
Own share of net asset value less cost of disposal	587
Less: total purchase price	–585
BADWILL (GAIN ON BARGAIN PURCHASE)	**2**

The insignificant effect from final badwill which resulted from the completion of purchase price allocation in June 2015 is included in the column “Changes in scope of consolidation” in the statement of changes in equity for 2015.

All non-controlling interests were measured at net asset value, the “full goodwill method” was not applied.

All assets and liabilities acquired as part of the purchase of the Immobilien Holding Group are shown in the statement of financial position in the line items “Non-current assets and disposal groups classified as held for sale” and “Liabilities included in disposal groups classified as held for sale”, respectively. A breakdown into the components is not required because the group had been acquired with a view to resale. Similarly, the pro-forma disclosures of the consolidated profit or loss which would have resulted if the acquisition had taken place on 1 January 2014, can be omitted as the whole group is classified as a “discontinued operation” and the related result is shown separately in this line in the income statement.

Wien Mitte Immobilien GmbH was sold, the closing of the transaction took place on 15 December 2015.

A – Accounting policies (CONTINUED)

Effects of changes in the group of consolidated companies in 2015

Assets

(€ million)

	31 DEC. 2015	OF WHICH: ADDITIONS IN 2015
Cash and cash balances	2,146	–
Financial assets held for trading	3,013	–
Financial assets at fair value through profit or loss	89	–
Available-for-sale financial assets	24,810	–
Held-to-maturity investments	484	–
Loans and receivables with banks	32,214	71
Loans and receivables with customers	116,377	899
Hedging derivatives	3,290	–
Changes in fair value of portfolio hedged items (+/–)	41	–
Investments in associates and joint ventures	4,741	2
Property, plant and equipment	2,132	116
Intangible assets	221	2
Tax assets	448	10
a) current tax assets	94	1
b) deferred tax assets	353	9
Non-current assets and disposal groups classified as held for sale	2,467	131
Other assets	1,167	21
TOTAL ASSETS	**193,638**	**1,252**

Liabilities and equity

(€ million)

	31 DEC. 2015	OF WHICH: ADDITIONS IN 2015
Deposits from banks	23,432	629
Deposits from customers	110,346	25
Debt securities in issue	28,802	325
Financial liabilities held for trading	2,642	–
Financial liabilities at fair value through profit or loss	547	–
Hedging derivatives	2,782	–
Changes in fair value of portfolio hedged items (+/–)	–101	–
Tax liabilities	214	–
a) current tax liabilities	46	–
b) deferred tax liabilities	169	–
Liabilities included in disposal groups classified as held for sale	1,977	61
Other liabilities	2,773	30
Provisions for risks and charges	4,830	2
a) post-retirement benefit obligations	3,697	–
b) other provisions	1,133	2
Equity	15,394	179
of which non-controlling interests (+/–)	*238*	–
TOTAL LIABILITIES AND EQUITY	**193,638**	**1,252**

Total assets of companies which are no longer included in consolidation amounted to €699 million (2014: €306 million).

A – Accounting policies (CONTINUED)

List of subsidiaries and associates not consolidated because the equity investments are not material

NAME	MAIN OFFICE/ OPERATIONAL HQ	HOLDING %
M. A. I. L. REAL ESTATE MANAGEMENT JOTA BRATISLAVA S. R. O.	BRATISLAVA	100.00
PALAIS ROTHSCHILD VERMIETUNGS GMBH	VIENNA	100.00
RE-ST. MARX HOLDING GMBH	VIENNA	100.00
ALFA HOLDING INGATLANSZOLGALTATO KFT.	GYOR	95.00
SIGMA HOLDING INGATLANSZOLGALTATO KFT.	BUDAPEST	95.00
SINERA AG IN LIQUIDATION	ZURICH	100.00
TC-TERTIA PROJEKTVERWALTUNGSGESELLSCHAFT M. B. H.	VIENNA	99.80
THETA FUENF HANDELS GMBH	VIENNA	100.00
TREUCONSULT BETEILIGUNGSGESELLSCHAFT M. B. H. U. CO. ARBEITERHEIM FAVORITEN REVITALISIERUNGS KG	VIENNA	99.84
WIRTSCHAFTSVEREIN DER MITARBEITERINNEN DER UNICREDIT BANK AUSTRIA E. GEN.	VIENNA	52.99
MEGAPARK INVEST GMBH	VIENNA	80.00
EVENTWOLKEN GMBH	VIENNA	100.00
VIENNA DC TOWER 3 LIEGENSCHAFTSBESITZ GMBH	VIENNA	100.00
RAMSES-IMMOBILIENHOLDING GMBH	VIENNA	99.80
BA WORLDWIDE FUND MANAGEMENT LTD	TORTOLA	100.00
TREUCONSULT PROPERTY ALPHA GMBH	VIENNA	100.00
TREUCONSULT PROPERTY BETA GMBH	VIENNA	100.00
TREUCONSULT PROPERTY EPSILON GMBH	VIENNA	100.00
BANK AUSTRIA REAL INVEST ASSET MANAGEMENT GMBH	VIENNA	100.00
MEGAPARK 3 EOOD	SOFIA	100.00
MEGAPARK 2 EOOD	SOFIA	100.00
IVONA IMMOBILIEN GMBH	VIENNA	100.00
EKAZENT UPRAVLJANJE NEKRETNINAMA D. O. O	ZAGREB	100.00
IMU IMMOBILIENENTWICKLUNG MUTHGASSE GMBH	VIENNA	60.00
STC IMMO BETEILIGUNGS- UND MANAGEMENT GMBH	VIENNA	100.00
BANK AUSTRIA IMMOBILIEN ENTWICKLUNGS- UND VERWERTUNGSGMBH	VIENNA	100.00
BANK AUSTRIA-CEE BETEILIGUNGSGMBH	VIENNA	100.00
CAFU VERMOEGENSVERWALTUNG GMBH	VIENNA	100.00
COBB BETEILIGUNGEN UND LEASING GMBH	VIENNA	50.25
REAL(E) VALUE IMMOBILIEN BEWERTUNGSGMBH	VIENNA	100.00
FONTANA HOTELVERWALTUNGSGESELLSCHAFT M. B. H.	VIENNA	100.00
BOYASAN TEKSTIL SANAYI VE TICARET AS	DENIZLI	60.33
YAPI KREDI KUELTUER-SANAT YAYINCILIK TICARET VE SANAYI AS	ISTANBUL	100.00
ENTERNASYONAL TURIZM YATIRIM A. S.	ISTANBUL	100.00
AGRO-SAN KIMYA SANAYI VE TICARET AS	ISTANBUL	100.00
KOC KUELTUER SANAT VE TANITIM HITZMETLERI VE TICARET (KOC KUELTUER SANAT TANITIM AS)	ISTANBUL	54.90
MIZUHO CORPORATE BANK - BA INVESTMENT - CONSULTING GMBH	VIENNA	50.00
HOESBA PROJEKTENTWICKLUNGS- UND -VERWERTUNGSGESELLSCHAFT M. B. H.	VIENNA	50.00
GLAMAS BETEILIGUNGSVERWALTUNG GMBH	VIENNA	56.67
YAPI KREDI TEKNOLOJI A. S.	ISTANBUL	100.00
TUEMTEKS TEKSTIL SANAYI VE TICARET AS	DENIZLI	66.33
DEMETKENT SITESI YOENETIM VE SOSYAL HIZMETLER AS	ANKARA	99.28
MY FUENF HANDELS GMBH	VIENNA	50.00
OBERBANK KB LEASING GESELLSCHAFT M. B. H.	LINZ	24.00
PROJEKTENTWICKLUNG SCHOENEFELD VERWALTUNGSGESELLSCHAFT MBH	SCHOENEFELD	50.00
REAL INVEST PROPERTY GMBH & CO SPB JOTA KG	VIENNA	0.00
SHOPIN CARD BETRIEBS GMBH	KLAGENFURT	33.33
SPARKASSEN-HAFTUNGS AKTIENGESELLSCHAFT	VIENNA	28.26
BACA INVESTOR BETEILIGUNGS GMBH	VIENNA	24.00
NEUE HEIMAT GEMEINNUTZIGE WOHNUNGS- UND SIEDLUNGSGESELLSCHAFT GESELLSCHAFT MIT BESCHRANKTER HAFTUNG	WIENER NEUSTADT	25.00
GEWOG GEMEINNUETZIGE WOHNUNGSBAU-GESELLSCHAFT M. B. H	VIENNA	20.00
SOLETA BETEILIGUNGSVERWALTUNGS GMBH	VIENNA	30.00
BLB EXPORT-IMPORT D. O. O. BANJA LUKA IN LIQUIDATION	BANJA LUKA	49.00
CENTER HEINRICH - COLLIN - STRASSE 1 VERMIETUNGS GMBH	VIENNA	49.00

A – Accounting policies (CONTINUED)

Exposure towards unconsolidated structured entities

Exposure towards unconsolidated investment funds

Units in investment funds

(€ million)

		31 DECEMBER 2015			31 DECEMBER 2014		
EXPOSURE TYPE	IAS 39 CATEGORY	BOOK VALUE	NOMINAL VALUE	FAIR VALUE	BOOK VALUE	NOMINAL VALUE	FAIR VALUE
Units in investment funds	Fair value option	32	32	44	39	36	39
	Available for sale	138	138	40	168	64	168
	Held for trading	–	–	–	–	–	–
TOTAL		**169**	**169**	**84**	**207**	**101**	**207**

Other exposure towards unconsolidated investment funds

Assets

(€ million)

		31 DECEMBER 2015		31 DECEMBER 2014	
EXPOSURE TYPE	IAS 39 CATEGORY	BOOK VALUE	NOMINAL VALUE	BOOK VALUE	NOMINAL VALUE
Loans	Loans and receivables	249	249	318	318
Credit derivatives	Held for trading	6	369	4	214
Other derivatives	Held for trading	1	147	–	–
Guarantees	Off-balance sheet	–	–	–	–
Credit lines revocable	Off-balance sheet	–	1.748	–	267
Credit lines irrevocable	Off-balance sheet	–	661	–	904
TOTAL		**257**	**3.174**	**322**	**1.703**

Liabilities

(€ million)

		31 DEC. 2015	31 DEC. 2014
EXPOSURE TYPE	IAS 39 CATEGORY	BOOK VALUE	BOOK VALUE
Derivatives	Held for trading	–	7
Deposits	Liabilities	1,400	835
Other derivatives (no credit risk)	Liabilities	2	–
TOTAL		**1,402**	**842**

Exposure towards other unconsolidated structured entities

(€ million)

EXPOSURE TYPE	IAS 39 CATEGORY	BOOK VALUE	BOOK VALUE
Loans to Leasing SPVs	Loans and receivables	29	60
TOTAL		**29**	**60**

Income from unconsolidated structured entities

Fees and commisions earned by the Bank Austria Group from unconsolidated investment funds amounted to €35 million in 2015 (€40 million in 2014).

A – Accounting policies (CONTINUED)

Disclosures of material restrictions

Minimum regulatory capital requirements and other requirements restrict the ability of subsidiaries of our group to pay dividends or redeem capital.

Minimum capital requirements are based on the CRR I and CRD IV. Additional capital requirements have been defined by regulators in some countries.

In addition to the minimum capital requirements, subordinated liabilities can only be repaid with the permission of the national regulator in line with the CRR.

In addition, there is the following significant restriction other than legal or regulatory minimum capital requirements and restrictions that are based on such minimum capital requirements, such as limitations on large exposures:

With regard to card complete Service Bank AG, Vienna, the shareholders have made contractual arrangements for the calculation of the respective share in the dividend distribution until, and including, the 2017 financial year. Under the arrangements, from the 2018 financial year, dividends will again be distributed on a proportionate basis reflecting the respective shareholdings in the company. As at 31 December 2015, the related revenue reserves amounted to €22 million.

B – Notes to the income statement

B – Notes to the income statement (CONTINUED)

B.1 – Interest income / Interest expense

Interest income and similar revenues

(€ million)

	2015				2014
	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL	TOTAL
Financial assets held for trading	14	–	536	550	530
Financial assets at fair value through profit or loss	1	–	–	1	3
Available-for-sale financial assets	516	–	–	516	569
Held-to-maturity investments	15	–	–	15	27
Loans and receivables with banks	45	284	–	329	288
Loans and receivables with customers	21	4,263	–	4,284	4,546
Hedging derivatives	X	X	572	572	398
Other assets	X	X	2	2	4
TOTAL	**612**	**4,547**	**1,110**	**6,269**	**6,365**

Within this item, total interest income from financial assets that are not at fair value through profit or loss was €5,146 million (2014: €5,434 million).

The total amount of interest income from impaired financial assets was €238 million (2014: €261 million). Of this total amount, €167 million (2014: €184 million) is included in interest income and similar revenues from loans which relate to interest actually paid. Interest income from the release of provisions as a result of the passage of time is presented in B.8.

Interest expense and similar charges

(€ million)

	2015				2014
	DEPOSITS	SECURITIES	OTHER TRANSACTIONS	TOTAL	TOTAL
Deposits from central banks	–93	X	–	–93	–125
Deposits from banks	–307	X	–	–307	–341
Deposits from customers	–1,248	X	–	–1,248	–1,202
Debt securities in issue	X	–755	–	–755	–781
Financial liabilities held for trading	–	–	–462	–462	–467
Financial liabilities at fair value through profit or loss	–	–4	–	–4	–6
Other liabilities and funds	X	X	–7	–7	–4
Hedging derivatives	X	X	–7	–7	–7
TOTAL	**–1,649**	**–758**	**–476**	**–2,883**	**–2,932**

Within this item, total interest expense for liabilities that are not at fair value through profit or loss was €2,410 million (2014: €2,452 million).

B – Notes to the income statement (CONTINUED)

B.2 – Fee and commission income / Fee and commission expense

Fee and commission income

(€ million)

	2015	2014
Guarantees given	**155**	**179**
Credit derivatives	**3**	**3**
Management, brokerage and consultancy services:	**521**	**521**
securities trading	–	2
currency trading	10	28
portfolio management	209	199
custody and administration of securities	92	73
custodian bank	37	39
placement of securities	19	21
reception and transmission of orders	18	20
advisory services	25	39
distribution of third party services	110	99
Collection and payment services	**717**	**769**
Securitisation servicing	**–**	**–**
Factoring	**7**	**6**
Tax collection services	**–**	**–**
Management of multilateral trading facilities	**–**	**–**
Management of current accounts	**258**	**183**
Other services	**212**	**135**
TOTAL	**1,873**	**1,795**

Fee and commission expense

(€ million)

	2015	2014
Guarantees received	**–88**	**–89**
Credit derivatives	**–4**	**–9**
Management, brokerage and consultancy services:	**–80**	**–74**
trading in financial instruments	–4	–4
currency trading	–1	–1
portfolio management	–14	–15
custody and administration of securities	–35	–37
placement of financial instruments	–1	–1
off-site distribution of financial instruments, products and services	–25	–17
Collection and payment services	**–234**	**–230**
Other services	**–28**	**–25**
TOTAL	**–434**	**–428**

B – Notes to the income statement (CONTINUED)

B.3 – Dividend income and similar revenue

(€ million)

	2015			2014		
	DIVIDENDS	INCOME FROM UNITS IN INVESTMENT FUNDS	TOTAL	DIVIDENDS	INCOME FROM UNITS IN INVESTMENT FUNDS	TOTAL
Financial assets held for trading	–	–	–	–	–	–
Available-for-sale financial assets	7	–	7	5	–	5
Financial assets at fair value through profit or loss	–	–	–	–	–	–
Other	2	X	2	2	X	2
TOTAL	**9**	**–**	**9**	**7**	**–**	**7**

B.4 – Gains and losses on financial assets and liabilities held for trading

(€ million)

	2015					2014
	UNREALISED PROFITS	REALISED PROFITS	UNREALISED LOSSES	REALISED LOSSES	NET PROFIT	NET PROFIT
Financial assets held for trading	**8**	**184**	**–9**	**–12**	**171**	**207**
Debt securities	7	38	–9	–12	24	2
Equity instruments	–	1	–	–	1	–1
Units in investment funds	–	–	–	–	–	–
Loans	–	14	–	–	14	7
Other	1	131	–	–	132	198
Financial liabilities held for trading	**–**	**3**	**–**	**–17**	**–14**	**–4**
Debt securities	–	–	–	–	–	–
Deposits	–	–	–	–12	–12	–3
Other	–	3	–	–5	–2	–1
Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**351**	**522**
Derivatives	**286**	**135**	**–165**	**–128**	**–116**	**–391**
Financial derivatives	286	135	–165	–128	–116	–410
on debt securities and interest rates	*264*	*80*	*–143*	*–71*	*130*	*–40*
on equity securities and share indices	*7*	*3*	*–6*	*–6*	*–2*	*51*
on currency and gold	*X*	*X*	*X*	*X*	*–244*	*–419*
other	*15*	*52*	*–16*	*–51*	*–*	*–1*
Credit derivatives	–	–	–	–	–	19
TOTAL	**294**	**322**	**–174**	**–157**	**392**	**332**

B.5 – Fair value adjustments in hedge accounting

(€ million)

	2015	2014
Gains on:		
Fair value hedging instruments	866	230
Hedged asset items (in fair value hedge relationship)	265	61
Hedged liability items (in fair value hedge relationship)	5	3
Cash-flow hedging derivatives	3	29
Total gains on hedging activities	**1,139**	**322**
Losses on:		
Fair value hedging instruments	–769	–79
Hedged asset items (in fair value hedge relationship)	–18	–
Hedged liability items (in fair value hedge relationship)	–351	–222
Cash-flow hedging derivatives	–20	–4
Total losses on hedging activities	**–1,158**	**–306**
NET HEDGING RESULT	**–19**	**17**

B – Notes to the income statement (CONTINUED)

B.6 – Gains and losses on disposals/repurchases

(€ million)

	2015			2014		
	GAINS	LOSSES	NET PROFIT	GAINS	LOSSES	NET PROFIT
Financial assets						
Loans and receivables with banks	–	–	–	–	–	–
Loans and receivables with customers	9	–5	5	13	–9	4
Available-for-sale financial assets	73	–14	59	172	–43	129
Debt securities	*69*	*–12*	*57*	*167*	*–43*	*124*
Equity instruments	*1*	*–1*	*–*	*3*	*–*	*3*
Units in investment funds	*3*	*–*	*3*	*2*	*–*	*2*
Loans	*–*	*–*	*–*	*–*	*–*	*–*
Held-to-maturity investments	–	–	–	–	–	–
TOTAL ASSETS	**82**	**–18**	**64**	**185**	**–52**	**132**
Financial liabilities						
Deposits with banks	–	–22	–22	–	–	–
Deposits with customers	–	–	–	–	–	–
Debt securities in issue	–	–	–	1	–	1
TOTAL LIABILITIES	**–**	**–22**	**–22**	**1**	**–**	**1**
TOTAL	**82**	**–40**	**42**	**186**	**–52**	**133**

B.7 – Net change in financial assets and liabilities at fair value through profit or loss

(€ million)

	2015					2014
	UNREALISED PROFITS	REALISED PROFITS	UNREALISED LOSSES	REALISED LOSSES	NET PROFIT	NET PROFIT
Financial assets	**4**	**7**	**–1**	**–**	**10**	**15**
Debt securities	–	5	–	–	5	–
Equity securities	–	–	–	–	–	–
Units in investment funds	4	1	–	–	5	15
Loans	–	–	–	–	–	–
Financial liabilities	**4**	**1**	**–11**	**–**	**–7**	**–7**
Debt securities	4	1	–11	–	–7	–7
Deposits from banks	–	–	–	–	–	–
Deposits from customers	–	–	–	–	–	–
Credit and financial derivatives	**7**	**–**	**–**	**–**	**7**	**–**
TOTAL	**15**	**8**	**–12**	**–**	**10**	**8**

In 2015 changes in fair values resulting from changes in UniCredit Bank Austria AG’s own credit rating were –€2 million (2014: –€7 million).

B – Notes to the income statement (CONTINUED)

B.8 – Impairment losses

(€ million)

	2015						2014
	WRITE-DOWNS			WRITE-BACKS			
	SPECIFIC						
	WRITE-OFFS	OTHER	PORTFOLIO	SPECIFIC	PORTFOLIO	TOTAL	TOTAL
Impairment losses on loans and receivables	**–125**	**–1,615**	**–329**	**945**	**105**	**–1,020**	**–675**
Loans and receivables with banks	–	–	–	–	–	–	9
Loans and receivables with customers	–125	–1,615	–329	945	105	–1,020	–684
Impairment losses on available-for-sale financial assets	**–**	**–20**	**X**	**3**	**X**	**–17**	**–8**
Debt securities	–	–	X	–	X	–	–2
Equity instruments	–	–12	X	–	X	–12	–4
Units in investment funds	–	–8	X	3	X	–5	–2
Impairment losses on held-to-maturity investments	**–**	**–6**	**–**	**–**	**–**	**–6**	**–**
Debt securities	–	–6	–	–	–	–6	–
Impairment losses on other financial transactions	**–**	**–55**	**–18**	**74**	**7**	**8**	**–22**
Guarantees given	–	–42	–13	61	4	10	–23
Credit derivatives	–	–	–	–	–	–	–
Commitments to disburse funds	–	–9	–4	10	2	–1	2
Other transactions	–	–4	–1	3	1	–1	–
TOTAL	**–125**	**–1,696**	**–347**	**1,022**	**112**	**–1,035**	**–705**

"Write-backs" also include the time-value interest component of impaired loans in the amount of €72 million (2014: €77 million).
Details of impairment losses on loans and receivables with customers are given in the risk report.

B.9 – Payroll

(€ million)

	2015	2014
Employees	**–1,116**	**–1,568**
Wages and salaries	–1,102	–1,129
Social charges	–252	–251
Provision for retirement payments and similar provisions	985	–244
Defined contribution	*–1*	*–1*
Defined benefit	*986*	*–243*
Payments to external pension funds	–16	–21
Defined contribution	*–15*	*–20*
Defined benefit	*–1*	*–1*
Costs related to share-based payments	–10	–12
Other employee benefits	–864	–64
Recovery of compensation *)	143	153
Others	**–48**	**–52**
TOTAL	**–1,164**	**–1,620**

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

B – Notes to the income statement (CONTINUED)

Defined-benefit company retirement funds: total costs

(€ million)

	2015	2014
Pension and similar funds allowances – with defined benefits		
Current service cost	–95	–74
Settlement	1,199	–
Past service cost	–2	–
Interest cost on the DBO	–116	–169
Interest income on plan assets	–	–
TOTAL RECOGNISED IN PROFIT OR LOSS	**986**	**–243**

Other employee benefits

(€ million)

	2015	2014
Seniority premiums	–14	–12
Compensation for entitlements of employees	–807	–6
Other	–43	–45
TOTAL	**–864**	**–64**

B.10 – Other administrative expenses

(€ million)

	2015	2014
Indirect taxes and duties	**–242**	**–233**
Ex-ante contributions to resolution funds and deposit guarantee schemes	**–159**	**–78**
Contributions based on harmonised EU regulations	–76	–
Contributions based on existing local regulations	–83	–78
Miscellaneous costs and expenses	**–1,284**	**–1,242**
Advertising, marketing and communication	–102	–106
Expenses related to credit risk	–11	–11
Expenses related to personnel	–32	–35
Information and communication technology expenses	–446	–405
Consulting and professional services	–96	–94
Real estate expenses	–240	–250
Other functioning costs	–357	–341
TOTAL	**–1,685**	**–1,553**

Ex-ante contributions to resolution funds and deposit guarantee schemes include contributions based on harmonised EU regulations and contributions based on existing local regulations for those countries where the relevant EU Directives have not yet been transposed into national legislation. Amounts for the previous year were reclassified accordingly.

B.11 – Net provisions for risks and charges

(€ million)

	2015			2014
	PROVISIONS	REALLOCATION SURPLUS	TOTAL	TOTAL
Legal disputes	–45	7	–38	–15
Staff costs	–	–	–	–
Other	–169	10	–160	–117
TOTAL	**–214**	**17**	**–197**	**–132**

B – Notes to the income statement (CONTINUED)

B.12 – Impairment on property, plant and equipment

(€ million)

	2015				2014
	DEPRECIATION	IMPAIRMENT LOSSES	WRITE-BACKS	NET PROFIT	
Property, plant and equipment					
Owned	**–181**	**–17**	**1**	**–197**	**–153**
used in the business	–159	–5	1	–163	–125
held for investment	–22	–13	–	–34	–28
Finance lease	**–**	**–**	**–**	**–**	**–1**
used in the business	–	–	–	–	–1
held for investment	–	–	–	–	–
TOTAL	–181	–17	1	–197	–154

B.13 – Impairment on intangible assets

(€ million)

	2015				2014
	AMORTISATION	IMPAIRMENT LOSSES	WRITE-BACKS	NET PROFIT	
Intangible assets					
Owned	**–51**	**–1**	**–**	**–52**	**–48**
generated internally by the company	–6	–1	–	–7	–6
other	–45	–	–	–45	–42
Finance leases	**–**	**–**	**–**	**–**	**–**
TOTAL	–51	–1	–	–52	–48

B.14 – Other net operating income

Other operating expenses

(€ million)

	2015	2014
Costs for operating leases	–	–
Non-deductible tax and other fiscal charges	–2	–1
Write-downs on improvements of goods owned by third parties	–22	–4
Costs related to the specific service of financial leasing	–8	–5
Other	–118	–101
TOTAL OTHER OPERATING EXPENSES	–150	–110

Other operating income

(€ million)

	2015	2014
Recovery of costs	**1**	**1**
Other gains	**301**	**231**
Revenue from administrative services	41	41
Revenues from rentals of investment property (net of operating direct costs)	22	12
Revenues from operating leases	97	40
Recovery of miscellaneous costs paid in previous years	1	3
Revenues on financial leases activities	7	8
Others	132	128
TOTAL OTHER OPERATING INCOME	302	232
OTHER NET OPERATING INCOME	152	122

B – Notes to the income statement (CONTINUED)

B.15 – Profit (Loss) on equity investments

(€ million)

	2015	2014
Joint ventures		
Income	**351**	**336**
Profits of joint ventures	351	336
Net profit	**351**	**336**
Associates		
Income	**178**	**186**
Profits of associates	177	163
Gains on disposal	1	23
Write-backs	–	–
Other gains	–	–
Expense	**–11**	**–68**
Losses of associates	–3	–10
Impairment losses	–2	–33
Losses on disposal	–6	–24
Other expenses	–	–
Net profit	**167**	**118**
TOTAL	**519**	**454**

B.16 – Gains and losses on disposal of investments

(€ million)

	2015	2014
Property		
Gains on disposal	12	63
Losses on disposal	–1	–1
Other assets		
Gains on disposal	18	53
Losses on disposal	–5	–3
TOTAL	**24**	**113**

B.17 – Tax expense (income) related to profit or loss from continuing operations

(€ million)

	2015	2014
Current tax (–)	–159	–216
Adjustment to current tax of prior years (+/–)	–7	4
Reduction of current tax for the year (+)	74	34
Changes to deferred tax assets (+/–)	290	104
Changes to deferred tax liabilities (+/–)	–284	–212
TAX EXPENSE FOR THE YEAR (–)	**–86**	**–287**

As actuarial gains and losses on pension and severance-payment obligations were not recognised in income in the reporting year, deferred tax assets of €252 million (2014: €253 million) were offset against equity in UniCredit Bank Austria AG.

As a result of the first-time consolidation of the subsidiaries and sub-groups referred to in section A.8, and of foreign currency translation of deferred taxes and direct offsetting against reserves, part of the change in deferred taxes was not reflected in the expense in 2015.

Reconciliation of theoretical tax charge to actual tax charge

(€ million)

	2015	2014
Total profit or loss before tax from continuing operations	**1,621**	**1,778**
Applicable tax rate	25%	25%
Theoretical tax	**–405**	**–445**
Different tax rates	87	85
Non-taxable income	341	25
Non-deductible expenses	–63	–100
Prior years and changes in tax rates	–5	44
a) effects on current tax	1	41
b) effects on deferred tax	–6	3
Valuation adjustments and non-recognition of deferred taxes	–43	112
Other differences	2	–8
RECOGNISED TAXES ON INCOME	**–86**	**–287**

B – Notes to the income statement (CONTINUED)

B.18 – Total profit or loss after tax from discontinued operations

(€ million)

	2015	2014
Ukraine		
Net interest	46	84
Dividends and income from equity investments	–	–
Net fee and commission income	29	40
Net trading income	–27	2
Net other operating income/expenses	–4	–4
Operating income	**45**	**123**
Operating costs	**–80**	**–109**
Operating profit	**–35**	**14**
Net write-downs of loans	–85	–262
Net operating profit	**–120**	**–248**
Provisions for risks and charges	–	–
Net income from investments	–	6
Profit before tax	**–120**	**–242**
Income tax	–7	34
Profit after tax	**–127**	**–208**
Impairment Ukraine	–297	–
Consolidation effects	16	28
Profit after tax/Ukraine	**–408**	**–180**
Other		
Profit after tax/Immobilien Holding group	**105**	**48**
TOTAL PROFIT OR LOSS AFTER TAX FROM DISCONTINUED OPERATIONS	**–303**	**–132**

B.19 – Earnings per share

Earnings per share

	2015	2014
Net profit or loss attributable to the ordinary shareholders of UniCredit Bank Austria AG in € million	1,325	1,383
from continuing operations	1,517	1,461
from discontinued operations	–192	–78
Weighted average number of ordinary shares outstanding in the reporting period	231,200,000	231,200,000
Basic/diluted earnings per share in €	**5.73**	**5.98**
from continuing operations	6.56	6.32
from discontinued operations	–0.83	–0.34

Comprehensive earnings per share

	2015	2014
Comprehensive income attributable to the ordinary shareholders of UniCredit Bank Austria AG in € million	1,462	–265
from continuing operations	1,740	3
from discontinued operations	–278	–268
Weighted average number of ordinary shares outstanding in the reporting period	231,200,000	231,200,000
Basic/diluted comprehensive earnings per share in €	**6.32**	**–1.15**
from continuing operations	7.53	0.01
from discontinued operations	–1.20	–1.16

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 (2015: 231.2 million shares; 2014: 231.2 million shares).

B.20 – Appropriation of profits

After allocations to reserves amounting to €254,079,987.32 the profit or loss of UniCredit Bank Austria AG for the financial year beginning on 1 January 2015 and ending on 31 December 2015 was zero. This means that there is no accumulated profit which may be distributed.

C – Notes to the statement of financial position

Assets

Liabilities and equity

C – Notes to the statement of financial position (CONTINUED)

C.1 – Cash and cash balances

(€ million)

	31 DEC. 2015	31 DEC. 2014
Cash	1,170	1,204
Demand deposits with central banks	976	738
TOTAL	**2,146**	**1,942**

C.2 – Financial assets held for trading

(€ million)

	31 DEC. 2015				31 DEC. 2014			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
Financial assets (non-derivatives)	**133**	**51**	**21**	**205**	**224**	**54**	**2**	**281**
Debt securities	131	51	21	203	222	54	2	279
Structured securities	–	–	–	–	–	–	–	–
Other debt securities	*131*	*51*	*21*	*203*	*222*	*54*	*2*	*279*
Equity instruments	2	–	–	2	2	–	–	2
Derivative instruments	**1**	**2,759**	**48**	**2,808**	**1**	**3,181**	**69**	**3,252**
Financial derivatives	1	2,758	48	2,807	1	3,181	69	3,251
Credit derivatives	–	1	–	1	–	–	1	1
TOTAL	**134**	**2,810**	**69**	**3,013**	**225**	**3,235**	**72**	**3,533**

C.3 – Financial assets at fair value through profit or loss

(€ million)

	31 DEC. 2015				31 DEC. 2014			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
Debt securities	–	57	–	57	–	39	38	77
Equity instruments	–	–	–	–	–	–	–	–
Units in investment funds	–	15	17	32	2	12	19	33
Loans	–	–	–	–	–	–	–	–
TOTAL	**–**	**72**	**17**	**89**	**2**	**52**	**57**	**110**
COST	**–**	**71**	**16**	**87**	**2**	**51**	**57**	**109**

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

Financial assets at fair value through profit or loss: annual changes

(€ million)

	2014			
	DEBT SECURITIES	EQUITY INSTRUMENTS	UNITS IN INVESTMENT FUNDS	TOTAL
Opening balance	**271**	**–**	**72**	**343**
Increases	**31**	**–**	**22**	**53**
Purchases	31	–	17	48
Positive changes in fair value	–	–	2	2
Other increases	–	–	2	2
Decreases	**–225**	**–**	**–60**	**–285**
Sales	–	–	–19	–19
Redemptions	–223	–	–31	–254
Negative changes in fair value	–1	–	–10	–11
Other decreases	–1	–	–	–1
CLOSING BALANCE	**77**	**–**	**33**	**110**

	2015			
	DEBT SECURITIES	EQUITY INSTRUMENTS	UNITS IN INVESTMENT FUNDS	TOTAL
Opening balance	**77**	**–**	**33**	**110**
Increases	**63**	**–**	**11**	**74**
Purchases	56	–	3	59
Positive changes in fair value	–	–	6	6
Other increases	7	–	2	9
Decreases	**–83**	**–**	**–12**	**–95**
Sales	–35	–	–5	–40
Redemptions	–47	–	–5	–52
Negative changes in fair value	–	–	–2	–2
Other decreases	–1	–	–	–1
CLOSING BALANCE	**57**	**–**	**32**	**89**

C.4 – Available-for-sale financial assets

(€ million)

	31 DEC. 2015				31 DEC. 2014			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
Debt securities	19,647	4,016	909	24,572	15,974	4,960	1,037	21,970
Structured securities	*–*	*96*	*68*	*164*	*–*	*–*	*19*	*19*
Other	*19,647*	*3,920*	*841*	*24,408*	*15,974*	*4,960*	*1,018*	*21,951*
Equity instruments	–	53	151	204	6	–	124	130
Measured at fair value	*–*	*53*	*121*	*174*	*6*	*–*	*96*	*102*
Carried at cost	*–*	*–*	*30*	*30*	*–*	*–*	*29*	*29*
Units in investment funds	–	1	33	34	–	1	46	47
TOTAL	**19,647**	**4,070**	**1,093**	**24,810**	**15,980**	**4,960**	**1,207**	**22,148**

C.5 – Held-to-maturity investments

(€ million)

	31 DEC. 2015					31 DEC. 2014				
	BOOK VALUE	FAIR VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	BOOK VALUE	FAIR VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3
Debt securities	484	491	114	377	–	572	582	110	305	166
Loans	–	–	–	–	–	–	–	–	–	–
TOTAL	**484**	**491**	**114**	**377**	**–**	**572**	**582**	**110**	**305**	**166**

Held-to-maturity investments: annual changes

(€ million)

	2015	2014
Opening balance	**572**	**633**
Increases	**252**	**358**
Purchases	241	336
Write-backs	–	–
Transfers from other portfolios	–	–
Other changes and positive exchange differences	11	22
Decreases	**–341**	**–419**
Sales	–3	–
Redemptions	–290	–414
Write-downs	–7	–
Transfers to other portfolios	–	–
Other changes and negative exchange differences	–42	–5
CLOSING BALANCE	**484**	**572**

C.6 – Loans and receivables with banks

(€ million)

	31 DEC. 2015	31 DEC. 2014
Loans to central banks	**11,455**	**8,795**
Time deposits	3,380	3,955
Compulsory reserves	6,012	4,828
Reverse repos	1,702	–
Other	361	12
Loans to banks	**20,759**	**21,747**
Current accounts and demand deposits	3,753	5,119
Time deposits	6,052	6,344
Other loans	8,475	6,318
Reverse repos	*5,434*	*3,915*
Other	*3,041*	*2,403*
Debt securities	2,479	3,966
TOTAL (CARRYING AMOUNT)	**32,214**	**30,542**
TOTAL (FAIR VALUE)	**32,076**	**29,821** *)
Fair value – Level 1	–	–
Fair value – Level 2	21,249	19,675 *)
Fair value – Level 3	10,827	10,146 *)
Loan loss provisions deducted from loans and receivables	18	17

*) Figures for 2014 reflect an adjustment to parametrisation.

C.7 – Loans and receivables with customers

(€ million)

	31 DEC. 2015			31 DEC. 2014		
	NOT IMPAIRED	IMPAIRED	TOTAL	NOT IMPAIRED	IMPAIRED	TOTAL
Loans	**111,208**	**4,531**	**115,739**	**108,190**	**4,913**	**113,103**
Current accounts	9,368	345	9,713	11,143	433	11,576
Reverse repos	222	–	222	391	–	391
Mortgages	24,058	1,077	25,135	23,226	1,211	24,437
Credit cards and personal loans, including wage assignment loans	3,541	60	3,601	4,075	56	4,132
Finance leases	5,669	308	5,977	5,142	315	5,456
Factoring	2,255	54	2,309	1,349	16	1,365
Other loans	66,095	2,686	68,781	62,864	2,882	65,746
Debt securities	**630**	**8**	**638**	**615**	**14**	**629**
TOTAL (CARRYING AMOUNT)	**111,838**	**4,539**	**116,377**	**108,805**	**4,927**	**113,732**
TOTAL (FAIR VALUE)	**113,508**	**4,540**	**118,048**	**109,330** *)	**4,930** *)	**114,260** *)
Fair value – Level 1			–			–
Fair value – Level 2			42,367			36,965 *)
Fair value – Level 3			75,681			77,295 *)
Loan loss provisions deducted from loans and receivables	849	5,842	6,691	674	6,130	6,804

*) Figures for 2014 reflect an adjustment to parametrisation.

Finance leases: customers

(€ million)

	31 DEC. 2015		31 DEC. 2014	
	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
Amounts receivable under finance leases:				
Up to 12 months	1,677	1,640	1,214	1,159
From 1 to 5 years	2,782	2,700	2,220	2,137
Over 5 years	1,660	1,638	2,200	2,161
GROSS/NET INVESTMENT IN THE LEASE	**6,119**	**5,978**	**5,633**	**5,456**
Of which: unguaranteed residual value	*2,752*	*2,752*	*2,704*	*2,704*
Unearned finance income	–142	X	–177	X
PRESENT VALUE OF MINIMUM LEASE PAYMENTS RECEIVABLE (NET INVESTMENT IN THE LEASE)	**5,978**	**5,978**	**5,456**	**5,456**

C.8 – Hedging derivatives

(€ million)

	31 DEC. 2015				31 DEC. 2014			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
Financial derivatives	**–**	**3,284**	**6**	**3,290**	**–**	**3,932**	**20**	**3,952**
Fair value hedge	–	2,895	3	2,898	–	3,476	17	3,493
Cash flow hedge	–	389	3	392	–	456	3	459
Credit derivatives	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL	**–**	**3,284**	**6**	**3,290**	**–**	**3,932**	**20**	**3,952**

C.9 – Changes in fair value of portfolio hedged items

(€ million)

	31 DEC. 2015	31 DEC. 2014
Positive changes	74	28
Negative changes	–33	–128
TOTAL	**41**	**–99**

C – Notes to the statement of financial position (CONTINUED)

C.10 – Investments in associates and joint ventures

(€ million)

	2015	2014
Opening balance	**4,644**	**4,463**
Increases	**526**	**490**
Purchases	–	1
Write-backs	–	–
Profit/loss for the year	526	489
Decreases	**–429**	**–310**
Sales	–	–294
Write-downs	–2	–33
Other changes	**–427**	**18**
CLOSING BALANCE	**4,741**	**4,644**

C.11 – Property, plant and equipment

(€ million)

	31 DEC. 2015	31 DEC. 2014
Assets for operational use	**1,305**	**1,251**
Owned	**1,261**	**1,206**
Land	84	72
Buildings	622	642
Office furniture and fittings	91	145
Electronic systems	80	80
Others	384	268
Leased	**44**	**45**
Land	13	13
Buildings	30	31
Office furniture and fittings	–	–
Electronic systems	–	–
Others	1	1
Held-for-investment assets	**827**	**896**
Owned	**827**	**896**
Land	219	222
Buildings	608	675
TOTAL	**2,132**	**2,147**

Property, plant and equipment held for investment

(€ million)

	31 DEC. 2015				31 DEC. 2014			
	BOOK VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	BOOK VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3
Assets carried at cost	**759**	**–**	**105**	**696**	**826**	**–**	**163**	**713**
Owned	**759**	**–**	**105**	**696**	**826**	**–**	**163**	**713**
Land	219	–	21	209	221	–	38	197
Buildings	540	–	84	487	604	–	126	516
Assets measured at fair value	**68**	**–**	**–**	**69**	**70**	**–**	**–**	**70**
Owned	**68**	**–**	**–**	**69**	**70**	**–**	**–**	**70**
Land	–	–	–	–	–	–	–	–
Buildings	68	–	–	69	70	–	–	70
TOTAL	**827**	**–**	**105**	**765**	**896**	**–**	**163**	**784**

C – Notes to the statement of financial position (CONTINUED)

Property, plant and equipment used in the business

(€ million)

	2014					
	LAND	BUILDINGS	OFFICE FURNITURE AND FITTINGS	ELECTRONIC SYSTEMS	OTHER	TOTAL
Gross opening balance	**96**	**1,307**	**471**	**366**	**277**	**2,517**
Total net reduction in value	–	–405	–333	–270	–212	–1,220
Net opening balance	**96**	**902**	**138**	**96**	**64**	**1,296**
Increases	**4**	**62**	**44**	**47**	**320**	**478**
Purchases	–	44	37	34	104	218
Capitalised expenditure on improvements	–	5	–	–	–	5
Write-backs	–	9	–	–	–	9
Positive exchange differences	–	–	–	–	–	–
Transfer from property, plant and equipment held for investment	–	–	–	–	–	–
Other changes	4	5	7	13	216	246
Reductions	**–15**	**–292**	**–37**	**–64**	**–115**	**–524**
Disposals	–13	–184	–1	–1	–19	–218
Depreciation	–	–39	–26	–35	–34	–134
Impairment losses	–	–1	–	–	–	–2
Negative exchange differences	–3	–52	–1	–8	–4	–67
Transfers	–	–1	–	–	–1	–2
property, plant and equipment held for investment	–	–	–	–	–	–
assets held for sale	–	*–1*	–	–	*–1*	*–2*
Other changes	–	–15	–9	–18	–58	–100
NET FINAL BALANCE 31 DEC. 2014	**85**	**672**	**145**	**80**	**269**	**1,251**
Total net reduction in value	–	–340	–324	–321	–212	–1,196
GROSS CLOSING BALANCE	**85**	**1,012**	**469**	**400**	**481**	**2,447**

	2015					
	LAND	BUILDINGS	OFFICE FURNITURE AND FITTINGS	ELECTRONIC SYSTEMS	OTHER	TOTAL
Gross opening balance	**85**	**1,012**	**469**	**400**	**481**	**2,447**
Total net reduction in value	–	–340	–324	–321	–212	–1,197
Net opening balance	**85**	**672**	**145**	**80**	**269**	**1,251**
Increases	**26**	**70**	**19**	**44**	**257**	**416**
Purchases	5	31	18	31	182	267
Capitalised expenditure on improvements	–	1	–	–	–	1
Write-backs	–	1	–	–	–	1
Positive exchange differences	–	2	–	–	1	3
Transfer from property, plant and equipment held for investment	–	1	–	–	–	1
Other changes	21	35	1	13	74	144
Reductions	**–14**	**–91**	**–73**	**–43**	**–141**	**–362**
Disposals	–3	–4	–2	–2	–22	–33
Depreciation	–	–29	–15	–31	–83	–158
Impairment losses	–	–4	–	–	–	–4
Negative exchange differences	–	–8	–	–1	–1	–10
Transfers	–10	–12	–	–	–	–22
property, plant and equipment held for investment	*–9*	*–10*	–	–	–	*–19*
assets held for sale	*–1*	*–3*	–	–	–	*–4*
Other changes	–	–33	–55	–9	–35	–132
NET FINAL BALANCE 31 DEC. 2015	**97**	**652**	**91**	**80**	**385**	**1,305**
Total net reduction in value	–	–299	–204	–301	–239	–1,043
GROSS CLOSING BALANCE	**97**	**951**	**294**	**381**	**623**	**2,346**

C – Notes to the statement of financial position (CONTINUED)

Tangible assets held for investment: annual changes

(€ million)

	2014		
	LAND	BUILDINGS	TOTAL
Opening balances	**234**	**566**	**800**
Increases	**35**	**173**	**209**
Purchases	13	60	73
Capitalised expenditure on improvements	–	–	–
Increases in fair value	–	6	6
Write-backs	–	–	–
Positive exchange differences	–	3	3
Transfer from property, plant and equipment used in the business	–	–	–
Other changes	22	104	126
Reductions	**–48**	**–64**	**–112**
Disposals	–41	–6	–47
Depreciation	–	–18	–18
Reductions in fair value	–	–3	–3
Impairment losses	–2	–8	–10
Negative exchange differences	–4	–14	–18
Transfers to	–	–	–
properties used in the business	–	–	–
non-current assets classified as held for sale	–	–	–
Other changes	–1	–15	–16
CLOSING BALANCES	**222**	**675**	**896**
MEASURED AT FAIR VALUE	**235**	**712** *)	**947** *)
	2015		
	LAND	BUILDINGS	TOTAL
Opening balances	**222**	**675**	**896**
Increases	**22**	**70**	**92**
Purchases	3	28	31
Capitalised expenditure on improvements	–	1	1
Increases in fair value	–	–	
Write-backs	–	–	–
Positive exchange differences	–	2	2
Transfer from property, plant and equipment used in the business	9	10	19
Other changes	10	29	39
Reductions	**–25**	**–137**	**–162**
Disposals	–9	–60	–69
Depreciation	–	–22	–22
Reductions in fair value	–	–2	–2
Impairment losses	–3	–10	–13
Negative exchange differences	–1	–2	–3
Transfers to	–1	–13	–14
properties used in the business	–	*–1*	*–1*
non-current assets classified as held for sale	*–1*	*–12*	*–13*
Other changes	–11	–28	–39
CLOSING BALANCES	**219**	**608**	**827**
MEASURED AT FAIR VALUE	**230**	**640**	**870**

*) Figures for 2014 reflect an adjustment to parametrisation.

C.12 – Intangible assets

(€ million)

	31 DEC. 2015	31 DEC. 2014
Goodwill	**–**	**–**
Other intangible assets	**221**	**171**
Assets carried at cost	221	171
Intangible assets generated internally	*81*	*35*
Other assets	*139*	*136*
Assets valued at fair value	–	–
TOTAL	**221**	**171**

Intangible assets – annual changes

(€ million)

	2014		
	OTHER INTANGIBLE ASSETS		
	GENERATED INTERNALLY	OTHER	TOTAL
Gross opening balance	**67**	**947**	**1,014**
Net reductions	–42	–811	–853
Net opening balance	**26**	**136**	**162**
Increases	**26**	**99**	**125**
Purchases	23	55	78
Increases in intangible assets generated internally	–	–	–
Write-backs	–	–	–
Positive exchange differences	–	19	19
Other changes	4	25	29
Reductions	**–17**	**–99**	**–116**
Disposals	–	–1	–1
Write-downs	–6	–42	–48
Amortisation	–6	–42	–48
Write-downs	–	–	–
Transfers to non-current assets held for sale	–	–	–
Negative exchange differences	–7	–38	–45
Other changes	–4	–18	–22
NET CLOSING BALANCE	**–35**	**–136**	**–171**
Total net write down	–35	–824	–859
CLOSING BALANCE	**71**	**960**	**1,031**
	2015		
Gross opening balance	**71**	**960**	**1,031**
Net reductions	–35	–824	–859
Net opening balance	**35**	**136**	**171**
Increases	**63**	**72**	**135**
Purchases	36	62	98
Increases in intangible assets generated internally	22	–	22
Write-backs	–	–	–
Positive exchange differences	–	3	3
Other changes	4	6	10
Reductions	**–17**	**–69**	**–86**
Disposals	–	–6	–6
Write-downs	–7	–45	–52
Amortisation	–6	–45	–51
Write-downs	–1	–	–1
Transfers to non-current assets held for sale	–	–	–
Negative exchange differences	–4	–9	–13
Other changes	–6	–9	–15
NET CLOSING BALANCE	**81**	**139**	**220**
Total net write down	–37	–813	–850
CLOSING BALANCE	**118**	**953**	**1,071**

C.13 – Deferred tax assets

(€ million)

	31 DEC. 2015	31 DEC. 2014
Assets/liabilities held for trading	111	27
Other financial instruments	215	149
Property, plant and equipment/intangible assets	9	10
Provisions	562	802
Write-downs on loans	43	36
Other assets/liabilities	151	159
Loans and receivables with banks and customers	91	49
Tax losses carried forward	57	44
Other	10	12
Effect of netting gross deferred tax position	–896	–790
TOTAL	**353**	**499**

The assets include deferred tax assets arising from the carryforward of unused tax losses in the amount of €57 million (2014: €44 million). Most of the tax losses carried forward can be used without time restriction.

In respect of tax losses carried forward in the amount of €2,840 million (2014: €2,102 million), no deferred tax assets were recognised because, from a current perspective, a tax benefit is unlikely to be realised within a reasonable period.

At the end of the 2015 financial year, the company reported tax losses carried forward which were subject to restrictions on loss set-off. No deferred tax assets were recognised for such tax losses to the extent that they are unlikely to be utilised against future taxable profits.

No deferred tax assets were recognised for the following items (gross amounts):

(€ million)

	31 DEC. 2015	31 DEC. 2014
Tax losses carried forward	2,840	2,102
Deductible temporary differences	357	379
TOTAL	**3,197**	**2,481**

Of the tax loss carryforwards for which no deferred tax assets were recognised, €48 million (2014: €44 million) will cease to be usable in the period to 2021.

The major part of tax losses carried forward comes from companies in Austria and can be carried forward without time restriction. In Austria, the annual set-off of losses carried forward is limited to 75% of the relevant taxable profit.

C – Notes to the statement of financial position (CONTINUED)

C.14 – Non-current assets and disposal groups classified as held for sale

(€ million)

	31 DEC. 2015	31 DEC. 2014
Individual assets		
Financial assets	9	58
Equity investments	1	–
Tangible assets	16	9
Intangible assets	–	–
Non current – Other	–	25
Total	**26**	**91**
of which at cost	*25*	*8*
of which Fair Value Level 1	–	–
of which Fair Value Level 2	–	*84*
of which Fair Value Level 3	*1*	–
Asset groups		
Financial assets held for trading	–	65
Financial assets designated at fair value	–	–
Available-for-sale financial assets	–	76
Held-to-maturity investments	–	–
Loans and receivables with banks	210	176
Loans and receivables with customers	1,368	1,699
Equity investments	60	60
Tangible assets	135	170
Intangible assets	36	45
Other assets	632	1,218
Total	**2,441**	**3,509**
of which at cost	–	–
of which Fair Value Level 1	–	–
of which Fair Value Level 2	–	*2,241*
of which Fair Value Level 3	*2,441*	*1,268*
ASSETS	**2,467**	**3,600**

With regard to fair value classification, the shift between Level 2 and Level 3 compared with the previous year resulted mainly from the classification of the Ukrainian companies as Level 3, based on a valuation model used for determining fair value.

Individual assets

The item essentially includes selected assets of the companies BA Immo-Gewinnscheinfonds1 (€10 million) and NATA Immobilien-Leasing Gesellschaft m.b.H. (€9 million), which are held for sale.

Asset groups classified as held for sale

Asset groups classified as held for sale include assets (€546 million) and liabilities (€217 million) of the Immobilien Holding GmbH group which have not yet been sold.

Moreover, Public Joint Stock Company Ukrsotsbank and its subsidiaries continue to be classified as a disposal group held for sale as at 31 December 2015. In the course of exclusive negotiations, UniCredit Bank Austria AG and UniCredit SpA have signed a binding agreement to transfer Ukrsotsbank to Alfa Group. The transaction structure envisages that UniCredit Group (UCG) will contribute its exposure in Ukrsotsbank to ABH Holdings S.A. ("ABHH"), a Luxembourg-based company, in exchange for a 9.9% minority interest in ABHH. Bank Austria and UniCredit are thus transferring their direct ownership interest in Ukrsotsbank. The agreement provides for specific protection rights for both parties including the possibility to appoint one Board member of ABHH and to cause an IPO of ABHH. Furthermore, both parties have agreed a put/call option mechanism on UCG's stake in ABHH after the 5th anniversary from closing. The closing of the transaction is expected for 2016. As at 31 December 2015, valuation losses based on IFRS 5 amounted to €497 million (2014: €200 million). As an effect of these write-downs, the book value of the equity investment was brought to zero and total write-downs reflect the best estimate of the expected results from the transfer.

C – Notes to the statement of financial position (CONTINUED)

At 31 December 2015, UniCredit Bank Austria AG's exposure to the subsidiary USB includes, in addition to the equity investment, loans totalling around €278 million (which are eliminated for accounting purposes when the consolidated financial statements are prepared). UniCredit Group exposures which will be transferred pursuant to the binding agreement include, in addition to the equity investment, loans granted by Group companies to the subsidiary USB. Total write-downs also take into consideration the planned transfer of the loans and were calculated, in consideration of the transaction structure, on the basis of the estimated economic value of the assets transferred and that of all the assets and rights foreseen as payment for their transfer.

It should be noted that UniCredit Bank Austria AG's own share of the FX translation reserve (–€993 million as at 31 December 2015; – €697 million as at 31 December 2014) will have to be recycled to profit or loss upon the final sale of Ukrsotsbank without, however, any impact on the Group's overall equity level. Further information on the development of the Ukrainian currency is given in section E.2.

C.15 – Other assets

(€ million)

	31 DEC. 2015	31 DEC. 2014
Margin with derivatives clearers (non-interest bearing)	–	6
Gold, silver and precious metals	12	17
Accrued income other than capitalised income	42	41
Cash and other valuables held by cashier	–	1
Interest and charges to be debited	12	8
Items in transit between branches not yet allocated to destination accounts	–	–
Items in processing	205	166
Items deemed definitive but not attributable to other items	156	146
Adjustments for unpaid bills and notes	11	106
Other taxes	19	25
Inventories	109	117
Leasehold improvements	100	11
Other items	501	910
TOTAL	**1,167**	**1,554**

C.16 – Deposits from banks

(€ million)

	31 DEC. 2015	31 DEC. 2014
Deposits from central banks	**4,363**	**4,006**
Deposits from banks	**19,069**	**19,689**
Current accounts and demand deposits	2,435	2,367
Time deposits	4,299	5,739
Loans	10,981	11,578
Repos	*259*	*120*
Other	*10,722*	*11,458*
Other liabilities	1,354	5
TOTAL	**23,432**	**23,696**
TOTAL FAIR VALUE	**23,449**	**23,652** *)
Fair value – Level 1	–	–
Fair value – Level 2	8,803	11,984 *)
Fair value – Level 3	14,646	11,668 *)

*) Figures for 2014 reflect an adjustment to parametrisation.

C – Notes to the statement of financial position (CONTINUED)

C.17 – Deposits from customers

(€ million)

	31 DEC. 2015	31 DEC. 2014
Current accounts and demand deposits	64,908	55,186
Time deposits	40,826	42,825
Loans	753	474
Repos	*338*	*324*
Other	*416*	*149*
Liabilities in respect of commitments to repurchase treasury shares	–	744
Other liabilities	3,859	3,042
TOTAL	**110,346**	**102,271**
TOTAL FAIR VALUE	**111,162**	**103,390**
Fair value – Level 1	–	–
Fair value – Level 2	21,633	33,570
Fair value – Level 3	89,529	69,820

C.18 – Debt securities in issue

(€ million)

	31 DEC. 2015					31 DEC. 2014				
	CARRYING AMOUNT	TOTAL FAIR VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	CARRYING AMOUNT	TOTAL FAIR VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3
Securities										
Bonds	28,651	*29,711*	8,073	21,513	125	29,867	*31,424*	9,004	22,296	124
Structured	*886*	*881*	–	*881*	–	*702*	*705*	–	*705*	–
Other	*27,765*	*28,830*	*8,073*	*20,632*	*125*	*29,166*	*30,720*	*9,004*	*21,592*	*124*
Other securities	151	*150*	–	146	4	146	*159*	–	159	–
Structured	–	–	–	–	–	–	–	–	–	–
Other	*151*	*150*	–	*146*	*4*	*146*	*159*	–	*159*	–
TOTAL	**28,802**	**29,862**	**8,073**	**21,660**	**129**	**30,014**	**31,583**	**9,004**	**22,455**	**124**

C.19 – Financial liabilities held for trading

(€ million)

	31 DEC. 2015				31 DEC. 2014			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
Financial liabilities	**34**	**–**	**–**	**34**	**28**	**–**	**–**	**28**
Deposits from banks	–	–	–	–	–	–	–	–
Deposits from customers	34	–	–	34	28	–	–	28
Derivative instruments	**–**	**2,578**	**30**	**2,608**	**–**	**3,308**	**117**	**3,426**
Financial derivatives	–	2,570	30	2,600	–	3,308	107	3,415
Credit derivatives	–	8	–	8	–	–	10	11
TOTAL	**34**	**2,578**	**30**	**2,642**	**28**	**3,308**	**117**	**3,454**

C – Notes to the statement of financial position (CONTINUED)

C.20 – Financial liabilities at fair value through profit or loss

(€ million)

	31 DEC. 2015				31 DEC. 2014			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
Debt securities	–	544	3	547	–	666	5	670
Structured	–	*544*	–	*544*	–	*666*	–	*666*
Other	–	–	*3*	*3*	–	–	*5*	*5*
TOTAL	**–**	**544**	**3**	**547**	**–**	**666**	**5**	**670**

Of the changes in fair values in 2015, an expense of €2 million (2014: an expense of €7 million) related to changes in UniCredit Bank Austria AG's own credit risk. In the valuation as at 31 December 2015, the portion relating to changes in the bank's own credit risk was cumulative income of €5 million (31 December 2014: cumulative income of €11 million). The repayable amount of liabilities as at 31 December 2015 was €506 million (31 December 2014: €620 million).

C.21 – Hedging derivatives

(€ million)

	31 DEC. 2015				31 DEC. 2014			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
Financial derivatives	**–**	**2,761**	**21**	**2,782**	**–**	**3,290**	**12**	**3,302**
Fair value hedge	–	2,288	21	2,309	–	2,580	10	2,591
Cash flow hedge	–	473	–	473	–	709	1	711
Credit derivatives	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL	**–**	**2,761**	**21**	**2,782**	**–**	**3,290**	**12**	**3,302**

C.22 – Changes in fair value of portfolio hedged items

(€ million)

	31 DEC. 2015	31 DEC. 2014
Positive changes to financial liabilities	449	329
Negative changes to financial liabilities	–549	–246
TOTAL	**–101**	**84**

C.23 – Deferred tax liabilities

(€ million)

	31 DEC. 2015	31 DEC. 2014
Loans and receivables with banks and customers	138	134
Assets/liabilities held for trading	151	148
Other financial instruments	559	240
Property, plant and equipment/intangible assets	26	21
Other assets/liabilities	144	324
Deposits from banks and customers	–	–
Other	47	29
Effect of netting gross deferred tax position	–896	–790
TOTAL	**169**	**107**

Pursuant to IAS 12.39, no deferred tax liabilities were recognised for temporary differences in connection with investments in domestic subsidiaries amounting to €1,254 million (2014: €1,044 million) because from a current perspective, they are not intended to be sold.

C – Notes to the statement of financial position (CONTINUED)

C.24 – Liabilities included in disposal groups classified as held for sale

(€ million)

	31 DEC. 2015	31 DEC. 2014
Liabilities associated with assets classified as held for sale		
Deposits	2	16
Securities	–	–
Other liabilities	4	9
Total	**6**	**26**
of which at cost	*6*	*1*
of which Fair Value Level 1	–	–
of which Fair Value Level 2	–	*24*
of which Fair Value Level 3	–	–
Liabilities included in disposal groups classified as held for sale		
Deposits from banks	221	291
Deposits from customers	1,013	1,207
Debt securities in issue	2	3
Financial liabilities held for trading	–	–
Financial liabilities designated at fair value	–	–
Reserve	498	–
Other liabilities	237	316
Total	**1,971**	**1,819**
of which at cost	–	–
of which Fair Value Level 1	–	–
of which Fair Value Level 2	–	*1,516*
of which Fair Value Level 3	*1,971*	*303*
LIABILITIES	**1,977**	**1,845**

C.25 – Other liabilities

(€ million)

	31 DEC. 2015	31 DEC. 2014
Liabilities in respect of financial guarantees issued	–	–
Impairment of financial guarantees issued, of credit derivatives, of irrevocable commitments to distribute funds	232	737
Accrued expenses other than those to be capitalised for the financial liabilities concerned	115	85
Share-based payments classified as liabilities under IFRS 2	–	–
Other liabilities due to employees	1,006	308
Other liabilities due to other staff	9	7
Other liabilities due to directors and statutory auditors	1	1
Interest and amounts to be credited to customers and banks	44	42
Items in transit between branches and not yet allocated to destination accounts	–	–
Available amounts to be paid to others	64	41
Items in processing	599	587
Entries related to securities transactions	1	1
Items deemed definitive but not attributable to other lines	298	241
Liabilities for miscellaneous entries related to tax collection service	–	–
Tax items different from those included in tax liabilities	42	45
Other entries	362	522
TOTAL	**2,773**	**2,617**

C.26 – Provisions for risks and charges

(€ million)

	31 DEC. 2015	31 DEC. 2014
Pensions and other post-retirement benefit obligations	**3,697**	**5,665**
Other provisions for risks and charges	**1,133**	**411**
Legal disputes	124	102
Staff expenses	806	58
Other	203	252
TOTAL	**4,830**	**6,076**

Provisions for risks and charges: annual changes

(€ million)

	2014		
	PENSIONS AND POST-RETIREMENT BENEFIT OBLIGATIONS	OTHER PROVISIONS	TOTAL
Opening balance	**4,630**	**355**	**4,985**
Increases	**1,277**	**173**	**1,450**
Current service cost	74	X	74
Interest cost	169	X	169
Past service cost	1	X	1
Remeasurements	1,020	X	1,020
Provisions for the reporting period	X	145	145
Other increases	13	28	28
Decreases	**–243**	**–116**	**–359**
Settlement	–5	X	–5
Payments/uses in the reporting period	–230	–67	–297
Remeasurements	–1	X	–1
Other decreases	–7	–49	–56
CLOSING BALANCE	**5,665**	**411**	**6,076**
	2015		
	PENSIONS AND POST-RETIREMENT BENEFIT OBLIGATIONS	**OTHER PROVISIONS**	**TOTAL**
Opening balance	**5,665**	**411**	**6,076**
Increases	**228**	**1,038**	**1,266**
Current service cost	95	X	95
Interest cost	116	X	116
Past service cost	2	X	2
Remeasurements	1	X	1
Provisions for the reporting period	X	1,018	1,018
Other increases	14	20	20
Decreases	**–2,196**	**–316**	**–2,512**
Settlement	–1,199	X	–1,199
Payments/uses in the reporting period	–949	–291	–1,240
Remeasurements	–46	X	–46
Other decreases	–2	–25	–27
CLOSING BALANCE	**3,697**	**1,133**	**4,830**

C.27 – Equity

The Company's share capital amounts to €1,681,033,521.40 (one billion six hundred and eighty-one million thirty-three thousand five hundred and twenty-one 40/100 euros). It is divided into 10,115 (ten thousand one hundred and fifteen) registered no-par value shares with voting rights and restricted transferability and 231,218,705 (two hundred and thirty-one million two hundred and eighteen thousand seven hundred and five) registered no-par value shares with voting rights, and each no-par value share participates in the share capital to the same extent.

D – Segment reporting

D – Segment reporting (CONTINUED)

D.1 – Reconciliation of reclassified accounts to mandatory reporting schedule

(€ million)

	2015	2014
Net interest	3,386	3,433
Dividends and other income from equity investments	535	496
Dividend income and similar revenue	9	7
Profit (loss) of associates – of which: income (loss) from equity investments valued at net equity	526	489
Net fees and commissions	1,439	1,367
Net trading, hedging and fair value income	420	487
Gains (losses) on financial assets and liabilities held for trading	392	332
Fair value adjustments in hedge accounting	–19	17
Gains (losses) on disposal and repurchase of available-for-sale financial assets	59	129
Gains (losses) on disposal and repurchase of held-to-maturity investments	0	0
Gains (losses) on disposal or repurchase of financial liabilities	–22	1
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss	10	8
Net other expenses/income	95	106
Gains (losses) on disposals/repurchases on loans and receivables – not impaired	0	0
Other net operating income	152	122
less: other operating income – of which: recovery of expenses	*–1*	*–1*
plus: impairment on tangible assets – other operating leases	*–77*	*–19*
less: other operating expenses – amortisation on leasehold improvements	*22*	*4*
OPERATING INCOME	**5,875**	**5,890**
Payroll costs	–1,562	–1,620
Administrative costs – staff expenses	–1,164	–1,620
less: integration/restructuring costs	*–398*	*0*
Other administrative expenses	–1,356	–1,309
Administrative costs – other administrative expenses	–1,685	–1,553
less: integration/restructuring costs	*25*	*11*
less: ex-ante contributions to resolution funds and deposit guarantee schemes and bank levies	*326*	*237*
plus: other operating expenses – amortisation on leasehold improvements	*–22*	*–4*
Recovery of expenses = Other net operating income – of which: Other operating income – recovery of costs	1	1
Amortisation, depreciation and impairment losses on intangible and tangible assets	–159	–170
Impairment/write-backs on property, plant and equipment	–197	–154
less: impairment losses/write-backs on property owned for investment	*13*	*10*
less: impairment on tangible assets – other operating leases	*77*	*19*
Impairment/write-backs on intangible assets	–52	–48
less: integration/restructuring costs	*0*	*3*
OPERATING COSTS	**–3,076**	**–3,099**
OPERATING PROFIT	**2,800**	**2,790**

D – Segment reporting (CONTINUED)

	2015	2014
Net write-downs of loans and provisions for guarantees and commitments	–1,007	–693
Gains (losses) on disposal and repurchase of loans	5	4
Impairment losses on loans	–1,020	–675
Impairment losses on other financial assets	8	–22
NET OPERATING PROFIT	**1,792**	**2,097**
Provisions for risks and charges	–137	–133
Net provisions for risks and charges	–197	–132
less: integration/restructuring costs	*61*	*0*
Systemic charges	–326	–237
plus: ex-ante contributions to resolution funds and deposit guarantee schemes and bank levies	*–326*	*–237*
Integration/restructuring costs	312	–13
Net income from investments	–20	64
Impairment losses on available-for-sale financial assets	–17	–8
Impairment losses on held-to-maturity investments	–6	0
plus: impairment losses/write-backs on property owned for investment	*–13*	*–10*
Profit (loss) of associates	519	454
less: profit (loss) of associates – income (loss) from equity investments valued at net equity	*–526*	*–489*
Gains and losses on tangible and intangible assets	–2	3
Gains (losses) on disposal of investments	24	113
PROFIT BEFORE TAX	**1,621**	**1,778**
Income tax for the period	–86	–287
Total profit or loss after tax from discontinued operations	–303	–132
PROFIT OR LOSS FOR THE PERIOD	**1,232**	**1,360**
Non-controlling interests	93	23
NET PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**1,325**	**1,383**

D.2 – Description of segment reporting

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

The income statement format has been modified: the charges for bank levies and contributions to resolution funds and deposit guarantee schemes have been taken out of the item "Operating costs" and are presented in a separate item "Systemic charges" in the income statement. Figures for previous periods have been adjusted accordingly.

Segment reporting covers the following business segments:

Retail & Corporates

The Retail & Corporates business segment comprises business with private individuals (Retail), including the Mass Market and Affluent customer segments except Private Banking customers, and thus encompasses the entire multi-channel distribution network. Also included in this Division are subsidiaries active in credit card business, FactorBank and also leasing companies in Austria, which were taken over from UniCredit Leasing SpA as part of the realignment of leasing business in the fourth quarter of 2014. The Corporates subdivision covers the customer segments SMEs (small and medium-sized businesses) and corporate customers with an annual turnover of over €50 million, and Real Estate including various subsidiaries (e.g. Wohnbaubank, Bank Austria Real Invest Group) and the Public Sector customer segment.

Private Banking

Private Banking has responsibility for private customers with investments exceeding €500,000. Schoellerbank AG and various other small subsidiaries are also included in the Private Banking business segment.

Corporate & Investment Banking (CIB)

The Corporate & Investment Banking business segment covers the customer segment of multinational companies and large international customers using capital market services and investment banking solutions. Corporate & Investment Banking also serves financial institutions including banks, asset managers, institutional customers and insurance companies. The product lines offered by CIB to these customers are Financing & Advisory (classic and structured lending business and capital market advisory services), Global Transaction Banking (including payment transactions, trade finance, cash management) and within Markets & Corporate Treasury Sales the services relating to customer-driven trading activities. The product specialists also support commercial banking activities of the bank's other business segments.

Central Eastern Europe (CEE)

The CEE business segment covers the commercial banking units of the Bank Austria Group in the region of Central and Eastern Europe (including Turkey) and cross-regional CEE portfolios. Income and expenses arising from sub-holding company functions which are closely connected with operating activities of the commercial banks in CEE are also assigned to the CEE business segment. Figures for previous periods have been recast. These items mainly include income and expenses arising from asset/liability management, items relating to equity interest management and results from the hedging of the annual profits of individual CEE banking subsidiaries.

The equity interest in Ukrsotsbank continued to be classified as a discontinued operation (held for sale). Profit or loss of Ukrsotsbank is included in the CEE business segment in the income statement item "Total profit or loss after tax from discontinued operations". The companies of the Yapı Kredi Group are accounted for as a consolidated group using the equity method. These companies continue to be included on a proportionate basis in the calculation of risk-weighted assets and capital resources for regulatory purposes. The leasing companies in Russia, the Czech Republic, Slovakia, Romania and Serbia taken over from UniCredit Leasing SpA in 2014, and the leasing companies taken over from UniCredit Leasing SpA in Croatia and Slovenia in 2015, have also been assigned to the CEE business segment.

Corporate Center

Income and expenses arising from CEE sub-holding company functions are assigned to the CEE business segment and are therefore no longer included in the Corporate Center. Figures for previous periods have been recast.

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

The Immobilien Holding Group companies acquired in September 2014 and assigned to the Corporate Center are being sold step by step. The companies which have not yet been sold continue to be classified as held for sale.

D – Segment reporting (CONTINUED)

Methods

Net interest is split up according to the market interest rate method. Costs are allocated to the individual business segments from which they arise.

The result of each business segment is measured by the profit earned by the respective segment. The interest rate applied to investment of equity allocated to the business segments is determined for one year in advance as part of the budgeting process. Essentially, it is composed of the 1-month EURIBOR and a liquidity cost margin based on the average term of balance sheet volume.

Overhead costs are allocated to the business segments according to a key of distribution applied within the Group on a uniform basis (50% costs, 20% revenues, 20% FTEs and 10% proportionately).

Capital allocated to the business segments in UniCredit Bank Austria AG, based on the Tier 1 capital ratio, is 9.25% of risk-weighted assets.

Recasting:

A number of structural changes took place within the business segments and in the group of consolidated companies. This means that results for previous periods are not fully comparable. For this reason, the segment results have been adjusted to the new structure. The difference compared with Bank Austria's overall results is presented in a separate column showing "Recasting differences".

The pro-forma adjustments are as follows:

- In the first quarter of 2014, leasing companies in the Czech Republic, Slovakia and Russia, and in the second quarter of 2014 in Romania, and in December 2014 in Serbia, Hungary and Austria, and in the second quarter of 2015 in Croatia and in the third quarter of 2015 in Slovenia, were taken over from UniCredit Leasing SpA and newly included in the group of consolidated companies of the Bank Austria Group. To ensure comparability with 2015, these companies are included in the relevant previous periods in 2014. The Austrian leasing companies were assigned to the Retail & Corporates business segment, the Hungarian leasing companies were assigned to the Corporate Center, and the other companies operating in Central and Eastern Europe were assigned to the CEE business segment.
- The income statement format has been modified: the charges for bank levies and contributions to resolution funds and deposit guarantee schemes have been taken out of the item "Operating costs" and are presented in a separate item "Systemic charges" in the income statement.
- Further adjustments at segment level relate mainly to structural adjustments. Income and expenses arising from CEE sub-holding company functions have been taken out of the Corporate Center and assigned to the CEE business segment. Figures for previous periods have been adjusted accordingly.

D – Segment reporting (CONTINUED)

D.3 – Segment reporting 1–12 2015/1–12 2014

(€ million)

		RETAIL & CORPORATES	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CENTRAL EASTERN EUROPE (CEE)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST)	RECASTING DIFFER-ENCES [1]	BANK AUSTRIA GROUP (PUBLISHED) [2]
Net interest	1–12 2015	895	58	294	2,381	–242	3,386	0	3,386
	1–12 2014	974	64	302	2,456	–285	3,511	–78	3,433
Dividends and other income from equity investments	1–12 2015	29	0	0	364	142	535	0	535
	1–12 2014	40	0	0	345	111	496	0	496
Net fees and commissions	1–12 2015	506	114	104	718	–3	1,439	0	1,439
	1–12 2014	479	109	84	702	–10	1,364	3	1,367
Net trading, hedging and fair value income/loss	1–12 2015	34	3	48	329	7	420	0	420
	1–12 2014	24	2	52	266	143	487	0	487
Net other expenses/income	1–12 2015	23	2	5	24	42	95	0	95
	1–12 2014	31	0	1	55	37	124	–18	106
OPERATING INCOME	**1–12 2015**	**1,486**	**177**	**451**	**3,816**	**–55**	**5,875**	**0**	**5,875**
	1–12 2014	**1,548**	**175**	**440**	**3,824**	**–3**	**5,982**	**–93**	**5,890**
OPERATING COSTS	**1–12 2015**	**–1,096**	**–121**	**–215**	**–1,475**	**–168**	**–3,076**	**0**	**–3,076**
	1–12 2014	**–1,108**	**–116**	**–208**	**–1,501**	**–204**	**–3,136**	**37**	**–3,099**
OPERATING PROFIT	**1–12 2015**	**390**	**56**	**235**	**2,341**	**–223**	**2,800**	**0**	**2,800**
	1–12 2014	**440**	**59**	**232**	**2,323**	**–207**	**2,846**	**–56**	**2,790**
Net write-downs of loans and provisions for guarantees and commitments	1–12 2015	–28	0	25	–1,017	12	–1,007	0	–1,007
	1–12 2014	–56	0	3	–675	–55	–782	89	–693
NET OPERATING PROFIT	**1–12 2015**	**363**	**56**	**260**	**1,324**	**–210**	**1,792**	**0**	**1,792**
	1–12 2014	**383**	**59**	**236**	**1,648**	**–262**	**2,064**	**33**	**2,097**
Provisions for risks and charges	1–12 2015	–4	–1	–8	–68	–56	–137	0	–137
	1–12 2014	1	–1	0	–137	–9	–147	14	–133
Systemic charges	1–12 2015	–70	–5	–36	–155	–60	–326	0	–326
	1–12 2014	–48	–3	–31	–120	–35	–237	0	–237
Integration/restructuring costs	1–12 2015	0	0	0	–8	320	312	0	312
	1–12 2014	0	–1	0	–7	–5	–14	1	–13
Net income/loss from investments	1–12 2015	–20	0	–8	2	6	–20	0	–20
	1–12 2014	–9	0	2	13	60	66	–2	64
PROFIT BEFORE TAX	**1–12 2015**	**269**	**51**	**208**	**1,094**	**–1**	**1,621**	**0**	**1,621**
	1–12 2014	**327**	**53**	**208**	**1,396**	**–251**	**1,733**	**45**	**1,778**
Income tax for the period	1–12 2015	–73	–13	–52	–169	221	–86	0	–86
	1–12 2014	–69	–13	–52	–212	50	–296	9	–287
Total profit or loss after tax from discontinued operations	1–12 2015	0	0	1	–423	120	–303	0	–303
	1–12 2014	0	0	0	–206	75	–132	0	–132
PROFIT OR LOSS FOR THE PERIOD	**1–12 2015**	**196**	**38**	**157**	**502**	**340**	**1,232**	**0**	**1,232**
	1–12 2014	**259**	**40**	**156**	**977**	**–126**	**1,306**	**54**	**1,360**
Non-controlling interests	1–12 2015	–12	0	0	102	2	93	0	93
	1–12 2014	–8	0	0	25	6	23	1	23
NET PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**1–12 2015**	**184**	**38**	**157**	**604**	**342**	**1,325**	**0**	**1,325**
	1–12 2014	**250**	**40**	**156**	**1,003**	**–120**	**1,329**	**54**	**1,383**

D – Segment reporting (CONTINUED)

		RETAIL & CORPORATES	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CENTRAL EASTERN EUROPE (CEE)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST)	RECASTING DIFFERENCES [1]	BANK AUSTRIA GROUP (PUBLISHED) [2]
Risk-weighted assets	**1–12 2015**	**19,671**	**524**	**8,766**	**96,823**	**7,462**	**133,246**	**0**	**133,246**
(RWA) (avg.) [3]	**1–12 2014**	**19,696**	**600**	**8,394**	**85,579**	**9,339**	**123,609**	**1,473**	**125,081**
Loans to customers	**1–12 2015**	**44,856**	**618**	**13,691**	**57,102**	**109**	**116,377**	**0**	**116,377**
(end of period)	**1–12 2014**	**43,208**	**588**	**12,502**	**56,786**	**664**	**113,749**	**–17**	**113,732**
Direct funding (end of period) [4]	**1–12 2015**	**42,889**	**9,079**	**10,426**	**58,709**	**18,045**	**139,148**	**0**	**139,148**
	1–12 2014	**42,767**	**8,990**	**8,758**	**52,243**	**19,512**	**132,269**	**15**	**132,285**
Cost/income ratio excl. bank levy in %	*1–12 2015*	*73.7*	*68.5*	*47.8*	*38.7*	*n.m.*	*52.3*	*n.m.*	*52.3*
	1–12 2014	*71.6*	*66.3*	*47.2*	*39.3*	*n.m.*	*52.4*	*n.m.*	*52.6*
Risk/earnings ratio in % [5]	*1–12 2015*	*3.0*	*n.m.*	*n.m.*	*37.1*	*n.m.*	*25.7*	*n.m.*	*25.7*
	1–12 2014	*5.5*	*n.m.*	*n.m.*	*24.1*	*n.m.*	*19.5*	*n.m.*	*17.6*

1) The segment results have been recast. The difference compared to Bank Austria's results is presented in a separate column showing "Recasting differences", which for 2014 mainly relate to the transfer of Leasing subsidiaries in Russia, the Czech Republic, Slovakia, Romania, Croatia, Austria, Hungary and some Leasing entities in Serbia and Slovenia to Bank Austria. Recasting differences also relate to the sale of UniCredit CAIB Poland S.A.

2) The comparative figures for 2014 and 2015 reflect the accounting figures.

3) Turkey consolidated on a proportionate basis.

4) Direct funding: deposits from customers and debt securities in issue.

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

n.m. = not meaningful

D – Segment reporting (CONTINUED)

D.4 – Segment reporting Q1–Q4 2015/Q1–Q4 2014

(€ million)

		RETAIL & CORPORATES	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CENTRAL EASTERN EUROPE (CEE)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST) 1)
Net interest	Q4 2015	223	14	75	594	–54	852
	Q3 2015	223	15	72	597	–60	847
	Q2 2015	225	15	75	615	–58	871
	Q1 2015	224	15	73	574	–70	816
	Q4 2014	243	16	74	602	–77	858
	Q3 2014	242	16	72	644	–74	899
	Q2 2014	247	16	81	612	–71	885
	Q1 2014	242	15	77	598	–63	869
Dividends and other income from equity investments	Q4 2015	5	0	0	132	56	193
	Q3 2015	4	0	0	67	36	107
	Q2 2015	17	0	0	92	27	136
	Q1 2015	4	0	0	73	22	98
	Q4 2014	9	0	0	112	24	145
	Q3 2014	10	0	0	95	21	126
	Q2 2014	12	0	0	90	49	151
	Q1 2014	9	0	0	48	16	73
Net fees and commissions	Q4 2015	128	33	27	189	–2	375
	Q3 2015	125	25	21	178	1	350
	Q2 2015	127	25	35	183	1	373
	Q1 2015	126	30	21	168	–4	341
	Q4 2014	121	36	22	168	–4	343
	Q3 2014	117	24	21	183	–1	344
	Q2 2014	119	24	20	184	–1	346
	Q1 2014	122	25	21	168	–4	331
Net trading, hedging and fair value income/loss	Q4 2015	9	1	10	88	4	111
	Q3 2015	–2	1	8	74	–2	78
	Q2 2015	18	1	17	83	4	124
	Q1 2015	8	1	12	85	1	107
	Q4 2014	14	1	14	28	29	87
	Q3 2014	2	1	9	107	30	149
	Q2 2014	6	1	8	69	55	139
	Q1 2014	3	0	20	61	28	112
Net other expenses/income	Q4 2015	8	0	4	13	8	34
	Q3 2015	7	0	0	1	14	22
	Q2 2015	3	0	0	6	10	19
	Q1 2015	4	1	0	4	10	20
	Q4 2014	8	0	0	–3	7	12
	Q3 2014	7	0	0	33	12	52
	Q2 2014	6	0	0	17	8	33
	Q1 2014	10	0	0	7	9	27
OPERATING INCOME	**Q4 2015**	**374**	**48**	**116**	**1,015**	**12**	**1,566**
	Q3 2015	**357**	**40**	**101**	**917**	**–11**	**1,405**
	Q2 2015	**390**	**41**	**127**	**980**	**–16**	**1,522**
	Q1 2015	**366**	**48**	**106**	**904**	**–41**	**1,383**
	Q4 2014	**396**	**53**	**110**	**907**	**–20**	**1,445**
	Q3 2014	**377**	**40**	**102**	**1,062**	**–11**	**1,570**
	Q2 2014	**390**	**41**	**110**	**972**	**41**	**1,554**
	Q1 2014	**385**	**40**	**118**	**882**	**–13**	**1,413**
OPERATING COSTS	**Q4 2015**	**–267**	**–31**	**–59**	**–400**	**–41**	**–798**
	Q3 2015	**–271**	**–30**	**–50**	**–357**	**–43**	**–751**
	Q2 2015	**–279**	**–30**	**–54**	**–370**	**–43**	**–776**
	Q1 2015	**–280**	**–30**	**–52**	**–347**	**–41**	**–751**
	Q4 2014	**–292**	**–30**	**–61**	**–391**	**–49**	**–823**
	Q3 2014	**–262**	**–28**	**–47**	**–377**	**–53**	**–767**
	Q2 2014	**–276**	**–30**	**–51**	**–367**	**–50**	**–774**
	Q1 2014	**–277**	**–29**	**–49**	**–366**	**–51**	**–772**

1) Quarterly figures based on recast data only.

D – Segment reporting (CONTINUED)

		RETAIL & CORPORATES	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CENTRAL EASTERN EUROPE (CEE)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST) [1]
OPERATING PROFIT	**Q4 2015**	**107**	**17**	**57**	**615**	**–28**	**768**
	Q3 2015	**87**	**11**	**50**	**560**	**–54**	**653**
	Q2 2015	**111**	**10**	**73**	**610**	**–59**	**746**
	Q1 2015	**86**	**17**	**55**	**556**	**–82**	**632**
	Q4 2014	**104**	**23**	**49**	**516**	**–69**	**623**
	Q3 2014	**114**	**13**	**55**	**685**	**–64**	**803**
	Q2 2014	**113**	**12**	**59**	**605**	**–10**	**780**
	Q1 2014	**108**	**11**	**69**	**516**	**–64**	**641**
Net write-downs of loans and provisions for guarantees and commitments	Q4 2015	–21	0	24	–264	11	–250
	Q3 2015	–7	0	1	–359	0	–366
	Q2 2015	30	1	7	–219	0	–181
	Q1 2015	–29	0	–8	–175	2	–210
	Q4 2014	11	0	–4	–204	–52	–250
	Q3 2014	–16	0	–8	–156	–1	–181
	Q2 2014	–4	0	28	–168	–1	–144
	Q1 2014	–48	0	–13	–146	–1	–208
NET OPERATING PROFIT	**Q4 2015**	**86**	**17**	**81**	**351**	**–18**	**518**
	Q3 2015	**79**	**10**	**52**	**200**	**–54**	**288**
	Q2 2015	**141**	**11**	**80**	**390**	**–58**	**564**
	Q1 2015	**57**	**17**	**47**	**382**	**–80**	**422**
	Q4 2014	**114**	**23**	**45**	**312**	**–121**	**373**
	Q3 2014	**99**	**13**	**47**	**529**	**–65**	**622**
	Q2 2014	**110**	**12**	**88**	**437**	**–11**	**636**
	Q1 2014	**61**	**11**	**56**	**370**	**–65**	**433**
Provisions for risks and charges	Q4 2015	–4	0	–8	–66	–8	–85
	Q3 2015	0	0	0	1	–44	–43
	Q2 2015	0	0	0	0	0	0
	Q1 2015	0	0	0	–4	–4	–8
	Q4 2014	2	–1	0	–6	–3	–9
	Q3 2014	0	0	0	–92	–3	–95
	Q2 2014	0	0	0	–30	–3	–32
	Q1 2014	0	0	0	–10	0	–11
Systemic charges	Q4 2015	–20	–1	–12	–41	–19	–94
	Q3 2015	–13	–1	–7	–26	–11	–58
	Q2 2015	–19	–2	–7	–33	–11	–72
	Q1 2015	–18	–1	–11	–55	–18	–103
	Q4 2014	–12	–1	–8	–23	–9	–52
	Q3 2014	–12	–1	–8	–25	–9	–54
	Q2 2014	–12	–2	–7	–25	–9	–55
	Q1 2014	–12	0	–8	–48	–8	–76
Integration/restructuring costs	Q4 2015	0	0	0	–4	321	317
	Q3 2015	0	0	0	–3	0	–3
	Q2 2015	0	0	0	–1	0	–1
	Q1 2015	0	0	0	–1	0	–1
	Q4 2014	0	–1	0	1	–4	–5
	Q3 2014	0	0	0	–1	0	–1
	Q2 2014	0	0	0	–6	0	–6
	Q1 2014	0	0	0	–1	0	–1
Net income/loss from investments	Q4 2015	–18	0	–8	2	1	–22
	Q3 2015	0	0	0	0	0	1
	Q2 2015	–3	0	0	0	4	2
	Q1 2015	1	0	0	–1	0	0
	Q4 2014	–10	0	0	8	–1	–3
	Q3 2014	1	0	0	6	5	12
	Q2 2014	–1	0	0	–1	–17	–19
	Q1 2014	0	0	2	0	73	75

1) Quarterly figures based on recast data only.

D – Segment reporting (CONTINUED)

		RETAIL & CORPORATES	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CENTRAL EASTERN EUROPE (CEE)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST) [1]
PROFIT BEFORE TAX	**Q4 2015**	**45**	**16**	**54**	**243**	**277**	**634**
	Q3 2015	**66**	**10**	**45**	**173**	**–110**	**184**
	Q2 2015	**119**	**9**	**73**	**357**	**–66**	**493**
	Q1 2015	**39**	**16**	**36**	**321**	**–102**	**310**
	Q4 2014	**94**	**20**	**37**	**292**	**–138**	**305**
	Q3 2014	**87**	**12**	**40**	**418**	**–72**	**485**
	Q2 2014	**97**	**11**	**80**	**375**	**–40**	**523**
	Q1 2014	**49**	**11**	**50**	**311**	**–1**	**420**
Income tax for the period	Q4 2015	–12	–4	–14	–38	159	92
	Q3 2015	–17	–2	–11	–17	–2	–49
	Q2 2015	–30	–3	–18	–53	34	–69
	Q1 2015	–15	–4	–10	–60	29	–60
	Q4 2014	–21	–5	–9	–41	–12	–88
	Q3 2014	–17	–3	–10	–68	23	–75
	Q2 2014	–22	–3	–20	–51	30	–66
	Q1 2014	–9	–3	–12	–52	9	–66
Total profit or loss after tax from discontinued operations	Q4 2015	0	0	1	–192	46	–145
	Q3 2015	0	0	0	–11	37	25
	Q2 2015	0	0	0	–146	22	–123
	Q1 2015	0	0	0	–74	15	–60
	Q4 2014	0	0	0	–126	13	–113
	Q3 2014	0	0	0	–41	47	6
	Q2 2014	0	0	0	–35	8	–27
	Q1 2014	0	0	0	–4	6	2
PROFIT (LOSS) FOR THE PERIOD	**Q4 2015**	**33**	**12**	**41**	**13**	**482**	**581**
	Q3 2015	**49**	**7**	**35**	**145**	**–75**	**160**
	Q2 2015	**89**	**7**	**56**	**158**	**–9**	**301**
	Q1 2015	**25**	**13**	**25**	**186**	**–58**	**190**
	Q4 2014	**73**	**15**	**28**	**125**	**–137**	**104**
	Q3 2014	**70**	**9**	**30**	**309**	**–2**	**416**
	Q2 2014	**75**	**8**	**60**	**289**	**–2**	**430**
	Q1 2014	**40**	**8**	**38**	**255**	**15**	**356**
Non-controlling interests	Q4 2015	–3	0	0	86	0	84
	Q3 2015	–4	0	0	14	1	11
	Q2 2015	–3	0	0	–8	1	–9
	Q1 2015	–3	0	0	9	1	7
	Q4 2014	–2	0	0	33	3	35
	Q3 2014	–3	0	0	–2	1	–4
	Q2 2014	–1	0	0	1	1	0
	Q1 2014	–2	0	0	–7	1	–8
Goodwill impairment	Q4 2015	0	0	0	0	0	0
	Q3 2015	0	0	0	0	0	0
	Q2 2015	0	0	0	0	0	0
	Q1 2015	0	0	0	0	0	0
	Q4 2014	0	0	0	0	0	0
	Q3 2014	0	0	0	0	0	0
	Q2 2014	0	0	0	0	0	0
	Q1 2014	0	0	0	0	0	0
NET PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**Q4 2015**	**30**	**12**	**41**	**100**	**482**	**664**
	Q3 2015	**45**	**7**	**35**	**159**	**–74**	**172**
	Q2 2015	**87**	**7**	**56**	**150**	**–8**	**291**
	Q1 2015	**22**	**13**	**25**	**195**	**–58**	**198**
	Q4 2014	**71**	**15**	**28**	**158**	**–134**	**139**
	Q3 2014	**67**	**9**	**30**	**307**	**–1**	**412**
	Q2 2014	**74**	**8**	**60**	**290**	**–1**	**430**
	Q1 2014	**38**	**8**	**38**	**248**	**16**	**348**

1) Quarterly figures based on recast data only.

D – Segment reporting (CONTINUED)

		RETAIL & CORPORATES	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CENTRAL EASTERN EUROPE (CEE)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST)[1]
Risk-weighted assets (RWA) (avg.)[2]	Q4 2015	18,600	530	8,290	95,110	7,003	129,532
	Q3 2015	19,320	511	9,095	97,151	6,648	132,725
	Q2 2015	20,292	520	9,015	98,768	7,818	136,413
	Q1 2015	20,472	534	8,665	96,242	8,380	134,294
	Q4 2014	19,525	558	8,487	90,126	8,826	127,522
	Q3 2014	19,816	617	8,461	86,307	8,970	124,171
	Q2 2014	20,052	623	8,227	84,201	9,311	122,414
	Q1 2014	19,391	604	8,401	81,683	10,249	120,328
Loans to customers (end of period)	Q4 2015	44,856	618	13,691	57,102	109	116,377
	Q3 2015	44,312	627	13,788	57,733	76	116,535
	Q2 2015	44,576	607	13,204	58,586	253	117,226
	Q1 2015	44,311	599	12,751	58,533	1,317	117,511
	Q4 2014	43,208	588	12,502	56,786	664	113,749
	Q3 2014	43,100	599	12,856	58,155	823	115,533
	Q2 2014	43,157	635	12,984	57,545	1,339	115,661
	Q1 2014	42,812	636	13,060	55,231	1,822	113,560
Direct funding (end of period)[3]	Q4 2015	42,889	9,079	10,426	58,709	18,045	139,148
	Q3 2015	43,396	9,441	10,939	57,785	18,280	139,842
	Q2 2015	43,317	9,055	10,013	56,084	18,141	136,608
	Q1 2015	43,213	9,660	9,086	54,572	19,721	136,251
	Q4 2014	42,767	8,990	8,758	52,243	19,512	132,269
	Q3 2014	42,063	9,163	8,870	50,800	19,499	130,396
	Q2 2014	40,531	8,352	8,509	49,104	18,358	124,854
	Q1 2014	40,581	8,585	8,802	48,050	17,884	123,903
Cost/income ratio excl. bank levy in %	*Q4 2015*	*71.4*	*64.0*	*51.0*	*39.4*	*329.9*	*50.9*
	Q3 2015	*75.7*	*73.3*	*50.0*	*39.0*	*400.9*	*53.5*
	Q2 2015	*71.5*	*74.4*	*42.5*	*37.8*	*273.8*	*51.0*
	Q1 2015	*76.5*	*63.7*	*48.6*	*38.5*	*100.8*	*54.3*
	Q4 2014	*73.8*	*56.0*	*55.2*	*43.1*	*248.6*	*56.9*
	Q3 2014	*69.6*	*68.6*	*46.1*	*35.5*	*475.3*	*48.9*
	Q2 2014	*70.9*	*71.5*	*46.2*	*37.8*	*123.5*	*49.8*
	Q1 2014	*71.9*	*72.1*	*41.7*	*41.5*	*385.5*	*54.7*
Risk/earnings ratio in %[4]	*Q4 2015*	*9.1*	*0.3*	*n.m.*	*36.4*	*n.m.*	*23.9*
	Q3 2015	*3.3*	*2.0*	*n.m.*	*54.1*	*n.m.*	*38.3*
	Q2 2015	*n.m.*	*n.m.*	*n.m.*	*31.0*	*n.m.*	*18.0*
	Q1 2015	*12.9*	*n.m.*	*10.9*	*27.0*	*n.m.*	*23.0*
	Q4 2014	*n.m.*	*n.m.*	*5.7*	*28.6*	*n.m.*	*24.9*
	Q3 2014	*6.3*	*0.3*	*10.7*	*21.1*	*n.m.*	*17.6*
	Q2 2014	*1.4*	*n.m.*	*n.m.*	*24.0*	*n.m.*	*13.9*
	Q1 2014	*18.9*	*0.7*	*17.4*	*22.6*	*n.m.*	*22.0*

1) Quarterly figures based on recast data only.
2) Turkey consolidated on a proportionate basis.
3) Direct funding: deposits from customers and debt securities in issue.
4) Risk/earnings ratio: net write-downs of loans and provisions for guarantees and commitments measured against net interest and dividends and other income from equity investments.
n.m. = not meaningful

E – Risk report

E.1 – Overall risk management

UniCredit Bank Austria AG identifies, measures, monitors and manages all risks of the Bank Austria Group ("Bank Austria"). In performing these tasks, Bank Austria works closely with the risk control and risk management units of UniCredit. In this context, UniCredit Bank Austria AG supports UniCredit's ongoing projects which are aimed at establishing uniform group-wide risk controlling procedures.

UniCredit Bank Austria AG divides the monitoring and controlling processes associated with risk management into the following categories: market risk, liquidity risk, currency risk, counterparty risk, credit risk, operational risk, reputational risk, business risk, financial investment risk and real estate risk.

The Management Board and the Supervisory Board determine the risk policy and approve the principles of risk management, the establishment of limits for all relevant risks, and the risk control procedures. A key element of this is the annual definition of Bank Austria's Risk Appetite (RA), which is approved by the Supervisory Board. The RA describes the bank's risk orientation in terms of a verbal Statement (RAS) and a Framework (RAF) of key metrics (targets, triggers, limits). The RA defines risk types and the level of risk that the group is prepared to accept in pursuit of its strategic objectives and business plan. In this context the interests of relevant external and internal parties (customers, shareholders and regulators in particular) are taken into account. Important dimensions of the RA include capital and liquidity adequacy, business strategy and restructuring strategy. The defined bundle of key indicators comprises external and internal indicators, Pillar 1 and Pillar 2 indicators, risk and earnings indicators and EBA recovery plan indicators. RA is integrated in the budgeting process in the context of managing the objectives in defining and selecting the desired risk-return profile. In performing these tasks, the Management Board is supported by specific committees, independent risk management units and units of other Divisions. All risk management activities of UniCredit Bank Austria AG are combined within a management function at Management Board level directed by the Chief Risk Officer (CRO):

Lending decisions which exceed the limits of the relevant business units' approval authority are made for corporate customers in the CIB Credit Operations and CEE Credit Operations departments, and for private customers and business customers in the Private Individuals & SME Credit Operations department. The Special Credit Austria and CEE Credit Operations departments deal with problem loans. These organisational units are supported by the Strategic Risk Management & Control department. Credit risk control of the CEE business units is performed by the Strategic Risk Management & Control and CEE Credit Operations departments. The unit for active credit portfolio management (Credit Treasury) reports to the Chief Financial Officer (CFO) indirectly via the Finance department.

Cross-divisional control

The Management Board of UniCredit Bank Austria AG defines the Bank Austria Group's risk appetite and risk strategy at least once a year, in coordination with UniCredit Group. In addition, decisions are made on detailed risk limits for market risk activities and liquidity positions. Risk Management, which is separate from the business divisions up to Management Board level, is in charge of preparing analyses and monitoring compliance with limits. Specialist risk committees are responsible for managing the major risks. The decisions and results of these committees are directly reported to the bank's full Management Board:

The Risk Committee (RICO) is responsible for the management of balance-sheet structure positions, it deals with cross-divisional risk management issues arising between sales units and overall bank management, and provides an overview of credit portfolio model results and of the IRB models while also preparing reports on economic capital (Pillar 2). Liquidity risk control is performed by the Liquidity Committee (LICO) which meets once a week to deal with current liquidity-related topics. These include operational aspects of liquidity management including market monitoring; and compliance with the liquidity policy, with CEE banking subsidiaries also being covered in this context – Bank Austria acts as a regional liquidity centre of UniCredit Group. Control of market risk is ensured by the Market Risk Committee (MACO), which meets once a week. MACO deals with short-term business management issues relating to the presentation and discussion of the risk/earnings position of Markets & Corporate Treasury Sales and with limit adjustments, product approvals and positioning decisions in the area of market risk. Other topics discussed and decided include, for example, the replication portfolio and methods for funds transfer pricing. In addition, the general framework and limits for banking subsidiaries are defined by MACO. Credit risk is assessed by the Credit Committee. The Operational & Reputational Risk Committee (OpRRiCo) meets on a quarterly basis to deal with operational & reputational risk issues. Risk arising from derivative transactions is managed by the Derivative Committee (DECO). DECO deals with classic credit risk and counterparty risk issues and aspects of reputational risk in customer business.

The Credit Treasury Committee (CTC) holds meetings on a quarterly basis and is responsible for strategic coordination and decisions on transactions to reduce credit risk and on risk-adjusted pricing of loans.

Beyond compliance with the regulatory capital rules pursuant to Section 39a of the Austrian Banking Act, economic capital (Pillar 2) is intended to reflect the bank's specific risk profile in a comprehensive and more consistent way. These unexpected losses over a period of one year (the holding period applied in respect of market risk is four months) are calculated with a confidence level of 99.93%.

Value-at-risk methodologies are used in Bank Austria for calculating or planning economic capital for various specified types of risk (credit risk, market risk, operational risk, business risk, financial investment risk, real estate risk and structural FX risk). Under the risk-taking capacity concept, economic capital is compared with available financial resources and monitored on an ongoing basis. Bank Austria is included in the risk monitoring and risk management system of the entire UniCredit Group. This ensures overall risk management across the Group.

Note on the presentation:

In the following risk report, unless explicitly stated otherwise, the exposure of our joint venture Yapı Kredit Group is included according to the regulatory view and the risk view on a proportionate basis. Sections E.8 (country risk) and E.9 (credit risk) focus mainly on reconcilability with the figures in the IFRS consolidated financial statements. For this reason the exposures of the Yapı Kredi Group, which is accounted for using the equity method in the IFRS consolidated financial statements in accordance with IFRS 11, are not included in the presentation.

E.2 – Major risks in Central and Eastern Europe

Russia

Country risk

Russia is experiencing an economic downturn triggered by a combination of falling oil prices and sanctions-induced capital flows against a background of structural issues in the economy. This has also contributed to significant volatility in the exchange rate of the currency, which has driven inflation higher putting additional pressure on the economy. Sanctions imposed in response to the Ukraine conflict are significantly restricting Russian companies' business and their access to Western capital markets and large Russian groups of companies and the banking sector have become increasingly dependent on financial aid provided by the state. The economic outlook for the country remains largely dependent on oil price developments.

Sovereign exposures mainly result from management of excess liquidity at the Russian banking subsidiary.

Credit risk

Lending volume at our Russian banking subsidiary declined to €11.2 billion as at 31 December 2015, a decrease which was partly due to exchange rate movements. In 2015, non-performing exposures rose to 6.4% (2014: 3.7%) and the provisioning charge increased to €214 million (2014: €85 million), reflecting the difficult environment, mainly in corporate banking business.

UniCredit Bank Austria AG has assumed an intra-group guarantee in the amount of €1.26 billion in favour of its Russian banking subsidiary for a portfolio of corporate loans to enable the subsidiary to meet local regulatory requirements. This intra-group guarantee does not increase Bank Austria's overall exposure.

Currency risk

In the first quarter of 2015 the Russian rouble remained more or less stable against the US dollar while slightly recovering against the euro. As the year progressed, the rouble weakened against both currencies to reach an annual low towards the year-end. Our banking subsidiary in Russia does not hold any major open currency positions. The maximum positions were US$19 million long and US$34 million short. The average open US dollar position is within the range of single-digit million US dollar amounts.

Liquidity risk

UniCredit Bank Russia is not experiencing deposit outflows which exceed normal fluctuations, just the usual seasonal outflows of short-term deposits of corporate customers. A large proportion of customer deposits is held by major corporate customers, with maturities of up to five years. No problems have so far been encountered in renewals of maturing deposits.

The bank is compliant with all external and internal liquidity limits and liquidity ratios. UniCredit Bank Russia continues to be a net liquidity provider to Bank Austria. Severe outflow assumptions in a stress test can be covered with the existing counterbalancing capacity.

Ukraine

Country risk

The conflict in the eastern part of the country has aggravated the adverse impact of the necessary macroeconomic adjustment and led to a severe economic downturn in Ukraine in 2015. The recession deepened on account of various factors including financial markets which have come to a standstill, currency depreciation, and a loss of confidence in politics. The situation of public-sector finances remains difficult.

Most recent data, however, show some signs of stabilisation in economic activity in recent months, as the disruption caused by the loss of major capacity in the eastern part of Ukraine has waned and a tenuous truce has held. Uncertainty over the outlook remains high and debt sustainability remains an issue.

Credit risk

The development of political and economic conditions in Ukraine, regularly reported in the media, led to a steady deterioration in the portfolio at Ukrsotsbank (USB), the Ukrainian subsidiary, in the course of the year. The default ratio rose to 82 % as at 31 December 2015 (2014: 67 %).

Measures taken by USB's Risk Management department reduced loans and receivables (after deduction of loan loss provisions) to €1.4 billion at year-end 2015 (2014: €1.7 billion). Volume booked directly in UniCredit Bank Austria AG (Profit Center Vienna, PCV) declined from €463 million to €372 million through an increase in loan loss provisions for the remaining portfolio (after deduction of loan loss provisions). Total volume attributable to the crisis region also declined significantly, to €410 million (after €515 million at the end of 2014). The default ratio in the crisis region is close to 98 % (year-end 2014: 74 %).

Loan portfolio data Ukraine

(€ million)

	USB		PCV		TOTAL	
	2015	2014	2015	2014	2015	2014
Total Bank						
Loans to Customers (Gross)	2,120	2,413	526	768	2,646	3,181
Loans to Customers (Net)	1,368	1,699	372	463	1,739	2,162
Impaired Loans (Gross)	1,745	1,623	295	422	2,040	2,044
thereof eastern region (Crimea, Donbass)						
Loans to Customers (Gross)	419	416	266	280	685	696
Loans to Customers (Net)	273	285	137	230	410	515
Impaired Loans (Gross)	414	376	257	139	671	515

The valuation of exposures in the eastern region of Ukraine (Crimea and Donbass) reflects collateral in the total amount of €162 million (of which €6 million was taken into account for the Profit Center Vienna and €156 million for volume booked at the local bank); the condition and soundness of such collateral are assessed on the basis of information most recently available and therefore such assessment involves uncertainty especially with regard to the crisis region of Crimea and Donbass.

Loans and receivables denominated in foreign currency at the local bank declined from €1.7 billion at the end of 2014 to €1.5 billion as at 31 December 2015.

Currency risk

At the beginning of 2015, the EUR/UAH exchange rate was about 19 UAH per euro. After a significant rise to above 30 UAH per euro in February 2015, the EUR/UAH exchange rate stabilised as the year progressed, to a level of 23 to 25 UAH per euro, ending the year at 26.16 UAH per euro.

Currency risk at Ukrsotsbank was significantly reduced in the first quarter of 2015 as the USD position was, in effect, closed (via debt forgiveness by UniCredit Bank Austria AG). A capital increase in June further improved the USD position at the end of the second quarter, making the bank more resilient to potential future UAH currency depreciation (see also "Capital measures").

Liquidity risk

Deposits in USD stabilised, and UAH deposits rose slightly, in the course of 2015, after declines seen in the first quarter. Collateral held by the bank at the Ukrainian central bank amounts to about UAH 0.5 billion, exceeding the minimum reserve requirement. Bank Austria supports USB with a USD overnight facility, which is currently not used. Ukrsotsbank did not use any local central bank support as at the end of 2015.

Capital measures

During the first quarter of 2015, capital resources were temporarily lower than the minimum capital requirements defined by the National Bank of Ukraine (NBU). As a first step, in March 2015, the capital base was improved through debt forgiveness vis-à-vis Ukrsotsbank in the amount of about US$250 million. At the end of June 2015, a capital increase of US$250 million was carried out at Ukrsotsbank (through the conversion of existing loans of UniCredit Bank Austria AG into equity) to further strengthen the bank's capital base.

However, a further negative development of the economic conditions and/or of the Ukrainian currency UAH and a further aggravation or prolonged duration of the conflict in the eastern part of Ukraine may have a significant impact on compliance with local regulatory requirements of Ukrsotsbank, in particular with regard to minimum capital requirements. Therefore, and in addition to the capital measures undertaken, UniCredit Bank Austria AG has provided the local regulator and the Ukrainian subsidiary with a statement of its intention to support the bank's continuation as a going concern also in the period before completion of the sale of Ukrsotsbank.

E.3 – Market risk

Market risk management at Bank Austria encompasses all activities in connection with our Markets and Corporate Treasury Sales operations and management of the balance sheet structure in Vienna and at subsidiaries. Risk positions are aggregated at least daily, analysed by the independent risk management unit and compared with the risk limits set by the Management Board and the committees (including MACO) designated by the Management Board. At Bank Austria, market risk management includes ongoing reporting on the risk position, limit utilisation, and the daily presentation of results of all positions associated with market risk. Most of the positions held in Bank Austria are attributable to the banking book. Market risk of the banking book is an important factor also in other Divisions (the CEE banking subsidiaries, in particular). UniCredit Bank Austria uses uniform risk management procedures for all market risk positions throughout the Group. These procedures provide aggregate data and make available the major risk parameters for the various risk takers once a day. Besides Value at Risk (VaR), other factors of equal importance are stress-oriented sensitivity and position limits. Additional elements of the limit system are the loss-warning level (applied to accumulated results for a specific period), the stressed VaR (SVaR) limit (determined for the trading book with a separate observation period), incremental risk charge (IRC) limits, the stress test warning limit (limiting losses when a pre-defined stress event is applied) and granular market risk limits (GML).

As mentioned above, Bank Austria uses a standard measurement procedure which is also applied in UniCredit Group. The model, approved in 2011, is used for internal risk management and for determining regulatory capital requirements for market risk. Bank Austria is embedded in the market risk governance framework of UniCredit Group and leverages on the group-wide risk management platform UGRM. The group-wide Front-to-Back Office platform "Murex" and UGRM form an integrated risk system.

The internal model (IMOD) is based on historical simulation with a 500-day market data time window for scenario generation. It is applied by Market and Liquidity Risk – Austria & CEE within Bank Austria and is being further developed in cooperation with the UniCredit holding company. Further development includes reviewing the model as part of back-testing procedures, integrating new products, implementing requirements specified by the Management Board and the Market Risk Committee, and executing the Model Maintenance Report on a quarterly basis. For internal risk management purposes, the calculation was adjusted to the negative interest rate environment and consequently an application was submitted for approval of a major change in the model, required for determining regulatory capital.

Risk governance

A new product process (NPP) has been established for the introduction of new products in the area of market risk in which risk managers play a decisive role in approving products. The risk model covers all major risk categories: interest rate risk and equity risk (both general and specific), credit spread risk, currency risk and commodity position risk. The IMOD Is subject to an annual review by Group Internal Validation (GIV) and internal audit. The structure of the risk performance report presented at MACO's weekly meetings covers (stress) sensitivities in addition to VaR, and utilisation levels in the areas of IRC and SVaR (both for the regulatory trading books) as well as the presentation of results using the total return approach. Regular and specific stress tests complement the information provided to MACO and the Management Board.

Stress testing

Bank Austria conducts a rigorous programme of stress testing for market risk and IRC. The results are reviewed and discussed in the MACO at least quarterly or on an ad-hoc basis given unfavourable market developments. Macro scenarios show the potential adverse impacts of global developments with specific effects on the respective risk categories, while stress sensitivities of individual risk factors or groups of risk factors show the potential adverse impacts on partial market segments. Stress scenarios are based on assumptions of extreme movements in individual market risk parameters. The bank analyses the effect of such fluctuations and a liquidity disruption in specific products and risk factors on the bank's results. These assumptions of extreme movements are dependent on currency, region, liquidity and the credit rating, and are set by Market Risk after consultation with experts in other areas of the bank (e.g. research, trading, and Market Risk UniCredit holding company). Bank Austria takes part in the UniCredit Group-wide Open Market Risk Forum (OMRF), which is the platform for CRO units to discuss stress test results and agree on further common group-wide scenario definitions. The ICAAP scenarios are updated at least annually and are used for stress test analyses, stress test limit monitoring and the regulatory stress report throughout UniCredit Group.

E – Risk report (CONTINUED)

Fair value measurement

In addition to the IMOD results, the P/L is determined on a total return basis for both the trading and banking books and is communicated to senior management on a daily basis. The fair value measurement principles defined in IFRS 13 have been implemented. In this context the presentation of results also reflects CVAs/DVAs (Credit/Debit Valuation Adjustments) for OTC derivatives. Reporting covers the components reflected in IFRS-based profit and the marking to market of all investment positions regardless of their recognition in the IFRS-based financial statements ("total return"). The daily P/ L explanation is supported by the Intranet application "ERCONIS"; results are available to UniCredit Bank Austria's trading and risk management broken down by portfolio, income statement item and currency.

Prudent valuation

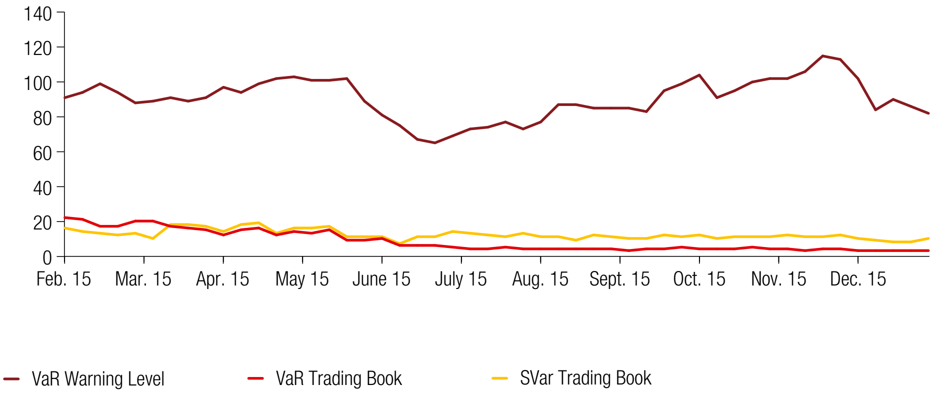
The regulatory approach to prudent valuation in the trading book is implemented primarily by Market Risk and further developed on an ongoing basis through cooperation within UniCredit Group. A Group-wide Independent Price Verification (IPV) process ensures the independence and reliability of valuation and risk measurement. In this context UniCredit Bank Austria AG is responsible as global "EEMEA" Center of Competence for generating the official UniCredit closing price for valuation of all fixed-income securities issued in Central and Eastern Europe including Austria. The front-end system "Murex" is supplied with the "golden copy" market data of UniCredit Group for daily valuation purposes. The Group-wide "golden copy" is drawn up by competence centres which are structured by asset class and independent of trading operations. Moreover, UniCredit Bank Austria AG takes part in meetings of the asset-class committees, which address and resolve valuation and market-data issues. In addition to the IPV process, the Intranet platform "MARCONIS" is established as the group-wide standard for market conformity surveillance to systematically review the market conformity of trading transactions. The regulatory principle of prudence is met by determining all relevant Additional Valuation Adjustments (AVA).

Based on a Group decision, the Funding Valuation Adjustment is already recognised in the consolidated financial statements, not as an AVA.

Market risk

The chart below shows the VaR for the trading book and the banking book (i. e. "warning level") in 2015 and the VaR and SVaR for the trading book.

VaR and SVaR of Bank Austria in 2015 (€ million)



E – Risk report (CONTINUED)

By year-end 2015, the total VaR for the trading book and the banking book of the Bank Austria Group (top line, "VaR – Warning Level") was about €82 million (year-end 2014: €81 million). The SVaR for the regulatory trading book (yellow line, "SVaR – Trading Book") was €10 million at the end of 2015 (year-end 2014: €14 million). The VaR for the trading book (light red line) amounted to €3 million at the end of 2015 (year-end 2014: €16 million). Credit spread risk and interest rate risk account for most of the total risk in the trading and banking books of Bank Austria. Other risk categories are less significant by comparison.

As of 31 December 2015, the entire interest rate position for Bank Austria's trading book and banking book for major currencies was composed as follows:

Basis point values (BPVs) of Bank Austria, 2015

(in €) Granular Market Limits Warning Level

		AS AT 31 DECEMBER 2015						ANNUAL AVERAGE 2015, MINIMUM/MAXIMUM		
		0 TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 3 YEARS	3 TO 10 YEARS	OVER 10 YEARS	TOTAL	MAXIMUM	MINIMUM	ABSOLUTE AVERAGE
Europe	EUR	168,292	−574,528	−864,296	−1,273,261	306,481	−2,237,311	−1,239,748	−4,381,371	2,399,616
	CHF	76,375	15,590	−3,253	9,937	−2,685	95,964	229,324	−57,621	55,725
	GBP	622	1,282	574	2,235	193	4,905	8,314	−2,115	3,352
	NOK	−107	659	465	11	4	1,031	2,712	542	1,213
New EU countries	BGN	2,242	−4,504	−63,916	−175,267	−783	−242,228	−219,728	−271,890	246,071
	CZK	37,726	−93,852	−138,447	−10,598	−23,455	−228,626	−147,087	−332,230	260,885
	HUF	−6,870	−74,727	−31,232	−286,904	−13,733	−413,465	−177,486	−426,120	281,178
	PLN	−3,466	−2,048	−35	−1	0	−5,549	472	−5,626	1,522
	RON	−3,316	−9,751	−48,699	−89,082	−1,806	−152,654	−95,657	−199,835	143,610
	HRK	−86	1,066	−25,461	−8,271	−24,663	−57,415	−69	−74,497	34,567
Central and Eastern Europe incl. Turkey	AZN	−1,800	0	0	0	0	−1,800	195	−3,288	1,528
	BAM	−1,638	−8,690	−37,127	−22,143	−13	−69,611	−38,057	−69,611	60,155
	RSD	−2,055	−19,626	−27,913	−10,584	0	−60,178	−52,905	−67,839	60,285
	RUB	−10,679	−50,840	−12,127	−257,665	−37,967	−369,278	−280,659	−490,968	360,774
	TRY	−9,922	−193,663	−209,147	−863,090	1,504	−1,274,319	−960,886	−1,414,599	1,193,410
	UAH	1,828	−3,206	−18,910	−22,115	−19,134	−61,537	−1,206	−61,537	38,983
Overseas – highly developed countries	USD	4,450	−46,538	−38,596	230,660	−402,903	−252,927	21,923	−381,987	203,036
	CAD	−407	1,108	1,777	226	0	2,703	2,903	1,264	1,758
	AUD	−162	3,145	5,213	671	52	8,920	9,936	7,579	8,742
	JPY	3,697	−244	65	2,808	0	6,327	11,203	1,466	5,838
Other countries	XAU	3,034	216	0	0	0	3,250	8,637	2,703	5,375
	BPV<500	335	98	1,960	141	0	2,533	6,610	−6,622	1,533
TOTAL		**258,091**	**−1,059,054**	**−1,509,105**	**−2,772,291**	**−218,906**	**−5,301,264**			**5,370,979**

The changes in BPVs compared with the previous year were mainly due to the increase in the liquidity buffer to support Bank Austria's Liquidity Coverage Ratio and to an increase in interest rate risk exposure at various banks.

E – Risk report (CONTINUED)

Basis point values (BPVs) of Bank Austria, 2014

(in €) Granular Market Limits Warning Level

		AS AT 31 DECEMBER 2014						ANNUAL AVERAGE 2014, MINIMUM/MAXIMUM		
		0 TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 3 YEARS	3 TO 10 YEARS	OVER 10 YEARS	TOTAL	MAXIMUM	MINIMUM	ABSOLUTE AVERAGE
Europe	EUR	–64,489	–144,615	–471,787	–1,897,050	480,781	–2,097,160	388,395	–2,713,017	1,194,604
	CHF	54,297	2,196	27,590	–9,339	–4,582	70,162	281,351	–363,581	65,979
	GBP	815	3,411	–1,148	1,382	477	4,938	43,544	–18,203	4,417
	NOK	64	397	795	15	1	1,273	31,290	700	1,510
New EU countries	BGN	3,268	–13,851	–58,005	–187,726	–655	–256,969	–	–263,992	203,811
	CZK	–517	–47,117	–135,307	–72,301	–16,020	–271,262	473,741	–655,477	192,070
	HUF	5,930	–39,708	–87,807	–101,204	–3,158	–225,946	–153,411	–357,243	267,453
	PLN	–1,961	–1,849	–11	8	–	–3,813	29,759	–3,935	1,231
	RON	–1,474	–18,231	–22,721	–74,366	–10,167	–126,959	–19,675	–129,027	92,331
	HRK	–5,465	6,574	–14,982	10,952	–11,773	–14,693	51,242	–86,569	17,587
Central and Eastern Europe incl. Turkey	AZN	36	–203	–652	–50	–	–869	–130	–14,652	3,843
	BAM	–2,340	–8,143	–22,687	–31,476	60	–64,586	–9,964	–69,376	37,010
	RSD	–1,139	–19,701	–23,415	–10,133	–	–54,387	–	–67,655	58,705
	RUB	–7,205	–57,442	–132,442	–155,843	–29,209	–382,141	–287,252	–979,052	551,190
	TRY	31,545	–155,480	–304,373	–542,160	16	–970,452	–555,487	–1,512,948	700,506
	UAH	–688	–6,125	–19,155	–23,567	–2,985	–52,520	–270	–96,819	56,757
Overseas – highly developed countries	USD	–22,017	–97,880	–2,268	239,886	–369,183	–251,461	419,184	–1,056,759	184,746
	CAD	–178	1,446	517	86	–	1,871	8,105	143	1,355
	AUD	–63	2,979	4,734	1,144	58	8,852	9,364	5,910	8,098
	JPY	3,801	669	–356	2,368	9	6,492	102,637	–8,774	4,957
Other countries	XAU	4,427	166	–	–	–	4,593	6,962	1,184	3,542
	BPV<500	–27	715	–3,032	–134	3	–2,475	505,858	27,130	67,412
TOTAL		**–3,378**	**–591,791**	**–1,266,511**	**–2,849,507**	**33,673**	**–4,677,515**			**3,656,847**

E – Risk report (CONTINUED)

By analogy to the detailed presentation of basis point positions in the interest rate sector, daily reporting presents details of credit spread by curve and maturity band.

Credit spread basis-point values (CPVs) of the Bank Austria Group

(in €)

CPVS IN €	SECTOR	MAXIMUM	MINIMUM	ABSOLUTE AVERAGE
Main sectors	ABSs and MBSs	–227,591	–284,684	257,045
	Financial	–125,611	–336,020	283,385
Corporates	Basic Materials	–1,471	–15,454	11,614
	Communications	–1,487	–4,334	2,944
	Consumer Cyclical	–80	–3,198	1,860
	Consumer Non cyclical	–1,025	–19,724	9,398
	Diversified	–1,521	–3,492	2,856
	Energy	–7,976	–14,522	11,129
	Generic	–2,794	–42,058	9,369
	Industrial	–2,711	–56,432	39,384
	Technology	–1,102	–3,220	2,146
	Utilities	–1,719	–32,548	14,473
	Others	1,700	–16,764	4,050
Treasury	Eastern Europe	–2,147,762	–3,596,052	2,862,529
	Emerging Markets	–23,432	–49,497	37,079
	Europe	–5,148,432	–6,455,475	5,602,711
	Middle East	–1,364,359	–1,883,070	1,613,604
	Northern America	5,080	–187	2,196
	Others	–105,410	–235,397	179,001
TOTAL 2015		**–9,140,618**	**–12,747,161**	**9,603,367**
TOTAL 2014		**–7,423,597**	**–10,641,932**	**9,420,352**

Measured by the total basis-point value, Bank Austria’s credit spread position in 2015 ranged between –€12.7 million and –€9.1 million. The increase in the CPV compared with the previous year was due to the increase in the bank’s liquidity buffer (supporting the Liquidity Coverage Ratio) and to the buildup of the bond portfolio to cover risks arising from pension obligations at UniCredit Bank Austria AG.

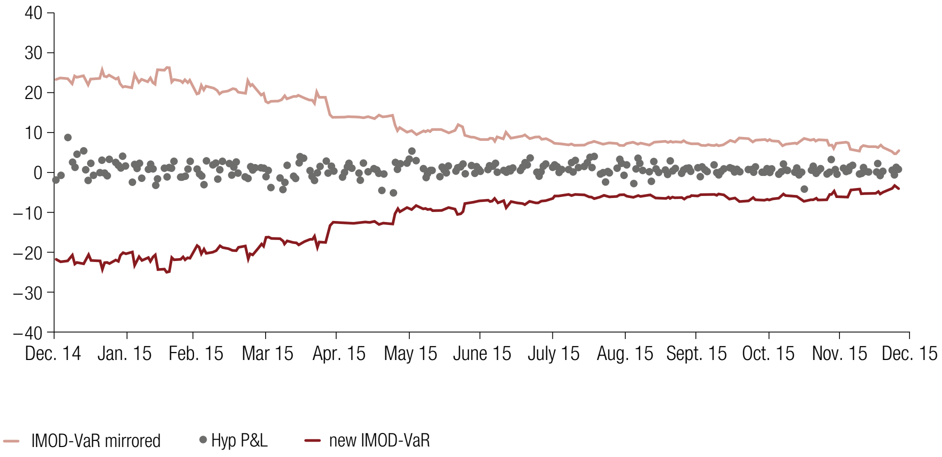
Overall, Treasury-near instruments continue to account for the largest part of the credit spread positions, followed by financials. The corporates exposure is very low by comparison. The positions of asset-backed securities (ABSs) and mortgage-backed securities (MBSs) were further reduced in 2015, primarily through redemptions.

Backtesting

UniCredit Bank Austria performs a daily back testing of both the hypothetical and actual (i.e. economic P/L excluding fees, commissions, and net interest income) changes in the portfolio's value in accordance with Art. 366 CRR. As at 31 December 2015, the number of back-testing overshootings (negative change in value larger than model result) for UniCredit Bank Austria AG in both P/L dimensions was lower than 5, thus the addend for the VaR multiplier for the number of overshootings is zero.

The chart below shows the hypothetical P/L backtesting time series for Bank Austria's regulatory trading book; the hypothetical P/L is based on hypothetical changes in the portfolio value assuming unchanged positions.

Backtesting time series for the regulatory trading book of the Bank Austria Group, 2015 (€ million)



Capital requirements for market risk

The parameters used for calculating capital requirements are a 10-day holding period, a confidence level of 99% and a multiplier of 3.2 set in respect of the Value-at-Risk figures which is used in determining the capital requirement for market risk. Under paragraph 3 of Article 325 of the CRR, capital requirements in third countries are additionally taken into account for Bank Austria.

As of 31 December 2015, the following capital requirements resulted for Bank Austria in connection with value at risk (VaR), stressed VaR (SVaR) and incremental risk charge (IRC):

- VaR: €66.5 million
- SVaR: €177.5 million
- IRC: €55.6 million

Market risk management in CEE

At Bank Austria, market risk management covers the activities in Vienna and the positions at the subsidiaries, especially in Central and Eastern Europe. These subsidiaries have local risk management units with a reporting line to Risk Management in UniCredit Bank Austria AG. Uniform processes, methods, rules and limit systems ensure consistent Group-wide risk management adjusted to local market conditions.

Analyses of position structure and balance sheet structure are available to all banks in the Group via "ALMRisk", a Group-wide web tool. Liquidity monitoring is also based on this instrument.

The web application "ERCONIS" records the daily business results of treasury activities in CEE. In line with a total-return approach, measurements of the performance of subsidiaries include income generated by the subsidiaries and the valuation results of the banking book.

To avoid risk concentrations in the market risk position, especially in tight market conditions, Bank Austria has implemented at its banking subsidiaries Value-at-Risk limits and position limits for exchange rate risk, interest rate risk and equity risk, which are monitored daily. The monitoring of income trends at banking subsidiaries by means of stop-loss limits provides an early indication of any accumulation of position losses.

The timely and continuous analysis of market risk and income is the basis for integrated risk-return management of treasury units at banking subsidiaries.

Value at Risk of banks in CEE

(€ thousand)

	AVERAGE USAGE 2015	LIMIT	USAGE AS PER 31 DEC. 2015	FX RISK	INTEREST RATE RISK	CREDIT SPREAD RISK	EQUITY RISK	AVERAGE USAGE 2014	USAGE AS PER 31 DEC. 2014
Bosnia	448	1,000	347	0	64	355	–	316	648
Bulgaria	6,829	13,000	8,987	85	2,867	8,210	0	4,094	3,599
Czech Republic, Group	3,940	17,000	3,949	241	2,759	3,122	0	5,974	3,945
Croatia, Group	1,462	8,000	2,570	112	651	2,030	212	1,310	1,171
Hungary	7,720	12,000	10,266	319	5,888	11,982	0	5,651	4,995
Romania	3,278	12,000	3,157	78	3,233	3,338	0	3,450	2,619
Serbia	2,492	5,000	2,267	25	2,171	1,453	–	2,660	2,168
Russia	22,284	28,000	22,635	242	17,910	21,682	–	17,624	21,600
Slovenia	1,708	5,500	1,641	13	278	1,717	2	3,212	2,340
Turkey	59,676	86,066	48,461	102	32,458	31,419	–	46,859	60,474
Ukraine	13,857	8,000	18,286	16,933	7,889	–	2	4,126	13,481
CEE	**79,962**	**120,000**	**70,641**	**16,863**	**42,980**	**44,565**	**218**	**63,223**	**74,062**

*) Value at Risk in Bosnia stated separately due to changes in risk governance (included in Croatia, group, in the previous year).

At the end of 2015, value at risk of all CEE banks was approximately €80 million (limit: €120 million), with open interest rate positions in the banking books and credit-spread positions of securities still accounting for the largest risk contributions. Our banking subsidiary in Ukraine exceeds the approved Value-at-Risk limit on account of significant market volatility and a market-related USD FX position. Value at Risk at year-end 2015 proved to be stable compared with year-end 2014 for the individual banks (VaR of €74 million at year-end 2014).

Management of balance sheet structure

The matched funds transfer pricing system applied throughout the Group and the principle of causation applied in attributing credit risk, market risk and liquidity risk enable the bank to determine contribution margins from customer transactions in the banks' business divisions. The risk committees of the banks ensure that the banks' overall liquidity and interest rate gap structure is optimised. Factors taken into account in this context include the costs of compensation for assuming interest rate risk, liquidity costs and country risk costs associated with foreign currency financing at CEE banking subsidiaries.

Products for which the material interest-rate and capital maturity is not defined, such as variable-rate sight and savings deposits, are modelled in respect of maturity and interest rate sensitivity by means of analyses of historical time series, and taken into account in the banks' overall risk position.

To assess the banks' balance-sheet and profit structure, the Value-at-Risk approach is used, complemented by a scenario analysis concerning the simulation of future net interest income under different interest rate scenarios ("earnings perspective").

The low and partly negative interest rates in the Group's main currencies had a negative impact on interest margins as deposit rates were at or close to zero in many cases. Taking into account the current pricing of loans, our simulation calculations show a significant deterioration of net interest if interest rates move into negative territory as a result of further reductions.

Legal provisions require the measurement at Group level of "interest rate risk in the banking book" in relation to the bank's capital by comparing a change in the market value of the banking book after a 2% interest rate shock with the Group's net capital resources. In the event that such an interest rate shock absorbs more than 20% of a bank's net capital resources, the bank supervisory authority could require the bank to take measures to reduce risk.

A 2% interest rate shock absorbs about 5.22% of the Group's net capital resources as at the end of 2015. This means that the figure for Bank Austria is far below the outlier level of 20%.

E.4 – Financial derivatives

Derivatives shown in the following tables are classified as financial derivatives and credit derivatives, according to the underlying financial instrument. In these categories, a distinction is made between trading book and banking book and between different counterparties. Bank Austria's business volume in derivatives focuses on interest rate contracts.

Derivatives are mainly used by the bank itself for hedging market risk and credit spread risk arising from new issue activities. In customer business, market participants include banks, securities houses, mutual funds, pension funds and corporate customers.

Trading in derivatives at Bank Austria is primarily related to the hedging of positions entered into vis-a-vis customers.

For the purposes of portfolio and risk management, contracts are valued at current prices using recognised and tested models. Market values show the contract values as at the balance sheet date, positive market values indicate the potential default risk arising from the relevant activity.

For the purposes of portfolio management and risk limitation in the derivatives business with banks and customers, UniCredit Bank Austria AG uses an internal model used in the entire UniCredit Group (IMM), with a Monte Carlo path simulation to estimate the potential future exposure at portfolio level for each counterparty. The calculations are based on market volatility, correlations between specific risk factors, future cash flows and stress considerations. Netting agreements and collateral agreements are also taken into account for simulation purposes.

The simulation calculations are performed for all major types of transactions, e.g. forward foreign exchange transactions, commodity futures transactions, interest rate instruments, securities lending transactions and repurchase agreements, equity-related, commodity-related or inflation-related instruments and credit derivatives. Other (exotic) products are taken into account with an add-on factor (depending on volatility and maturity). The bank applies an expected shortfall method corresponding to a confidence interval of 95%.

In addition to determining the potential future exposure for the purpose of internal risk management, the path simulation also enables the bank to calculate the mean exposure and the Basel 3-modified mean exposure as well as the effective term of the exposure for each counterparty. In this way, counterparty risk can be taken into account in a Basel 3-compliant internal model for the calculation of capital requirements.

Line utilisation for derivatives business is available online in the central treasury system MLC ("Murex Limit Controller") for the so-called EUROMIB countries. For those units which are not connected to the central system, separate lines are allocated and monitored in the local limit systems using a standardised method. Group-wide compliance with lines approved in the credit process is thus ensured at any time.

UniCredit Bank Austria AG additionally limits the credit risk arising from its derivatives business through strict use of master agreements, through collateral agreements and break clauses. In combination with the very good average credit rating of our business partners in the derivatives business, management takes proper account of default risk.

Regulatory trading portfolio: end of period notional amounts

(€ million)

	31 DEC. 2015		31 DEC. 2014	
DERIVATIVE INSTRUMENT TYPES/UNDERLYINGS	OVER THE COUNTER	CLEARING HOUSE	OVER THE COUNTER	CLEARING HOUSE
Debt securities and interest rate indexes	**49,243**	**58**	**49,789**	**65**
Options	8,248	–	7,814	–
Swap	40,235	–	40,858	–
Forward	760	–	1,116	–
Futures	–	58	–	65
Others	–	–	–	–
Equity instruments and stock indexes	**2,808**	**–**	**3,027**	**1**
Options	2,790	–	2,904	–
Swap	–	–	–	–
Forward	18	–	118	–
Futures	–	–	–	1
Others	–	–	5	–
Gold and currencies	**34,173**	**181**	**30,361**	**13**
Options	2,588	–	3,901	–
Swap	12,146	–	11,241	–
Forward	19,439	181	15,220	–
Futures	–	–	–	13
Others	–	–	–	–
Commodities	**357**	**–**	**461**	**–**
Other underlyings	**22**	**–**	**37**	**–**
TOTAL	**86,604**	**238**	**83,675**	**79**

Banking book: end of period notional amounts – Hedging derivatives

(€ million)

	31 DEC. 2015		31 DEC. 2014	
DERIVATIVE INSTRUMENT TYPES/UNDERLYINGS	OVER THE COUNTER	CLEARING HOUSE	OVER THE COUNTER	CLEARING HOUSE
Debt securities and interest rate indexes	**110,923**	**–**	**111,526**	**–**
Options	3,399	–	2,972	–
Swap	107,523	–	108,554	–
Forward	–	–	–	–
Futures	–	–	–	–
Others	–	–	–	–
Equity instruments and stock indexes	**–**	**–**	**–**	**–**
Options	–	–	–	–
Swap	–	–	–	–
Forward	–	–	–	–
Futures	–	–	–	–
Others	–	–	–	–
Gold and currencies	**23,359**	**–**	**27,721**	**–**
Options	–	–	–	–
Swap	20,949	–	27,351	–
Forward	2,411	–	370	–
Futures	–	–	–	–
Others	–	–	–	–
Commodities	**–**	**–**	**–**	**–**
Other underlyings	**–**	**–**	**–**	**–**
TOTAL	**134,282**	**–**	**139,246**	**–**

For information on the presentation of hedging transactions see section A.5.3.3 Hedge accounting and sections B.5 and C.21.

E – Risk report (CONTINUED)

Banking book: end-of-period notional amounts – Other derivatives

(€ million)

	31 DEC. 2015		31 DEC. 2014	
DERIVATIVE INSTRUMENT TYPES/UNDERLYINGS	OVER THE COUNTER	CLEARING HOUSE	OVER THE COUNTER	CLEARING HOUSE
Debt securities and interest rate indexes	**–**	**–**	**35**	**–**
Options	–	–	35	–
Swap	–	–	–	–
Forward	–	–	–	–
Futures	–	–	–	–
Others	–	–	–	–
Equity instruments and stock indexes	**130**	**–**	**130**	**–**
Options	130	–	130	–
Swap	–	–	–	–
Forward	–	–	–	–
Futures	–	–	–	–
Others	–	–	–	–
Gold and currencies	**–**	**–**	**–**	**–**
Options	–	–	–	–
Swap	–	–	–	–
Forward	–	–	–	–
Futures	–	–	–	–
Others	–	–	–	–
Commodities	**–**	**–**	**–**	**–**
Other underlyings	**–**	**–**	**–**	**–**
TOTAL	**130**	**–**	**165**	**–**

Financial derivatives – breakdown by product

(€ million)

	31 DEC. 2015				31 DEC. 2014			
	POSITIVE FAIR VALUE		NEGATIVE FAIR VALUE		POSITIVE FAIR VALUE		NEGATIVE FAIR VALUE	
TRANSACTION TYPES/UNDERLYINGS	OVER THE COUNTER	CLEARING HOUSE	OVER THE COUNTER	CLEARING HOUSE	OVER THE COUNTER	CLEARING HOUSE	OVER THE COUNTER	CLEARING HOUSE
Regulatory trading portfolio	**2,804**	**3**	**2,598**	**–**	**3,318**	**1**	**3,417**	**–**
Options	227	–	188	–	316	–	179	–
Interest rate swaps	1,100	–	1,121	–	1,350	–	1,424	–
Cross currency swap	1,187	–	1,004	–	952	–	1,125	–
Equity swaps	1	–	–	–	101	–	–	–
Forward	276	2	273	–	585	–	673	–
Futures	–	1	–	–	–	1	–	–
Others	13	–	13	–	15	–	16	–
Banking book – Hedging derivatives	**3,290**	**–**	**2,782**	**–**	**3,952**	**–**	**3,301**	**–**
Options	37	–	174	–	47	–	200	–
Interest rate swaps	3,076	–	2,260	–	3,757	–	2,553	–
Cross currency swap	168	–	339	–	145	–	549	–
Equity swaps	–	–	–	–	–	–	–	–
Forward	9	–	9	–	2	–	–	–
Futures	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–
Banking book – Other derivatives	**1**	**–**	**2**	**–**	**–**	**–**	**–**	**–**
Options	1	–	2	–	–	–	–	–
Interest rate swaps	–	–	–	–	–	–	–	–
Cross currency swap	–	–	–	–	–	–	–	–
Equity swaps	–	–	–	–	–	–	–	–
Forward	–	–	–	–	–	–	–	–
Futures	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–
TOTAL	**6,095**	**3**	**5,382**	**–**	**7,269**	**1**	**6,719**	**–**

E – Risk report (CONTINUED)

OTC financial derivatives – residual life: notional amounts

(€ million)

UNDERLYING/RESIDUAL MATURITY	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
Regulatory trading book	**33,359**	**29,207**	**24,039**	**86,604**
Financial derivative contracts on debt securities and interest rates	8,933	20,186	20,124	49,243
Financial derivative contracts on equity securities and stock indexes	378	1,435	995	2,808
Financial derivative contracts on exchange rates and gold	23,784	7,469	2,920	34,173
Financial derivative contracts on other values	263	116	–	379
Banking book	**49,300**	**48,429**	**36,684**	**134,412**
Financial derivative contracts on debt securities and interest rates	41,106	39,540	30,277	110,923
Financial derivative contracts on equity securities and stock indexes	–	–	130	130
Financial derivative contracts on exchange rates and gold	8,194	8,889	6,277	23,359
Financial derivative contracts on other values	–	–	–	–
TOTAL 31 DEC. 2015	**82,658**	**77,635**	**60,722**	**221,016**

UNDERLYING/RESIDUAL MATURITY	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
Regulatory trading book	**32,336**	**29,863**	**21,475**	**83,675**
Financial derivative contracts on debt securities and interest rates	11,057	21,840	16,891	49,789
Financial derivative contracts on equity securities and stock indexes	579	1,572	876	3,027
Financial derivative contracts on exchange rates and gold	20,259	6,396	3,706	30,361
Financial derivative contracts on other values	442	54	2	498
Banking book	**46,306**	**57,544**	**35,561**	**139,412**
Financial derivative contracts on debt securities and interest rates	35,682	46,887	28,992	111,561
Financial derivative contracts on equity securities and stock indexes	130	–	–	130
Financial derivative contracts on exchange rates and gold	10,494	10,657	6,569	27,721
Financial derivative contracts on other values	–	–	–	–
TOTAL 31 DEC. 2014	**78,643**	**87,407**	**57,037**	**223,086**

Credit derivatives: end of period notional amounts

(€ million)

	31 DEC. 2015				31 DEC. 2014			
	REGULATORY TRADING BOOK		BANKING BOOK		REGULATORY TRADING BOOK		BANKING BOOK	
TRANSACTION CATEGORIES	WITH A SINGLE COUNTERPARTY	WITH MORE THAN ONE COUNTERPARTY (BASKET)	WITH A SINGLE COUNTERPARTY	WITH MORE THAN ONE COUNTERPARTY (BASKET)	WITH A SINGLE COUNTERPARTY	WITH MORE THAN ONE COUNTERPARTY (BASKET)	WITH A SINGLE COUNTERPARTY	WITH MORE THAN ONE COUNTERPARTY (BASKET)
Protection buyer's contracts								
Credit default products	13	5	–	–	13	5	–	–
Credit spread products	–	–	–	–	–	–	–	–
Total rate of return swaps	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
TOTAL	**13**	**5**	**–**	**–**	**13**	**5**	**–**	**–**
Protection seller's contracts								
Credit default products	362	5	–	–	637	5	–	–
Credit spread products	–	–	–	–	–	–	–	–
Total rate of return swaps	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
TOTAL	**362**	**5**	**–**	**–**	**637**	**5**	**–**	**–**

E – Risk report (CONTINUED)

Credit derivatives – residual life: notional amount

(€ million)

UNDERLYING/RESIDUAL MATURITY	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
Regulatory trading book:	**5**	**320**	**60**	**385**
Credit derivatives with qualified reference obligation	–	–	–	–
Credit derivatives with not qualified reference obligation	5	320	60	385
Banking book:	**–**	**–**	**–**	**–**
Credit derivatives with qualified reference obligation	–	–	–	–
Credit derivatives with not qualified reference obligation	–	–	–	–
TOTAL 31 DEC. 2015	**5**	**320**	**60**	**385**

UNDERLYING/RESIDUAL MATURITY	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
Regulatory trading book:	**275**	**317**	**69**	**660**
Credit derivatives with qualified reference obligation	–	–	–	–
Credit derivatives with not qualified reference obligation	275	317	69	660
Banking book:	**–**	**–**	**–**	**–**
Credit derivatives with qualified reference obligation	–	–	–	–
Credit derivatives with not qualified reference obligation	–	–	–	–
TOTAL 31 DEC. 2014	**275**	**317**	**69**	**660**

E.5 – Currency risk

Assets and liabilities in foreign currency

(€ million)

	31 DEC. 2015				31 DEC. 2014			
	USD	JPY	CHF	OTHER	USD	JPY	CHF	OTHER
Financial assets	**15,498**	**332**	**10,961**	**46,365**	**17,216**	**471**	**11,856**	**42,087**
Debt securities	462	–	–	6,763	568	–	–	6,133
Equity securities	–	–	–	32	–	–	–	33
Loans to banks	3,775	19	55	11,337	5,177	121	548	7,930
Loans to customers	11,238	313	10,867	27,065	11,453	349	11,305	27,117
Other financial assets	22	–	40	1,169	17	–	4	875
Other assets	**25**	**–**	**2**	**891**	**28**	**–**	**2**	**631**
Financial liabilities	**15,127**	**183**	**458**	**31,565**	**13,708**	**182**	**460**	**31,919**
Deposits from banks	1,889	1	41	2,882	1,783	2	38	3,666
Deposits from customers	12,228	15	361	26,789	11,013	23	389	23,796
Debt securities in issue	1,007	166	–	1,854	909	157	–	2,211
Other financial liabilities	3	–	55	39	3	–	33	2,245
Other liabilities	**31**	**–**	**1**	**2,831**	**25**	**–**	**1**	**733**

CHF risk

About 90 % (€10.9 billion) of Bank Austria's **CHF lending volume** (gross) is attributable to the Austrian portfolio as at 31 December 2015. Of this amount, about 80 % is in the Retail subdivision dominated by private customers (CHF volume 12/2015: €7.2 billion). In CEE, the CHF portion is as low as 1.5 %, primarily booked in Croatia (€0.7 billion), Slovenia (€0.3 billion) and Serbia (€0.1 billion), and also mainly attributable to business with private customers in these countries. On the basis of the legal provisions which became effective in September 2015, the major portion of the relevant volume still existing in Croatia as at 31 December 2015 will be converted into euro or the local currency in 2016. Provisions were made for this purpose already in 2015 (see section E.9 – Credit risk).

Loan loss provisions of €234 million (2014: €232 million) for the performing portfolio of Austrian real estate loans in respect of exchange rate risk and coverage shortfall risk of repayment vehicles are mainly related to the CHF portion of the portfolio. As at 31 December 2015, provisions for IBNR losses on CHF loans amounted to €28.7 million.

The impact from the termination of the Swiss franc's minimum exchange rate on the bank's liquidity related to increased margin calls of €2.2 billion in the first quarter of 2015, which had to be met vis-à-vis our swap counterparties on account of the revaluation of the hedge swaps. These margin calls are an outflow of liquidity which has not led to any violations of limits or other negative impacts on our liquidity management because of the currently prevailing excess liquidity. In the meantime, the margin calls have declined to a level of about €0.4 billion as at the end of December 2015.

Legal risks associated with foreign exchange risks are discussed in detail in “Certain legal developments in CEE arising out of disputes relating to foreign currency loans” in the “Legal risks” section.

Other currency risks

Almost all of the negative foreign currency translation reserve of –€4,797 million as at 31 December 2015 (2014: –€3,980 million) was accounted for by the currencies of Russia, Ukraine and Turkey. The change of –€817 million in 2015 was mainly due to the Russian rouble.

E.6 – Liquidity risk

Qualitative information

Basel 3 sets liquidity standards under stressed conditions in the short-term maturity range (liquidity coverage ratio ≥ 100%, phasing in ≥ 60% from 2015) and in the medium-term and long-term range (net stable funding ratio, NSFR ≥ 100%). Compliance with these rules will be mandatory from October 2015 and 2018, respectively. In a separate Basel 3 project, UniCredit Bank Austria AG established the technical infrastructure to meet all reporting requirements for all relevant entities in the Bank Austria Group. New deposit products and CEE funding optimisation have improved the structure of assets and liabilities of UniCredit Bank Austria AG and of Bank Austria so that the ratios required by law are comfortably met. Bank Austria participated in the Quantitative Impact Studies of the European Banking Authority (EBA) in 2015. The new liquidity requirements have been integrated in the planning and risk monitoring process to ensure compliance with the liquidity ratios at all times.

General information, processes and management model

In line with Group standards, Bank Austria deals with liquidity risk as a central risk in banking business by introducing and monitoring short- term and long-term liquidity requirements. In this context the liquidity situation for the next few days and months and also for longer periods is analysed against a standard scenario and stress scenarios. Methods and procedures of liquidity analysis, analyses of the degree of liquidity of customer positions, management responsibilities and reporting lines in this area have been laid down in the liquidity policy, which is also applicable at Bank Austria’s CEE units and includes a contingency plan in the event of a liquidity crisis.

Liquidity management in UniCredit Bank Austria AG is an integral part of UniCredit Group liquidity management. In line with the Group-wide distribution of tasks, UniCredit Bank Austria AG ensures the consolidation of liquidity flows and the funding for subsidiaries in Austria and CEE. The flow of funds is thereby optimised and external funding is reduced to the necessary extent. Under the self-sufficiency principle, the banks in CEE essentially have to use local funding for their business activities and manage stress situations without recourse to the parent company. This is ensured through the availability of sufficient liquidity buffers and emergency plans.

Liquidity management methods and control

In medium-term and long-term liquidity management, assets must be covered by liabilities to a minimum extent of 90%/85%/80% over a period of 1/3/5 years. This limit must be observed at Group level and for each banking subsidiary. At individual currency level, absolute limits for cross-currency funding arrangements have been defined for each bank of the Group; these limits are largely geared to the above-mentioned liquidity ratios. At Group level, the liquidity ratio as at year-end 2015 was 1.08 for > 1 year, 1.07 for > 3 years and 1.09 for > 5 years. This means that in effect, long-term assets are fully funded at Group level.

For the purpose of short-term liquidity management, volume limits have been implemented in Bank Austria at group level and at individual bank level for maturities up to three months, which limit all Treasury transactions and the securities portfolio of the respective bank. Liquidity fluctuations resulting from customers’ investment decisions have also been taken into account via a liquidity buffer. Volume limits are also established for open maturities in various currencies to keep down the risk of a need for follow-up funding in the event that foreign currency markets dry up.

These limits were essentially observed at all levels. Sluggish credit demand, high deposit volume throughout 2015 and an increase in the liquidity bond portfolio holdings result in a comfortable liquidity position of the Group.

Liquidity stress test

UniCredit Bank Austria AG performs liquidity stress tests for Bank Austria and for individual banks on a regular basis, using a standardised Group-wide instrument and standardised Group-wide scenarios. These scenarios describe the effects of market-driven or name-driven crisis signals on liquidity inflows and outflows, with assumptions also being made about the behaviour of non-banks.

The liquidity outflows expected to occur in stress situations are compared with available collateral (essentially, securities and credit instruments eligible as collateral at the central bank) to examine the banks’ risk-taking capability in the maturity range of up to one year.

Liquidity indicators reached conservative levels as a result of successful efforts to win customer deposits, the continued buildup of the liquid securities position, new issues launched according to plan, and the optimisation of CEE funding.

A simulated name and market crisis, with stringent assumptions regarding deposit renewals by customers, currently gives a “time-to-wall horizon” of over one year in terms of liquidity; the required minimum period is one month.

Liquidity risks

Detailed information on CEE-related liquidity risk is given in section E.2 Major risks in Central and Eastern Europe.

Quantitative information

Banking group: breakdown by residual contractual maturity of financial assets and liabilities 2015

(€ million)

	31 DEC. 2015								
	ON DEMAND	1 TO 7 DAYS	7 TO 15 DAYS	15 DAYS TO 1 MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS
Assets	**20,102**	**4,710**	**3,132**	**5,228**	**13,099**	**7,960**	**12,634**	**52,782**	**57,524**
Government securities	–	42	4	125	349	538	1,237	11,955	7,847
Other debt securities	4	4	3	30	249	591	1,575	1,759	2,202
Units in investment funds	1	–	–	–	–	–	–	–	–
Loans	20,097	4,664	3,125	5,073	12,501	6,831	9,822	39,068	47,475
Banks	*8,682*	*3,885*	*2,070*	*1,161*	*8,038*	*2,041*	*936*	*988*	*2,156*
Customers	*11,415*	*778*	*1,056*	*3,912*	*4,463*	*4,790*	*8,886*	*38,081*	*45,319*
Liabilities	**69,809**	**1,774**	**3,661**	**4,289**	**12,586**	**9,092**	**13,647**	**32,186**	**18,051**
Deposits and current accounts	68,336	1,442	3,038	3,989	6,039	6,746	9,785	12,575	1,195
Banks	*2,552*	*140*	*705*	*138*	*145*	*85*	*623*	*1,560*	*787*
Customers	*65,784*	*1,303*	*2,332*	*3,851*	*5,893*	*6,660*	*9,162*	*11,014*	*408*
Debt securities	10	46	267	103	546	1,952	2,786	12,390	11,278
Other liabilities	1,463	285	357	197	6,001	394	1,076	7,221	5,578
Off-balance sheet transactions	**1,588**	**5**	**30**	**178**	**284**	**382**	**410**	**17,558**	**62,274**
Physically settled financial derivatives									
long positions	191	1,318	134	568	1,277	627	813	2,521	137
short positions	191	1,318	134	568	1,277	627	813	2,521	137
Cash settled financial derivatives									
long positions	246	1,624	2,150	2,202	4,423	3,313	4,655	19,384	13,268
short positions	419	1,621	2,135	2,211	4,423	3,319	4,674	19,415	13,278
Deposits to be received									
long positions	–	–	–	–	–	–	–	–	–
short positions	–	–	–	–	–	–	–	–	–
Irrevocable commitments to disburse funds									
long positions	1,602	5	30	375	610	837	3,370	8,009	5,107
short positions	1,767	5	30	209	692	820	3,336	7,991	5,107
Written guarantees	152	1	12	16	213	111	326	1,386	733
Financial guarantees received	1,774	1	3	5	153	259	68	16,186	61,551
Physically settled credit derivatives									
long positions	–	–	–	–	–	–	–	5	–
short positions	–	–	–	–	–	–	–	5	–
Cash-settled credit derivatives									
long positions	–	–	–	–	–	–	5	314	60
short positions	–	–	–	–	–	–	5	314	60

The breakdown by maturity reflects items of companies within the group of banks which are subject to regulatory supervision. This distribution is made on the basis of the period between the balance sheet date and the first following yield review date. For fixed-rate transactions the residual life is the period from the balance sheet date to final maturity. On-balance sheet items are disclosed at their carrying value. Derivatives are shown, under the double entry method, at settlement value for those with underlying securities and at the notional value for those without underlying securities; options are shown at their delta equivalent value.

E – Risk report (CONTINUED)

Breakdown by residual contractual maturity of financial assets and liabilities 2014

(€ million)

	31 DEC. 2014								
	ON DEMAND	1 TO 7 DAYS	7 TO 15 DAYS	15 DAYS TO 1 MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS
Assets	**22,379**	**4,029**	**4,126**	**5,941**	**9,917**	**7,431**	**13,882**	**48,208**	**55,572**
Government securities	–	1	136	115	554	819	1,738	8,432	7,343
Other debt securities	–	22	2	3	326	575	1,815	3,437	2,512
Units in investment funds	3	–	–	–	–	–	–	–	–
Loans	22,376	4,006	3,988	5,822	9,037	6,037	10,328	36,339	45,717
Banks	*9,285*	*2,985*	*3,314*	*1,650*	*4,115*	*779*	*927*	*1,250*	*2,522*
Customers	*13,091*	*1,021*	*674*	*4,172*	*4,921*	*5,259*	*9,401*	*35,088*	*43,195*
Liabilities	**50,176**	**11,922**	**4,446**	**5,577**	**12,821**	**8,605**	**10,002**	**37,826**	**17,242**
Deposits and current accounts	48,948	11,772	3,494	5,211	6,674	5,891	8,291	14,813	1,506
Banks	*2,161*	*871*	*251*	*397*	*601*	*181*	*454*	*2,019*	*1,082*
Customers	*46,787*	*10,901*	*3,243*	*4,814*	*6,072*	*5,710*	*7,837*	*12,794*	*424*
Debt securities	–	83	32	43	1,530	2,414	1,237	15,438	9,962
Other liabilities	1,227	67	921	323	4,618	300	474	7,574	5,774
Off-balance sheet transactions	**1,373**	**3**	**84**	**202**	**382**	**193**	**452**	**22,664**	**43,826**
Physically settled financial derivatives									
long positions	–	609	143	1,508	1,113	1,549	2,895	3,042	118
short positions	–	609	143	1,508	1,113	1,549	2,895	3,042	118
Cash settled financial derivatives									
long positions	327	1,312	1,101	1,487	3,130	2,044	3,924	16,135	11,253
short positions	395	1,310	1,035	1,465	3,128	2,025	3,923	16,260	11,275
Deposits to be received									
long positions	–	–	–	–	–	–	–	–	–
short positions	–	–	–	–	–	–	–	–	–
Irrevocable commitments to disburse funds									
long positions	1,300	241	70	324	1,131	1,464	3,106	9,041	3,649
short positions	1,459	241	70	166	1,161	1,465	3,090	9,024	3,649
Written guarantees	79	–	18	13	261	88	278	886	878
Financial guarantees received	1,523	1	1	10	149	86	156	21,885	42,970
Physically settled credit derivatives									
long positions	–	–	–	–	–	–	275	317	69
short positions	–	–	–	–	–	–	275	317	69
Cash-settled credit derivatives									
long positions	–	–	–	–	–	–	–	–	–
short positions	–	–	–	–	–	–	–	–	–

Funding

In the area of funding Bank Austria focused particularly on the self-sufficiency principle of its subsidiaries in Central Eastern Europe and safely managed the liquidity risk for those markets which were characterised by some volatility. Various liquidity requirements stemming from Basel 3 (e.g. Liquidity Coverage Ratio), which are already taken into account in planning and liquidity management, have also been targets for Bank Austria, as demonstrated by initiatives taken also in the Austrian market in order to reshape commercial funding, rebalancing its weight towards more stable longer term funding sources.

Funding provided to commercial business units in the Group takes into account relevant costs like own liquidity cost, country risk premiums and insurance cost.

E.7 – Counterparty risk

UniCredit Bank Austria AG has implemented the requirements in the area of counterparty credit risk resulting from the publications of the Basel Committee (Basel 3) and the Capital Requirements Regulation (CRR). The regulatory requirements include the calculation of normal counterparty exposure and of stressed counterparty exposure (comparable with the stressed VaR in market risk), the capital backing for market risk in respect of credit valuation adjustments (CVA market risk) and stricter standards for collateral management and margining. The requirements to be met with regard to stress testing and backtesting in respect of counterparty credit risk have also been implemented at UniCredit Bank Austria AG. Moreover, in accordance with the European Market Infrastructure Regulation (EMIR), the central clearing obligation for OTC derivatives was implemented at UniCredit Bank Austria AG. UniCredit Bank Austria AG is a clearing member of the London Clearing House (LCH Clearnet) and also performs the clearing function for CEE banking subsidiaries.

UniCredit Bank Austria AG uses an internal counterparty risk model (IMM) for internally managing risk arising from derivatives, securities lending and repurchase agreements. The risk model is based on a Monte Carlo path simulation for portfolio management and risk limitation in the derivatives and security financing business with banks and customers to estimate the potential future exposure at portfolio level for each counterparty. The counterparty risk model now used on a Group-wide basis applies an expected shortfall of 87.5 % (equals a 95 % quantile) and 3,000 scenarios with 52 gridpoints for the purposes of regulatory capital requirements and internal risk management. Furthermore, the model is based on a margin period of risk harmonised on a Group-wide basis, and on the use of a default conditional metric.

The bank is taking account of the growing importance of counterparty risk by having a separate Counterparty Risk & Collateral Management unit for this purpose within the Market Risk & Liquidity Risk department since the beginning of 2010.

The Group-wide IT systems are used for calculating counterparty risk arising from derivatives business and for determining risk arising from other risk types. This ensures that exposures resulting from derivatives business as well as money-market risk, issuer risk and settlement risk are calculated centrally using the Group-wide IT systems (FRE – Full Revaluation Engine, AGE – Aggregation Engine). Moreover, country risk is calculated and reported separately for external and internal country risk.

In 2015, the counterparty credit risk exposure calculation for securities lending transactions and repurchase agreements for internal risk management of UniCredit Bank Austria AG and CEE banking subsidiaries was integrated in the Group-wide IT systems (FRE, AGE).

The simulation calculations are performed for all major types of transactions, e. g. forward foreign exchange transactions, currency options, interest rate instruments, equity/bond-related instruments, credit derivatives and commodity derivatives. Other transactions are taken into account with an add-on depending on factors such as maturity. The calculations are based on market volatility, correlations between specific risk factors, future cash flows and stress considerations. Netting agreements and collateral agreements are also taken into account for simulation purposes. The bank applies a confidence interval of 95 %.

Based on the calculation method of counterparty credit risk used in the group-wide risk systems, derivative transactions, repurchase agreements and securities lending transactions resulted in the following exposures for UniCredit Bank Austria AG and the CEE banking subsidiaries at the end of the year:

Exposures (€ billion)

	2015	2014
Austria	3.0	2.4
CEE	6.2	4.0
TOTAL	**9.2**	**6.4**

Separate reporting on counterparty credit risk is in place with a view to informing UniCredit Bank Austria AG's Market Risk Committee (MACO) and Derivative Committee (DECO) of current exposure trends, stress testing, collateral management and wrong way risk while also providing additional information relevant to risk management. Moreover, backtesting is performed at regular intervals, at the level of individual counterparties and at overall bank level, in order to check the quality of the model on an ongoing basis.

The Murex Limit Controller (MLC) treasury system is the central limit system used by UniCredit Bank Austria AG. In addition to current limit utilisation – at customer level – resulting from derivatives and security financing business, the system shows utilisation levels for money-market, issuer and settlement risk. Line utilisation is available online in the MLC limit system, largely on a Group-wide basis. For those smaller units which are not connected to the central system, lines are monitored locally. Group-wide compliance with lines approved in the credit process is thus ensured at any time.

In addition to determining the potential future exposure, the path simulation also enables the bank to calculate the average exposure and the modified average exposure (exposure at default) and the effective maturity of the exposure as well as the “stressed EPE” pursuant to Basel 3. While the regulatory exposure at default was previously determined at customer level, it has been calculated at netting-set level since 2015. A netting set is a group of transactions between the bank and a customer which is subject to a legally enforceable bilateral netting agreement. This change was made as part of the Group-wide PERDAR (Principle for Effective Risk Data Aggregation and Risk Reporting) project.

E.8 – Country risk and sovereign risk

Risk associated with cross-border transactions with all customer groups is reflected in country risk (“transfer and convertibility risk”; country risk includes, for example, loans to foreign corporate customers or banks). Risk associated with the state itself (e. g. the purchase of government bonds) is reflected in sovereign risk, irrespective of whether such risk is cross-border or local risk. Both risks are assessed via a UniCredit Group-wide credit process. Country limits and sovereign limits are assessed by the responsible risk management team, approved by the relevant body having approval authority, and assigned to UniCredit subsidiaries according to business needs. In general, cross-border business is not limited for countries which are presumed less risky, e.g. the US, Japan, core EU countries; for all other countries, cross-border business is limited via the assigned country limit. Sovereign risk is in each case limited via counterparty limits. The overall bond exposure is monitored via nominal credit risk limits and market risk limits. Impairment losses are recognised, if necessary, according to international financial reporting standards.

Sovereign exposures relating to some CIS/CEE countries (e.g. Russia, Romania, Croatia) mainly result from excess liquidity management of Bank Austria banking subsidiaries or guarantees from the respective sovereign provided to support local (i.e. Bank Austria banking subsidiaries in e.g. Serbia, Croatia) corporate business. Both are monitored and limited within the framework of credit risk management.

Breakdown of sovereign debt securities by country and portfolio

(€ million)

	31 DEC. 2015			31 DEC. 2014		
COUNTRY/PORTFOLIO	NOMINAL VALUE	BOOK VALUE	FAIR VALUE	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
Austria	**7,919**	**9,115**	**9,124**	**8,215**	**9,585**	**9,597**
HFT financial assets/liabilities (net exposures)	–	–	–	–	–	–
Financial assets at FV through P&L	–	–	–	–	–	–
Available for sale	7,807	9,002	9,002	8,096	9,465	9,465
Loans and receivables	–	–	–	–	–	–
Held-to-maturity investments	111	113	121	118	119	132
Hungary	**1,538**	**1,765**	**1,765**	**704**	**808**	**808**
HFT financial assets/liabilities (net exposures)	19	21	21	10	11	11
Financial assets at FV through P&L	–	–	–	–	–	–
Available for sale	1,518	1,744	1,744	688	791	791
Loans and receivables	–	–	–	–	–	–
Held-to-maturity investments	–	–	–	6	6	6
Czech Republic	**1,448**	**1,633**	**1,633**	**1,898**	**1,939**	**1,939**
HFT financial assets/liabilities (net exposures)	8	9	9	72	73	73
Financial assets at FV through P&L	57	57	57	39	39	39
Available for sale	1,384	1,567	1,567	1,786	1,827	1,827
Loans and receivables	–	–	–	–	–	–
Held-to-maturity investments	–	–	–	–	–	–
Romania	**1,375**	**1,516**	**1,516**	**1,270**	**1,365**	**1,365**
HFT financial assets/liabilities (net exposures)	39	45	45	29	34	34
Financial assets at FV through P&L	–	–	–	–	–	–
Available for sale	1,336	1,471	1,471	1,241	1,331	1,331
Loans and receivables	–	–	–	–	–	–
Held-to-maturity investments	–	–	–	–	–	–
Spain	**1,358**	**1,473**	**1,473**	**648**	**678**	**678**
HFT financial assets/liabilities (net exposures)	–	–	–	–	–	–
Financial assets at FV through P&L	–	–	–	–	–	–
Available for sale	1,350	1,467	1,467	640	672	672
Loans and receivables	–	–	–	–	–	–
Held-to-maturity investments	8	6	6	8	6	6
Bulgaria	**1,173**	**1,233**	**1,233**	**793**	**835**	**835**
HFT financial assets/liabilities (net exposures)	5	5	5	3	3	3
Financial assets at FV through P&L	–	–	–	–	–	–
Available for sale	1,164	1,223	1,223	718	757	757
Loans and receivables	4	4	5	6	6	6
Held-to-maturity investments	–	–	–	67	69	69
Italy	**750**	**918**	**918**	**401**	**500**	**500**
HFT financial assets/liabilities (net exposures)	–	–	–	–	–	–
Financial assets at FV through P&L	–	–	–	–	–	–
Available for sale	750	918	918	400	499	499
Loans and receivables	–	–	–	–	–	–
Held-to-maturity investments	–	–	–	1	1	1
Russia	**881**	**861**	**863**	**558**	**421**	**421**
HFT financial assets/liabilities (net exposures)	13	12	12	26	20	20
Financial assets at FV through P&L	–	–	–	–	–	–
Available for sale	683	649	649	533	400	400
Loans and receivables	–	–	–	–	–	–
Held-to-maturity investments	186	200	202	–	–	–

E – Risk report (CONTINUED)

	31 DEC. 2015			31 DEC. 2014		
COUNTRY/PORTFOLIO	NOMINAL VALUE	BOOK VALUE	FAIR VALUE	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
Croatia	**796**	**810**	**810**	**851**	**859**	**859**
HFT financial assets/liabilities (net exposures)	–	–	–	4	4	4
Financial assets at FV through P&L	–	–	–	–	–	–
Available for sale	796	810	810	847	856	856
Loans and receivables	–	–	–	–	–	–
Held-to-maturity investments	–	–	–	–	–	–
Slovakia	**673**	**756**	**756**	**609**	**693**	**693**
HFT financial assets/liabilities (net exposures)	7	8	8	14	15	15
Financial assets at FV through P&L	–	–	–	–	–	–
Available for sale	659	741	741	588	670	670
Loans and receivables	–	–	–	–	–	–
Held-to-maturity investments	7	7	7	7	7	7
Other Countries	**2,685**	**2,665**	**2,666**	**2,054**	**1,874**	**1,875**
HFT financial assets/liabilities (net exposures)	179	29	29	191	43	43
Financial assets at FV through P&L	–	–	–	–	–	–
Available for sale	2,493	2,623	2,623	1,850	1,818	1,818
Loans and receivables	–	–	–	–	–	–
Held-to-maturity investments	13	13	14	13	13	14
TOTAL	**20,597**	**22,745**	**22,757**	**18,000**	**19,555**	**19,569**
thereof:	–	–	–	–	–	–
Slovenia	**346**	**389**	**390**	**289**	**318**	**318**
Greece	**153**	**0**	**0**	**273**	**1**	**1**
Portugal	**60**	**66**	**66**	**30**	**33**	**33**

1) All amounts relate to the European Financial Stability Facility (EFSF).
2) Including exposures in credit derivatives.

Breakdown of sovereign debt securities by portfolio

(€ million)

	31 DEC. 2015					
	HELD FOR TRADING (NET EXPOSURES)	FINANCIAL ASSETS AT FAIR VALUE	AVAILABLE-FOR-SALE FINANCIAL ASSETS	LOANS	HELD-TO-MATURITY INVESTMENTS	TOTAL
Book value of sovereign portfolio	129	57	22,216	4	339	22,745
Total portfolio of debt securities	169	57	24,572	638	484	25,919
% Portfolio	76.45%	99.63%	90.41%	0.70%	70.06%	87.75%
RECAST	31 DEC. 2014					
	HELD FOR TRADING (NET EXPOSURES)	FINANCIAL ASSETS AT FAIR VALUE	AVAILABLE-FOR-SALE FINANCIAL ASSETS	LOANS	HELD-TO-MATURITY INVESTMENTS	TOTAL
Book value of sovereign portfolio	204	39	19,085	6	221	19,555
Total portfolio of debt securities	250	77	21,970	629	572	23,498
% Portfolio	81.37%	51.24%	86.87%	0.91%	38.64%	83.22%

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

Breakdown of sovereign loans by country

(€ million)

COUNTRY	BOOK VALUE	
	31 DEC. 2015	31 DEC. 2014
Austria	5,026	5,754
Croatia	2,551	2,479
Indonesia	322	395
Serbia	318	289
Slovenia	210	237
Gabon	195	169
Bosnia and Herzegovina	192	130
Bulgaria	182	680
Romania	120	122
Ghana	104	105
Other	795	734
TOTAL ON-BALANCE SHEET EXPOSURE	**10,016**	**11,095**

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

E.9 – Credit risk

Current status of the application of the internal ratings-based approach (IRB approach) to credit risk in the Bank Austria Group

UniCredit Bank Austria AG applies the internal ratings-based approach, using its own estimates of loss given default and of conversion factors for the major part of its loan portfolio (advanced IRB approach).

The bank is planning to further refine and develop local as well as Group-wide models while also introducing various other Group-wide models.

Implementation of the advanced IRB approach has been established as a Group-wide programme. Therefore UniCredit is responsible for Group-wide decisions and guidelines as well as for the development of Group-wide models. For example, Group-wide homogeneous portfolios have been defined for which uniform rating models are used across the Group, such as those for countries, banks and multinational companies.

Group standards have for the most part already been prepared and adopted by the UniCredit Group holding company in cooperation with the major IRB legal entities, and are used as an instrument for uniform Group-wide implementation, with a view to complying with local legal requirements – some of which differ from country to country – and safeguarding Group interests. These Group standards will continue to be gradually extended and complemented.

The Group standards continue to be integrated step by step in the processes and organisational set-up of all business areas and Group units, with account being taken of local features and legal requirements in ensuring Basel 3 compliance.

Austrian subsidiaries

All Austrian subsidiaries of UniCredit Bank Austria AG use the standardised approach. From a current perspective, for reasons of materiality, it is not planned to switch to one of the IRB approaches.

CEE subsidiaries

The CEE subsidiaries started to use the standardised approach to credit risk. Based on a detailed roll-out plan, there are plans to switch to the advanced IRB approach at most of the CEE banking subsidiaries in line with the Group’s decision to use the advanced IRB approach. According to the detailed roll-out plan communicated to the supervisory authorities involved, the switch to the A-IRB approach takes place at the relevant CEE subsidiaries step by step. Most subsidiaries start with the Foundation IRB approach (F-IRB).

Regulatory approval for the application of the F-IRB approach had been received for 5 banking subsidiaries (UniCredit Bulbank AD, UniCredit Bank Slovenija d. d., UniCredit Bank Hungary Zrt., UniCredit Bank S. A., and AO UniCredit Bank) by the end of 2014. UniCredit Bank Czech Republic has applied the A-IRB approach since 30 September 2014. With the status in 2015 remaining unchanged, approval for the application of the A-IRB approach at UniCredit Bulbank AD is expected for 2016.

Credit risk

Net write-downs of loans and provisions for guarantees and commitments at Bank Austria were €1,007 million (based on average exchange rates) in 2015, significantly higher than in 2014 (€782 million) mainly as a result of country-specific developments in Croatia, Russia and Ukraine.

In **Croatia** the higher provisioning charge of €340 million in 2015 (2014: €138 million) mainly reflects the conversion, required by law, of foreign currency loans.

Background information:
On 18 September 2015 the Croatian Parliament passed amendments to the Law on Consumer Credit and to the Law on Credit Institutions. In accordance with these regulations the banks are obliged to place borrowers of CHF loans in the same position that they would have been if they had their loans, from inception, denominated in euros (or denominated in HRK with currency clauses linking payments to euros). The respective regulations came into force on 30 September 2015 (see also section E.5 – CHF risk).

On 7 October 2015 Zagrebačka banka submitted the application to the Constitutional Court of Croatia asking for the constitutional assessment of the amendments to the Law on Consumer Credit and to the Law on Credit Institutions and for immediate suspension of their application up to the moment the Court decides on the merits of the case.

On 11 November 2015 the Constitutional Court rejected the proposal for suspension of the disputed acts, while it will decide on the merits of the application by its future separate decision. The decision taken on the motion for suspension has no prejudice in relation to the future decision to be taken on the merits of the application.

In Croatia, a certain number of individual lawsuits is pending against Zagrebačka banka related to the legal issues linked to variability of interest rates, for which Zagrebačka banka is in principle expecting a positive final outcome.

The Group has made provisions of €205 million for these risks in Croatia.

Almost all of the increase in the provisioning charge in the **Profit Center Vienna**, from €20 million in 2014 to a total of €146 million in 2015, was due to the portion of the Ukraine portfolio which is booked in UniCredit Bank Austria AG.

Information on **Russia** and further details on **Ukraine** are given in E.2 Major risks in Central and Eastern Europe.

Net write-downs of loans and provisions for guarantees and commitments in the other CEE countries – including **Bulgaria, Romania, the Czech Republic, Serbia, Slovenia, Bosnia** and **Hungary** – were significantly reduced in some cases.

The provisioning charge for the **Austrian** portfolio also developed favourably across all business segments in 2015. In the Retail & Corporates business segment, Corporates made a strong contribution to the decline in the total figure to €27.6 million (2014: €56.2 million). The release of a provision for a major customer in the **Corporate & Investment Banking** (CIB) business segment led to a net release of €24.6 million (2014: a net release of €3.4 million) in CIB.

The comparative figures for 2014 given above have been recast to reflect the current structure (especially the fact that leasing companies were reintegrated in Bank Austria) and methodology. The segment figures for Central and Eastern Europe are the segment reporting figures. Austria is defined as the sum total of all other segments.

Asset quality

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

- **Bad loans:** credit exposures, formally considered uncollectible, to insolvent borrowers, even if insolvency has not been judicially ascertained. The impairment loss assessment is performed in general on an analytical basis (including the validation of the provision with coverage levels statistically defined for certain loan portfolios below a set threshold). If the individual loan amounts are not significant, the assessment of impairment loss is performed on a collective basis aggregating similar exposures.
- **Unlikely to pay:** on-balance sheet and off-balance sheet exposures which do not meet the conditions to be classified as “bad loans”. The classification as “unlikely to pay” derives from the assessment of the debtor’s unlikeliness, without actions such as realisation of collateral, to fully repay his/her credit obligation (principal and/or interest). The classification within the “unlikely to pay” category is not necessarily related to the explicit presence of anomalies (repayment failure) but rather is tied to the existence of evidence of a debtor’s risk of default. The impairment loss assessment is performed in general on an analytical basis (also checking the coverage level which is statistically defined for certain loan portfolios below a set threshold) or on a collective basis aggregating similar exposures.
- **Past due:** 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. Impaired past-due amounts can be determined by reference to the individual debtor or to the individual transaction.

Performing loans:

- Past-due loans which are performing: exposures to borrowers where past-due amounts or unauthorised overdrafts at the reporting date were between 1 and 90 days overdue.
- Other exposures: borrowers not included in the other categories.

In the following tables the comparative figures as at 31 December 2014 were adjusted by combining the portfolios previously referred to as “doubtful” and “restructured” to form the “unlikely to pay“ category.

E – Risk report (CONTINUED)

Breakdown of financial assets by portfolio and credit quality (carrying value)

(€ million)

PORTFOLIO/QUALITY	BANKING GROUP				OTHER COMPANIES		TOTAL
	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE	PERFORMING	NON-PERFORMING EXPOSURES	PERFORMING	
Available-for-sale financial assets	–	–	–	24,571	–	–	24,572
Held-to-maturity financial instruments	–	8	–	476	–	–	484
Loans and receivables with banks	2	–	–	32,207	–	5	32,214
Loans and receivables with customers	1,098	3,146	290	111,820	6	18	116,377
Financial assets at fair value through profit or loss	–	–	–	57	–	–	57
Financial instruments classified as held for sale	586	368	48	585	–	–	1,587
TOTAL 31 DECEMBER 2015	**1,686**	**3,522**	**338**	**169,716**	**6**	**23**	**175,291**
TOTAL 31 DECEMBER 2014	**2,367**	**2,993**	**503**	**170,559**	**3**	**22**	**176,448**

Breakdown of financial assets by portfolio and credit quality – foreborne exposures (carrying value)

(€ million)

PORTFOLIO/QUALITY	BANKING GROUP				OTHER COMPANIES		TOTAL
	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE	PERFORMING	NON-PERFORMING EXPOSURES	PERFORMING	
Available-for-sale financial assets	–	–	–	–	–	–	–
Held-to-maturity financial instruments	–	–	–	–	–	–	–
Loans and receivables with banks	–	–	–	–	–	–	–
Loans and receivables with customers	249	1,612	104	1,226	1	–	3,191
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–
Financial instruments classified as held for sale	259	232	22	127	–	–	640
TOTAL 31 DECEMBER 2015	**507**	**1,843**	**126**	**1,353**	**1**	**–**	**3,831**

Breakdown of performing past-due financial assets by portfolio and past-due bucket (gross value)

(€ million)

PORTFOLIO/QUALITY	NOT PAST-DUE OR PAST-DUE LESS THAN 30 DAYS	PAST-DUE BETWEEN 30 AND 60 DAYS	PAST-DUE BETWEEN 60 AND 90 DAYS	PAST-DUE OVER 90 DAYS	TOTAL
Available-for-sale financial assets	–	–	–	–	–
Held-to-maturity financial instruments	–	–	–	–	–
Loans and receivables with banks	9	–	–	–	9
Loans and receivables with customers	1,472	268	70	1	1,811
Financial assets at fair value through profit or loss	–	–	–	–	–
Financial instruments classified as held for sale	–	–	–	–	–
TOTAL 31 DECEMBER 2015	**1,481**	**268**	**70**	**1**	**1,820**

In contrast to the presentation in the consolidated statement of financial position, equity investments and units in investment funds are not included in the presentation of credit risk. For this reason, the following table shows slight differences compared with the consolidated statement of financial position in the items financial assets held for trading, financial assets at fair value through profit or loss and available-for-sale financial assets.

E – Risk report (CONTINUED)

Breakdown of financial assets by portfolio and credit quality (gross and net values)

(€ million)

	NON-PERFORMING ASSETS			PERFORMING			
PORTFOLIO/QUALITY	GROSS EXPOSURE	SPECIFIC WRITE-DOWNS	NET EXPOSURE	GROSS EXPOSURE	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	TOTAL (NET EXPOSURE)
Available-for-sale financial assets	1	1	–	24,572	–	24,572	24,572
Held-to-maturity financial instruments	17	9	8	476	–	476	484
Loans and receivables with banks	20	18	2	32,212	–	32,212	32,214
Loans and receivables with customers	10,381	5,842	4,539	112,687	849	111,838	116,377
Financial assets at fair value through profit or loss	–	–	–	–	–	57	57
Financial instruments classified as held for sale	1,745	743	1,002	595	10	585	1,587
TOTAL 31 DECEMBER 2015	**12,165**	**6,613**	**5,552**	**170,541**	**859**	**169,739**	**175,291**
TOTAL 31 DECEMBER 2014	**12,717**	**6,849**	**5,867**	**171,270**	**690**	**170,581**	**176,448**

Breakdown of financial assets by portfolio and credit quality – financial assets held for trading and hedging derivatives (gross and net values)

(€ million)

	LOW CREDIT QUALITY ASSETS		OTHER ASSETS
PORTFOLIO/QUALITY	GROSS CUMULATED LOSSES	NET EXPOSURE	NET EXPOSURE
Financial assets held for trading	–	–	3,011
Hedging instruments	–	–	3,290
TOTAL 31 DECEMBER 2015	**–**	**–**	**6,300**
TOTAL 31 DECEMBER 2014	**–**	**3**	**7,479**

Banking group – On-balance sheet and off-balance sheet credit exposure by external rating class (book values)

(€ million)

	BALANCE AT 31 DEC. 2015							
	EXTERNAL RATING CLASSES						NO EXTERNAL RATING	TOTAL
	CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6		
On-balance sheet exposures	**16,278**	**12,923**	**12,647**	**13,691**	**564**	**6,319**	**113,930**	**176,353**
Derivative contracts	**37**	**230**	**3,344**	**599**	**2**	**0**	**1,875**	**6,088**
Financial derivative contracts	37	230	3,343	599	2	0	1,875	6,088
Credit derivative contracts	–	–	1	–	–	–	0	1
Guarantees given	**65**	**345**	**1,141**	**1,038**	**94**	**236**	**14,878**	**17,796**
Other commitments to disburse funds	**445**	**556**	**2,505**	**510**	**19**	**212**	**16,736**	**20,985**
TOTAL	**16,826**	**14,055**	**19,638**	**15,839**	**679**	**6,767**	**147,419**	**221,222**
	BALANCE AT 31 DEC. 2014							
	EXTERNAL RATING CLASSES						NO EXTERNAL RATING	TOTAL
	CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6		
On-balance sheet exposures	**15,963**	**12,255**	**14,238**	**11,760**	**884**	**7,038**	**108,382**	**170,520**
Derivative contracts	**62**	**622**	**4,022**	**192**	**48**	**68**	**2,240**	**7,253**
Financial derivative contracts	62	622	4,022	192	48	68	2,240	7,253
Credit derivative contracts	–	–	1	–	–	–	0	1
Guarantees given	**42**	**458**	**761**	**1,422**	**130**	**949**	**12,611**	**16,373**
Other commitments to disburse funds	**473**	**765**	**2,868**	**1,084**	**569**	**88**	**17,287**	**23,133**
TOTAL	**16,540**	**14,100**	**21,889**	**14,458**	**1,631**	**8,143**	**140,519**	**217,279**

The table reflects ratings used by the following rating agencies: Moody's, S&P, Fitch and DBRS.
Class 1 (AAA /AA–), 2 (A+/A–), 3 (BBB+/BBB–), 4 (BB+/BB–), 5 (B+/B–), 6 (impaired exposures are included in class 6).
68% of rated volume was investment grade (from class 1 to 3),
67% of volume was not rated due to the considerable share of customers in the segment comprising private individuals and SMEs.
The above presentation of external rating classes also includes investment fund volumes totalling €65 million.

Banking group – On-balance sheet and off-balance sheet exposure by internal rating class (book values) 2015

(€ million)

	BALANCE AT 31 DEC. 2015											
	INTERNAL RATING CLASSES									NON-PERFORMING ASSETS	NO INTERNAL RATING	TOTAL
	1	2	3	4	5	6	7	8	9			
On-balance sheet exposures	2,450	18,725	36,289	43,503	29,844	19,424	7,814	3,870	1,100	5,592	7,678	176,287
Derivative contracts	3	112	4,032	604	400	284	38	8	1	–	606	6,088
Financial derivative contracts	3	112	4,032	604	400	284	38	8	1	–	606	6,088
Credit derivative contracts	–	–	1	–	–	–	–	–	–	–	–	1
Guarantees given	57	479	5,047	5,974	2,013	1,848	661	375	240	226	877	17,796
Other commitments to disburse funds	15	677	8,133	6,109	2,652	1,889	633	259	63	176	380	20,985
TOTAL	2,525	19,993	53,500	56,190	34,909	23,445	9,145	4,512	1,403	5,993	9,541	221,156

Banking group – On-balance sheet and off-balance sheet exposure by internal rating class (book values) 2014

(€ million)

	BALANCE AT 31 DEC. 2014											
	INTERNAL RATING CLASSES									NON-PERFORMING ASSETS	NO INTERNAL RATING	TOTAL
	1	2	3	4	5	6	7	8	9			
On-balance sheet exposures	7,316	14,871	32,151	41,071	26,086	18,701	7,473	4,298	1,440	5,869	11,096	170,373
Derivative contracts	108	349	4,765	1,106	329	206	122	11	21	2	234	7,253
Financial derivative contracts	108	349	4,765	1,106	329	206	122	11	21	2	234	7,253
Credit derivatives contracts	–	–	1	–	–	–	–	–	–	–	–	1
Guarantees given	254	642	2,966	4,441	2,325	2,000	861	1,013	175	305	1,392	16,374
Other commitments to disburse funds	421	1,517	6,818	6,890	2,953	2,291	760	298	92	33	1,060	23,133
TOTAL	8,100	17,379	46,699	53,508	31,693	23,198	9,217	5,621	1,728	6,210	13,782	217,134

The mapping to the internal rating masterscale considers the PD ranges mentioned below:

INTERNAL RATING CLASSES	PD MIN	PD MAX
1	0.00 %	0.00 %
2	0.00 %	0.02 %
3	0.02 %	0.12 %
4	0.12 %	0.58 %
5	0.58 %	1.37 %
6	1.37 %	3.22 %
7	3.22 %	7.57 %
8	7.57 %	17.80 %
9	17.80 %	99.99 %
10	non-performing	

Information on forborne exposures

The new requirements for reporting on forbearance were defined by Commission Implementing Regulation (EU) 2015/1278 amending Implementation Regulation (EU) No 680/2014. Under the definition, forbearance measures are concessions made by a bank to a debtor facing or about to face difficulties in meeting its financial commitments. These may take the form of a modification of the terms and conditions of a contract that would not have been agreed if the debtor had not been in financial difficulties, or the form of total or partial refinancing. Debtors that are classified as "forborne" are subject to special monitoring requirements and are to be clearly marked as such. Forbearance measures include, for example, a rescheduling agreement, renegotiated pricing at interest rates below the market level, the conversion of a partial amount of the loan into shares, or a reduction of the principal amount.

If a forbearance measure does not result in the loan becoming non-performing, a probation period of at least 2 years must be observed. If a forbearance measure results in the loan becoming non-performing, a minimum 1-year holding period in the non-performing portfolio must be observed – a probation period of 2 years will again be applicable from the date of reclassification as "performing". Upon expiry of the probation period the exposure will cease to be classified as "forborne".

In respect of loans with forbearance measures, required concessions and restrictive management measures are initiated under an effective monitoring and reporting process to reduce the amount of any potential loss.

When assessing and making provisions for loans with forbearance measures, the bank must ascertain whether there is objective evidence that an impairment loss on loans or held-to-maturity investments (measured at amortised cost) has been incurred. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in the income statement under "Impairment losses" and the carrying amount of the asset is reduced.

In more detail, if the terms of a loan, receivable or held-to-maturity investment are renegotiated or otherwise modified because of the borrower's financial difficulties, this is considered to be objective evidence of impairment in accordance with IAS 39.

Apart from the impairment test, an examination must be performed to see if the modification of the contract results in a partial or full disposal of the financial instrument. In the case of financial assets, there is a disposal if a material change in contractual conditions leads to a situation in which the modified financial instrument, in substance, no longer corresponds to the instrument before the modification. In such a case the previously recognized financial instrument is to be derecognised and a new financial instrument is to be recognised, even if – in legal terms – the same contract continues to exist in an adjusted form. Derecognition in such cases also relates to any provision made in connection with the financial instrument.

Forborne exposures – Loans and receivables with customers (€ million)

	PERFORMING			NON-PERFORMING			FORBORNE TOTAL		
	GROSS EXPOSURES	WRITE-DOWNS	NET EXPOSURE	GROSS EXPOSURES	WRITE-DOWNS	NET EXPOSURE	GROSS EXPOSURES	WRITE-DOWNS	NET EXPOSURE
General governments	17	–	17	54	11	43	71	11	60
Financial institutions	3	–	3	103	82	21	107	82	24
Non-financial institutions	967	22	945	3,011	1,267	1,743	3,978	1,289	2,688
Households	268	7	261	313	156	157	581	163	418
TOTAL 31 DEC. 2015	**1,255**	**29**	**1,226**	**3,481**	**1,517**	**1,964**	**4,736**	**1,546**	**3,190**
	PERFORMING			NON-PERFORMING			FORBORNE TOTAL		
	GROSS EXPOSURES	WRITE-DOWNS	NET EXPOSURE	GROSS EXPOSURES	WRITE-DOWNS	NET EXPOSURE	GROSS EXPOSURES	WRITE-DOWNS	NET EXPOSURE
General governments	9	–	9	56	10	46	65	10	55
Financial institutions	64	–	64	41	30	11	105	30	75
Non-financial institutions	865	13	852	3,008	1,283	1,725	3,873	1,296	2,577
Households	352	4	349	374	163	211	727	167	560
TOTAL 31 DEC. 2014	**1,291**	**17**	**1,274**	**3,479**	**1,486**	**1,994**	**4,770**	**1,503**	**3,268**

The write-downs shown in the "performing" category relate to IBNR loan loss provisions.

Realisation of mortgage collateral

Mortgages are the main type of collateral accepted by UniCredit Bank Austria AG for real estate finance.

Bank Austria has established subsidiaries in Vienna and in major CEE countries (the Czech Republic, Russia, Bulgaria, Romania, …) which concentrate on active workout management and optimum realisation of real estate. These companies act as potential buyers of real estate mortgaged to UniCredit Group when such real estate is sold at auction or on the basis of voluntary arrangements with borrowers.

A potential purchase of real estate mortgaged to UniCredit Group is preceded by intensive evaluation to ensure that the purchase of such real estate – as compared with immediate realisation – will lead to a significant reduction of the loss to the Group. Such transactions are considered especially for real estate which is run effectively or may be developed, and in respect of promising projects, which are to be liquidated because the owners are insolvent.

Via its subsidiaries established for this purpose, UniCredit Bank Austria AG can purchase and temporarily hold real estate or assume control of projects, complete or continue developing such projects if necessary, and subsequently sell the real estate through an orderly process.

Credit risk mitigation techniques

UniCredit Bank Austria uses various credit risk mitigation techniques to reduce potential credit losses in case of obligor default.

With specific reference to credit risk mitigation, general guidelines issued by the parent company as well as UniCredit Bank Austria in its sub-holding function are in force, to lay down Group-wide rules and principles that should guide, govern and standardise credit risk mitigation management, in line with Group principles and best practice, as well as in accordance with the relevant regulatory requirements. Following the General Group and Subgroup Credit Risk Mitigation Guidelines all legal entities are developing internal regulations that specify processes, strategies and procedures for collateral management. In particular such internal regulations detail collateral eligibility, valuation and monitoring rules and ensure the soundness, legal enforceability and timely liquidation of valuable collateral according to each country's local legal system.

Collateral management assessments and credit risk mitigation compliance verifications have been performed by the legal entities, specifically as part of internal rating system applications, in order to assess the presence of adequate documentation and procedures concerning the credit risk mitigation instruments used for supervisory capital.

According to the credit policies, collateral or guarantees can be accepted only to support loans and they cannot serve as a substitute for the borrower's ability to meet obligations. For this reason, in addition to the overall analysis of the creditworthiness and of the repayment capacity of the borrower, they are subject to specific evaluation and analysis of the support role for the repayment of the exposure.

E – Risk report (CONTINUED)

Collateral accepted in support of credit lines granted by the Group's legal entities, primarily includes real estate, both residential and commercial, guarantees and financial collateral (including cash deposits, debt securities, equities, and units of undertakings for collective investment in transferable securities (UCITS)). Further types of collateral comprise pledged goods, receivables and insurance contracts as well as other types of funded protection. The Group also makes use of bilateral netting agreements for OTC derivatives (by means of ISDA and CSA agreements), repos and securities lending.

When accepting a credit risk mitigation technique, the Group and the sub-group emphasise the importance of processes and controls of the legal certainty requirements of the protection, as well as the assessment of the suitability of the collateral or guarantee. In case of personal guarantees, the protection provider (or the protection seller in case of credit default swap) has to be assessed in order to measure his/her solvency and risk profile.

In case of collateral, the process of valuation is based on precautionary principles, with reference to the use of "market values" and to the application of adequate haircuts to take account of potentially lower proceeds and realisation costs in case of realisation.

Monitoring processes of credit risk mitigation techniques ensure that general and specific requirements established by credit policies, internal and regulatory rules are met at all times.

Banking group – Secured credit exposures to banks

(€ million)

	BALANCE AT 31 DEC. 2015							
	NET EXPOSURES	TOTAL CREDIT RISK MITIGATION	COLLATERALS			GUARANTEES		
			MORTGAGES/ PLANTS	SECURITIES	OTHER ASSETS	GOVERNMENT AND CENTRAL BANKS	BANKS	OTHER ENTITIES
Secured on-balance sheet credit exposures:								
totally secured	450	449	–	252	1	104	93	–
of which impaired	–	–	–	–	–	–	–	–
partially secured	2,554	2,066	–	1,670	4	368	23	–
of which impaired	–	–	–	–	–	–	–	–
Secured off-balance sheet credit exposures:								
totally secured	9	9	–	–	7	–	2	–
of which impaired	–	–	–	–	–	–	–	–
partially secured	1,197	480	74	1	59	16	329	–
of which impaired	*57*	*14*	*14*	–	–	–	–	–
	BALANCE AT 31 DEC. 2014							
	NET EXPOSURES	TOTAL CREDIT RISK MITIGATION	COLLATERALS			GUARANTEES		
			MORTGAGES/ PLANTS	SECURITIES	OTHER ASSETS	GOVERNMENT AND CENTRAL BANKS	BANKS	OTHER ENTITIES
Secured on-balance sheet credit exposures:								
totally secured	1,753	1,811	6	709	58	1,038	–	–
of which impaired	–	*1*	*1*	–	–	–	–	–
partially secured	3,097	1,127	–	–	629	372	125	–
of which impaired	*5*	*4*	–	–	–	*4*	–	–
Secured off-balance sheet credit exposures:								
totally secured	22	22	–	–	8	14	–	–
of which impaired	–	–	–	–	–	–	–	–
partially secured	1,666	994	–	–	556	–	436	1
of which impaired	–	–	–	–	–	–	–	–

Banking group – Secured credit exposures to customers

(€ million)

	BALANCE AT 31 DEC. 2015										
	NET EXPOSURES	TOTAL CREDIT RISK MITIGATION	COLLATERALS					GUARANTEES			
			MORTGAGES/ PLANTS	FINANCE LEASES/ PLANTS	SECURITIES	OTHER ASSETS	CREDIT DERIVATIVES	GOVERNMENT AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	OTHER ENTITIES
Secured on-balance sheet credit exposures:											
totally secured	18,315	18,315	9,032	3,669	202	3,287	–	1,145	3	376	601
of which impaired	*1,786*	*1,786*	*1,463*	*153*	*19*	*131*	–	*2*	–	*4*	*13*
partially secured	58,573	37,900	24,464	–	792	4,952	–	5,677	14	1,397	603
of which impaired	*2,607*	*1,834*	*1,386*	–	*18*	*241*	–	*157*	–	*13*	*19*
Secured off-balance sheet credit exposures:											
totally secured	2,291	2,291	661	–	13	1,112	–	88	–	110	306
of which impaired	*19*	*19*	*13*	–	–	*6*	–	–	–	–	–
partially secured	4,252	1,810	721	–	60	496	–	167	–	81	284
of which impaired	*149*	*48*	*12*	–	*1*	*19*	–	*8*	–	*8*	–
	BALANCE AT 31 DEC. 2014										
	NET EXPOSURES	TOTAL CREDIT RISK MITIGATION	COLLATERALS					GUARANTEES			
			MORTGAGES/ PLANTS	FINANCE LEASES/ PLANTS	SECURITIES	OTHER ASSETS	CREDIT DERIVATIVES	GOVERNMENT AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	OTHER ENTITIES
Secured on-balance sheet credit exposures:											
totally secured	15,478	44,371	19,720	652	594	20,008	–	1,225	14	285	1,873
of which impaired	*1,908*	*10,443*	*4,494*	*46*	*24*	*5,605*	–	*39*	–	*4*	*231*
partially secured	54,863	35,924	23,550	–	812	5,759	–	3,769	–	1,400	634
of which impaired	*2,811*	*2,230*	*1,757*	–	*23*	*283*	–	*131*	–	*22*	*14*
Secured off-balance sheet credit exposures:											
totally secured	1,924	6,458	1,310	–	24	4,498	6	95	–	59	465
of which impaired	*29*	*750*	*10*	–	–	*720*	*1*	–	–	*16*	*2*
partially secured	4,705	1,503	317	–	57	466	41	111	–	282	229
of which impaired	*192*	*90*	*43*	–	*1*	*25*	–	*13*	–	*8*	–

Credit risk methods and instruments

Very important factors in the credit approval process are a detailed assessment of risk associated with each loan exposure, and the customer's credit rating in particular. Every lending decision is based on a thorough analysis of the loan exposure, including an evaluation of all relevant factors. Following the initial loan application, the bank's loan exposures are reviewed at least once a year. If the borrower's creditworthiness deteriorates substantially, shorter review intervals are applied.

For internal credit assessment in Austria and by Bank Austria's banking subsidiaries in CEE, the bank uses various rating and scoring models – for calculating the parameters PD (probability of default), LGD (loss given default) and EAD (exposure at default) – on the basis of models specifically developed for these purposes for the customer/business segments to be assessed, in line with the various asset classes pursuant to Article 147 of theCRR, Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions. There are country-specific or region-specific models (e.g. for corporate customers, private and business customers) and Group-wide models (e.g. for sovereigns, banks, multinational corporates). The assessment of a loan exposure is based on data from the respective company's financial statements and on qualitative business factors.

The various rating and scoring models provide the basis for efficient risk management of the Bank Austria Group and are embedded in all decision-making processes relating to risk management. They are also a key factor for capital required to be held against risk-weighted assets.

Great attention is given to consistency in the presentation for supervisory purposes and the requirements of internal control.

All internal rating and scoring systems are monitored on an ongoing basis. The systems are also subject to regular validation on an annual basis, including a review to verify if the rating/scoring system provides a correct representation of the risks to be measured. All model assumptions are based on multi-year statistical averages for historical defaults and losses, with appropriate attention being given to the potential impact of turbulence in international financial markets.

In this context, credit risk stress tests, which are required by banking supervisory authorities and are carried out on a regular basis, are an essential instrument for assessing future risks in an unfavourable economic environment. Such tests enable the Management Board to assess the adequacy of regulatory capital and economic capital on the basis of different stress scenarios. Credit risk stress calculations for the entire Group are based on a credit portfolio model developed in-house and are analysed for their impact on regulatory and economic capital.

Risk-adjusted pricing and proactive risk management constantly improve the diversification and the risk/earnings ratio of the portfolio.

For real estate customers, the customer-related rating is complemented by a transaction rating.

Bank Austria uses a retail scoring system. The automated rating tool is used for assessing, monitoring and managing the large number of loan exposures to private customers, small businesses, independent professionals and small non-profit organisations. Retail scoring comprises an application scoring procedure based on effective and recognised mathematical and statistical methods, and a behaviour scoring procedure taking into account such factors as amounts received in the account and customers' payment practices. The retail scoring system provides information that is updated on a monthly basis. This gives the bank a tool for lending decisions and early recognition of risk. Automated data processing helps Bank Austria to reduce costs required for credit control while accelerating lending decisions.

Credit Treasury

Credit Treasury has two main tasks:

First, preparing and monitoring the risk-adequate pricing of loans. To ensure uniform pricing within UniCredit Group, the risk-adjusted spread is determined on the basis of multi-year probabilities of default (depending on the term of the loan), added as a price component and monitored on an ongoing basis. Such pricing rationale follows the approach defined in the Group Risk Adjusted Pricing Discipline, which was approved as a Policy in UniCredit Bank Austria AG in July 2014. The framework envisages the usage of a discounted cash flow model leveraging on multi-year probability of default as the target approach to be gradually extended across Bank Austria sub-group in accordance with the availability of multi-year risk figures and appropriate IT systems. The calculation of the risk-adjusted spread on the basis of 1-year risk figures has been approved as a valid interim approach under the supervision of UniCredit Bank Austria AG's Credit Treasury.

Second, Credit Treasury is also responsible for Bank Austria as a whole for transactions to reduce credit risk and increase liquidity. The instruments available for these purposes include securitisations, CLNs and CDSs.

The Credit Treasury Committee, which holds quarterly meetings, is responsible for strategic coordination and decisions on measures and transactions.

Provisioning process

Loans/bonds:

Special Credit managers have to review all exposures at regular intervals to see if there is a requirement for recognising an impairment loss. 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. In cases where there is a low probability of restructuring, future cash flows are calculated using the liquidation scenario. The workout unit calculates any provisioning requirement on the basis of the estimated present value of the liquidation proceeds/recovery percentage.

ABSs:

As part of a structured watchlist and impairment process for ABSs, positions are identified which are reviewed for any provisioning requirement at regular intervals. This is usually done by applying specific models, especially cash flow models. These models map the individual transaction structure and calculate a present value of estimated future cash flows. The amount of the impairment loss is the difference between the carrying amount of the ABS position and the present value of estimated future cash flows.

Enhancement of portfolio-based provisioning method

UniCredit Bank Austria AG applies a portfolio-based provisioning method ("Pauschale Einzelwertberichtigung" – PEWB) for defaulted assets grouped by similar credit risk characteristics and with no significant exposure (lower than €2 million) at counterparty level.

The PEWB provisioning requirement declined in 2015, reflecting a decrease in the underlying volume to €816.4 million (2014: €907.6 million). The following breakdowns of on-balance sheet and off-balance sheet exposures to banks and customers include not only loans and receivables but also exposures from the other IAS 39 categories and the disposal groups, for banks and customers without derivative exposures.

The provision for IBNR losses (incurred but not reported), being a parameter-based and portfolio-based provision for the performing portfolio (reflected in the table under "portfolio adjustments"), at Bank Austria reached €659 million at the end of 2015. As regards the portfolio-based provision for performing foreign-currency loans, reference is made to section E.5. – Currency risk, CHF risk.

Banking group – On-balance sheet and off-balance sheet exposure to banks: gross and net values (€ million)

	GROSS EXPOSURE							
	NON-PERFORMING ASSETS							
EXPOSURE TYPES/AMOUNTS	PAST-DUE LESS THAN 90 DAYS	PAST-DUE BETWEEN 90 AND 180 DAYS	PAST-DUE BETWEEN 180 DAYS AND 1 YEAR	PAST-DUE OVER 1 YEAR	PERFORMING ASSETS	SPECIFIC WRITEDOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURES
Balance sheet exposure								
a) Bad exposures	9	–	–	11	X	18	X	2
– of which: forborne exposures	–	–	–	–	X	–	X	–
b) Unlikely to pay	–	–	–	–	X	–	X	–
– of which: forborne exposures	–	–	–	–	–	–	–	–
c) Non-performing past-due	–	–	–	–	X	–	X	–
– of which: forborne exposures	–	–	–	–	X	–	X	–
d) Performing past-due	X	X	X	X	9	X	–	9
– of which: forborne exposures	X	X	X	X	–	X	–	–
e) Other performing exposures	X	X	X	X	33,450	X	–	33,450
– of which: forborne exposures	X	X	X	X	–	X	–	–
Total	**9**	**–**	**–**	**11**	**33,459**	**18**	**–**	**33,461**
Off-balance sheet exposure								
a) Non-performing	66	–	–	–	X	–	X	66
b) Performing	X	X	X	X	11,010	X	–	11,010
Total	**66**	**–**	**–**	**–**	**11,010**	**–**	**–**	**11,077**
TOTAL 31 DECEMBER 2015	**75**	**–**	**–**	**11**	**44,469**	**18**	**–**	**44,538**

Banking group – On-balance sheet and off-balance sheet exposure to customers: gross and net values (€ million)

	GROSS EXPOSURE							
	NON-PERFORMING ASSETS							
EXPOSURE TYPES/AMOUNTS	PAST-DUE LESS THAN 90 DAYS	PAST-DUE BETWEEN 90 AND 180 DAYS	PAST-DUE BETWEEN 180 DAYS AND 1 YEAR	PAST-DUE OVER 1 YEAR	PERFORMING ASSETS	SPECIFIC WRITEDOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURES
Balance sheet exposure								
a) Bad exposures	380	169	377	5,051	X	4,294	X	1,684
– of which: forborne exposures	137	38	75	852	X	595	X	507
b) Unlikely to pay	3,682	327	343	1,387	X	2,171	X	3,568
– of which: forborne exposures	2,037	113	222	630	X	1,158	X	1,843
c) Non-performing past-due	176	163	59	56	X	116	X	338
– of which: forborne exposures	66	75	14	2	X	32	X	126
d) Performing past-due	X	X	X	X	1,807	X	38	1,769
– of which: forborne exposures	X	X	X	X	157	X	6	151
e) Other performing exposures	X	X	X	X	136,288	X	821	135,467
– of which: forborne exposures	X	X	X	X	1,233	X	31	1,203
Total	**4,238**	**659**	**780**	**6,494**	**138,095**	**6,581**	**859**	**142,826**
Off-balance sheet exposure								
a) Non-performing	516	–	–	–	X	181	X	335
b) Performing	X	X	X	X	33,510	X	52	33,457
Total	**516**	**–**	**–**	**–**	**33,510**	**181**	**52**	**33,793**
TOTAL 31 DECEMBER 2015	**4,754**	**659**	**780**	**6,494**	**171,605**	**6,761**	**911**	**176,619**

E – Risk report (CONTINUED)

Banking group – On-balance sheet exposure to customers: gross change in non-performing exposures

(€ million)

SOURCE/CATEGORIES	CHANGES IN 2015 BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE	TOTAL
Opening balance – gross exposure	**7,570**	**4,470**	**640**	**12,680**
Sold but not derecognised	–	–	–	–
Increases	**2,484**	**3,763**	**577**	**6,824**
Transfers from performing loans	475	1,659	375	2,509
Transfers from other non-performing exposures	668	1,399	53	2,120
Other increases	1,341	706	149	2,196
Reductions	**4,077**	**2,494**	**763**	**7,334**
Transfers to performing loans	41	289	89	419
Derecognised items	974	161	8	1,143
Recoveries	613	749	53	1,415
Sales proceeds	16	28	1	45
Losses on disposals	9	2	1	12
Transfers to other non-performing exposures	1,116	580	425	2,121
Other reductions	1,308	685	187	2,180
Closing balance – gross exposure	**5,978**	**5,739**	**454**	**12,171**

Banking group – On-balance sheet exposure to customers: changes in overall impairment

(€ million)

SOURCE/CATEGORIES	CHANGES IN 2015 BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE	TOTAL
Opening gross write-downs	**5,209**	**1,471**	**137**	**6,817**
Sold but not derecognised	–	–	–	–
Increases	**1,913**	**1,657**	**187**	**3,757**
Write-downs	870	887	133	1,890
Losses on disposal	9	2	1	12
Transfers from other non-performing exposures	250	606	5	861
Other increases	784	162	47	993
Reductions	**2,828**	**957**	**208**	**3,993**
Write-backs from assessments	129	66	21	216
Write-backs from recoveries	415	341	27	783
Gains on disposal	11	–	–	11
Write-offs	974	161	8	1,143
Transfers to other non-performing exposures	520	224	117	861
Other reductions	780	163	34	977
Final gross write-downs	**4,294**	**2,171**	**116**	**6,581**

E – Risk report (CONTINUED)

Banking group – On-balance sheet and off-balance sheet credit exposure to customers by segment

(€ million)

	GOVERNMENTS			OTHER PUBLIC ENTITIES			FINANCIAL COMPANIES		
COUNTERPARTS/EXPOSURES	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS
Cash exposure									
Bad exposures	22	–	X	2	2	X	43	59	X
– of which: forborne exposures	–	–	X	–	–	X	2	5	X
Unlikely to pay	–	–	X	47	12	X	24	45	X
– of which: forborne exposures	–	–	X	41	10	X	2	11	X
Non-performing past-due exposures	1	–	X	1	1	X	–	–	X
– of which: forborne exposures	1	1	X	1	1	X	–	–	X
Performing exposures	27,077	X	5	5,628	X	4	5,560	X	18
– of which: forborne exposures	1	X	–	16	X	–	–	X	–
Total	**27,100**	**1**	**5**	**5,677**	**15**	**4**	**5,627**	**104**	**18**
Off-balance sheet exposures									
Bad exposures	–	–	X	–	–	X	–	–	X
Unlikely to pay	–	–	X	–	–	X	11	–	X
Other non-performing exposures	–	–	X	–	–	X	–	–	X
Performing exposures	452	X	–	512	X	–	2,800	X	–
Total	**452**	**–**	**–**	**512**	**–**	**–**	**2,810**	**–**	**–**
TOTAL 31 DEC. 2015	**27,552**	**1**	**5**	**6,189**	**15**	**4**	**8,437**	**104**	**18**
TOTAL 31 DEC. 2014	**24,405**	**–**	**2**	**6,658**	**13**	**5**	**9,523**	**95**	**35**

	INSURANCE COMPANIES			NON-FINANCIAL COMPANIES			OTHER ENTITIES		
COUNTERPARTS/EXPOSURES	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS
Cash exposure									
Bad exposures	–	–	X	923	3,202	X	695	1,030	X
– of which: forborne exposures	–	–	X	285	395	X	221	196	X
Unlikely to pay	–	–	X	3,340	1,972	X	157	142	X
– of which: forborne exposures	–	–	X	1,729	1,080	X	72	57	X
Non-performing past-due exposures	–	–	X	221	41	X	114	74	X
– of which: forborne exposures	–	–	X	103	22	X	20	8	X
Performing exposures	81	X	–	85,812	X	588	13,078	X	243
– of which: forborne exposures	–	X	–	1,195	X	27	142	X	9
Total	**81**	**–**	**–**	**90,296**	**5,216**	**588**	**14,045**	**1,246**	**243**
Off-balance sheet exposures									
Bad exposures	–	–	X	57	22	X	3	6	X
Unlikely to pay	–	–	X	260	82	X	2	71	X
Other non-performing exposures	–	–	X	1	–	X	1	–	X
Performing exposures	19	X	–	28,713	X	47	960	X	4
Total	**19**	**–**	**–**	**29,033**	**104**	**47**	**966**	**77**	**4**
TOTAL 31 DEC. 2015	**100**	**–**	**–**	**119,328**	**5,320**	**635**	**15,011**	**1,322**	**248**
TOTAL 31 DEC. 2014	**47**	**–**	**15**	**113,353**	**5,421**	**566**	**21,110**	**1,461**	**110**

Securitisation transactions

Qualitative information

The Group's main objectives in its securitization transactions (whether traditional or synthetic) are the optimisation of the loan portfolio by freeing up regulatory and economic capital and obtaining fresh liquidity together with greater diversification of its sources of funding.

The difficult economic environment of the last years suggested also the opportunity to improve, where possible, the usage of securitization schemes as a tool to support the origination of new loans by leveraging on specialised investors, like supranationals, able to provide protection for newly originated portfolios complying with certain pre-agreed eligibility criteria.

Analysis and realisation of securitisation transactions are carried out within the parent in close cooperation with the legal entities involved and with UniCredit Bank Austria AG as Arranger and Investment Bank. This process requires an economic feasibility study to assess the impact of transactions (according to their nature and aims), on regulatory and economic capital, on risk-adjusted profitability measures and on the level of the Group's liquidity. If this initial phase produces a positive result, a technical and operational feasibility study is carried out to identify the assets to be securitised and design the structure of the transaction. Once technical feasibility has been established, the transaction is realised.

In 2015 a new synthetic securitisation ("AMADEUS 2015") was implemented in UniCredit Bank Austria AG for RWA relief and risk transfer purposes. It covers an existing portfolio of loans and guarantees granted to corporate clients.

Furthermore, UniCredit Leasing (Austria) GmbH originated a traditional securitisation for funding purposes with auto and equipment receivables ("SUCCESS 2015").

Regarding synthetic securitisations affecting loans to be newly originated, in two subsidiaries of the CEE Division (UniCredit Bulbank AD and UniCredit Tiriac Bank SA), the volume under the European Investment Fund's JEREMIE programme continued to increase.

Details of the transactions are set out in the following tables.

With regard to investment in other parties' securitisations, i.e. structured credit products, these instruments were ring-fenced in a separate portfolio managed with a view to maximising future cash flow.

Given the asset quality of the underlyings, the best business strategy was considered to be retention in the bank's books.

In line with the above management principles, risk monitoring and maximising profit on securitisation transactions is achieved by:

- analysing the monthly or quarterly investor reports produced by the Trustee, paying special attention to the performance of the collateral;
- monitoring similar transactions' collateral performance and issues of similar paper;
- watching the market fundamentals of the underlying credit and
- staying in constant contact with the investors and, where collateral is managed, with the managers and analysts of the Collateral Manager.

Furthermore each portfolio is assigned a market VaR limit by Risk Management. This is monitored bearing in mind the correlations. The Group has spread curves for each rating and product (asset-backed securities, mortgage-backed securities, etc.) and uses them to calculate risk, in the same way as other instruments in its portfolio. The method used is in line with other sources of market risk, and enables us to estimate the possible effects of diversification and to aggregate the VaR with other sections of the portfolio.

Further details are given in the following section "Information on structured credit products and trading derivatives with customers".

E – Risk report (CONTINUED)

Originator: UniCredit Bank Austria AG

NAME	**AMADEUS 2015**	
Type of securitisation:	Synthetic	
Originator:	UniCredit Bank Austria AG	
Issuer:	–	
Servicer:	UniCredit Bank Austria AG	
Arranger:	UniCredit Bank AG	
Target transaction:	Risk Transfer and RWA relief	
Type of asset:	Loans and Guarantees granted to SMEs	
Quality of asset:	Performing	
Closing date:	21 December 2015	
Nominal value of disposal portfolio:	1,964,785,123 € (of which securitised 1,866,545,867 €, corresponding to 95 % of the portfolio)	
Net amount of preexisting writedown/writebacks :	–	
Disposal Profit & Loss realized :	–	
Guarantees issued by the Bank:	–	
Guarantees issued by Third Parties:	–	
Bank lines of credit:	–	
Third Parties lines of credit:	–	
Other credit enhancements:	–	
Other relevant information:	–	
Rating agencies:	–	
Amount of CDS or other supersenior risk transferred:	(*)	
Amount and Conditions of tranching:	–	
ISIN	n. m.	n. m.
Type of security	**Senior**	**Mezzanine**
Class	A	B
Rating	not rated	not rated
Quotation	–	–
Issue date	21 December 2015	21 December 2015
Legal maturity	30 November 2028	30 November 2028
Call option	10 % Clean Up Call	10 % Clean Up Call
Expected duration	–	–
Rate	–	–
Subordinated level	–	Sub A
Reference Position	1,731,221,292 €	41,997,282 €
Reference Position at the end of accounting period	1,424,601,725 €	41,997,282 €
Security subscribers	UniCredit Bank Austria AG	hedged by protection seller

E – Risk report (CONTINUED)

Originator: UniCredit Bank Austria AG

ISIN	n. m.
Type of security	**Junior**
Class	C
Rating	not rated
Quotation	–
Issue date	21 December 2015
Legal maturity	30 November 2028
Call option	10% Clean Up Call
Expected duration	–
Rate	–
Subordinated level	Sub A and B
Reference Position	93,327,293 €
Reference Position at the end of accounting period	93,327,293 €
Security subscribers	hedged by protection seller
Distribution of securitised assets by area:	
Italy – Northwest	–
– Northeast	–
– Central	–
– South and Islands	–
Other European Countries – EU countries	1,866,545,867 €
– non-EU countries	–
America	–
Rest of the World	–
TOTAL	**1,866,545,867 €**
Distribution of securitised assets by business sector of the borrower:	
Governments	–
Other government agencies	–
Banks	–
Finance companies	–
Insurance companies	–
Non-financial companies	1,866,545,867 €
Other entities	–
TOTAL	**1,866,545,867 €**

*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach – SFA") as required by article 262 of Regulation (EU) n. 575/2013 (Capital Requirements Regulation – CRR), and earlier by circular 263/2006 of the Bank of Italy.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art. 259 1. b) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with art. 262, taking care to provide the following five elements:

1. the capital requirement on the securitized assets calculated using the IRB approach (kIRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

E – Risk report (CONTINUED)

Originator: UniCredit Leasing (Austria) GmbH

NAME	SUCCESS 2015	
Type of securitisation:	Traditional	
Originator:	UNICREDIT LEASING (AUSTRIA) GMBH	
Issuer:	SUCCESS 2015 B.V.	
Servicer:	UNICREDIT LEASING (AUSTRIA) GMBH	
Arranger:	UNICREDIT BANK AG	
Target transaction:	Funding	
Type of asset:	Leasing Assets (Vehicle and Equipment)	
Quality of asset:	Performing Loans	
Closing date:	11 September 2015	
Nominal value of disposal portfolio:	325,300,000 €	
Net amount of preexisting writedown/writebacks :	–	
Disposal Profit & Loss realized :	–	
Portfolio disposal price:	325,300,000 €	
Guarantees issued by the Bank:	–	
Guarantees issued by Third Parties:	–	
Bank lines of credit:	–	
Third Parties lines of credit:	–	
Other credit enhancements:	Subordinated Loan 4,618,000 €	
Other relevant information:		
Rating agencies:	Fitch & DBRS	
Amount of CDS or other supersenior risk transferred:	–	
Amount and Conditions of tranching:		
ISIN	XS1317727698	XS1317727938
Type of security	**Senior**	**Junior**
Class	A	B
Rating	AAA	not rated
Quotation	listed Luxembourg Stock Exchange	not listed
Issue date	11 September 2015	11 September 2015
Legal maturity	31 October 2029	31 October 2029
Call option	10% clean up call	
Expected duration	6 Years	6 Years
Rate	3M Euribor + 0.47%	3M Euribor + 2%
Subordinated level	–	sub A
Reference Position	230,900,000 €	94,400,000 €
Reference Position at the end of accounting period	230,900,000 €	94,400,000 €
Security subscribers	European Investment Bank	UniCredit Leasing (Austria) GmbH
Distribution of securitised assets by area:		
Italy – Northwest	–	
– Northeast	–	
– Central	–	
– South and Islands	–	
Other European Countries – EU countries	325,300,000 €	
– non-EU countries	–	
America	–	
Rest of the World	–	
TOTAL	**325,300,000 €**	
Distribution of securitised assets by business sector of the borrower:		
Governments	–	
Other government agencies	7,457,460 €	
Banks	–	
Finance companies	–	
Insurance companies	–	
Non-financial companies	230,389,377 €	
Other entities	87,453,163 €	
TOTAL	**325,300,000 €**	

Originator: UniCredit Bulbank AD

NAME	EIF JEREMIE	
Type of securitisation:	Synthetic – First loss Portfolio Guarantee	
Originator:	UniCredit Bulbank AD (“UniCredit Bulbank”)	
Issuer:	European Investment Fund (“EIF”)	
Servicer:	UniCredit Bulbank	
Arranger:	UniCredit Bulbank	
Target transaction:	Capital Relief and Risk Transfer	
Type of asset:	Highly diversified and granular pool of UniCredit Bulbank's SME loans	
Quality of asset:	Performing	
Closing date:	14 July 2011	
Nominal value of disposal portfolio:	72,590,628 €	
Guarantees issued by the Bank:	–	
Guarantees issued by Third Parties:	First Loss Portfolio Guarantee issued by EIF	
Bank lines of credit:	–	
Third Parties lines of credit:	–	
Other credit enhancements:	–	
Other relevant information:	• The portfolio is in the ramp-up period until 30 June 2016. • The agreed portfolio maximum volume is equal to 85,000,000 €. • The guarantee covers 80% of each outstanding loan up to a total amount equal to 25% of the portfolio volume.	
Rating agencies:	No rating agency, use of Standardized Approach (*)	
Amount of CDS or other supersenior risk transferred:		
Amount and Conditions of tranching:		
ISIN	n.a	n.a
Type of security	**Senior**	**Junior**
Class	A	B
Rating	n.r.	n.r.
Reference Position	43,554,377 €	14,518,126 €
Reference Position at the end of accounting period	43,554,377 €	14,518,126 €
Distribution of securitised assets by area:		
Italy – Northwest	–	
– Northeast		
– Central		
– South and Islands		
Other European Countries – EU countries	72,590,628 €	
– non-EU countries	–	
America	–	
Rest of the World	–	
TOTAL	**72,590,628 €**	
Distribution of securitised assets by business sector of the borrower:		
Governments	–	
Other government agencies	–	
Banks	–	
Finance companies	–	
Insurance companies	–	
Non-financial companies	72,590,628 €	
Other entities	–	
TOTAL	**72,590,628 €**	

(*) Synthetic securitization carried out using the Standardized Approach as required under Basel II.
Where there is no eligible external rating, the Bank that holds or guarantees such an exposure may determine the risk weight by applying the “look through” treatment, provided the composition of the underlying pool is known at all times. The unrated most senior position receives the average risk weight of the underlying exposures subject to supervisory review. Where the Bank is unable to determine the risk weights assigned to the underlying credit risk exposures, the unrated position must be deducted from regulatory capital.

E – Risk report (CONTINUED)

Originator: UniCredit Bank SA

NAME	EIF JEREMIE	
Type of securitisation:	Synthetic – First loss Portfolio Guarantee	
Originator:	UniCredit Bank SA ("UniCredit Romania")	
Issuer:	European Investment Fund ("EIF")	
Servicer:	UniCredit	
Arranger:	UniCredit	
Target transaction:	Capital Relief and Risk Transfer	
Type of asset:	Highly diversified and granular pool of UniCredit Tiriac's SME loans	
Quality of asset:	Performing	
Closing date:	12 December 2011	
Nominal value of disposal portfolio:	85,621,575 €	
Guarantees issued by the Bank:	–	
Guarantees issued by Third Parties:	First Loss Portfolio Guarantee issued by EIF	
Bank lines of credit:	–	
Third Parties lines of credit:	–	
Other credit enhancements:	–	
Other relevant information:	• The portfolio was into the ramp–up period until 30 June 2015 • The agreed portfolio maximum volume is equal to 87,500,000 €. • The guarantee covers 80% of each outstanding loan up to a total amount equal to 25% of the portfolio volume	
Rating agencies:	No rating agency	
Amount of CDS or other supersenior risk transferred:		
Amount and Conditions of tranching:		
ISIN	n.a	n.a
Type of security	**Senior**	**Junior**
Class	A	B
Rating	n.r.	n.r.
Reference Position	51,372,945 €	17,124,315 €
Reference Position at the end of accounting period	51,372,945 €	17,124,315 €
Distribution of securitised assets by area:		
Italy – Northwest	–	
– Northeast		
– Central		
– South and Islands		
Other European Countries – EU countries	85,621,575 €	
– non-EU countries	–	
America	–	
Rest of the World	–	
TOTAL	**85,621,575 €**	
Distribution of securitised assets by business sector of the borrower:		
Governments	–	
Other government agencies	–	
Banks	–	
Finance companies	–	
Insurance companies	–	
Non-financial companies	85,621,575 €	
Other entities	–	
TOTAL	**85,621,575 €**	

E.10 – Operational risk

UniCredit Bank Austria AG has used the AMA since the beginning of 2008. A revised AMA model for operational risk capital calculation, approved in July 2014 by Banca d'Italia and all local regulators of UniCredit Group subsidiaries using the AMA, has been used since the third quarter of 2014.

Austrian subsidiaries

Schoellerbank and UniCredit Leasing Austria GmbH apply the AMA in the area of operational risk.

CEE subsidiaries

In the reporting period, approval for the use of the AMA in the area of operational risk was available for the banking subsidiaries in the Czech Republic and Slovakia, Hungary, Slovenia, Croatia, Bulgaria and Romania.

Implementation of disclosure requirements pursuant to the Capital Requirements Regulation (CRR)

Within UniCredit Group, comprehensive disclosure (under the Pillar 3 disclosure requirements pursuant to the CRR) is carried out by the parent company UniCredit on its website, based on the consolidated financial position in its function as EEA parent bank of Bank Austria. Bank Austria is a significant subsidiary pursuant to Article 13 of the CRR and, for the 2015 financial year, discloses information regarding its capital resources ("own funds", Article 437 of the CRR), capital requirements (Article 438 of the CRR), credit risk adjustments (Article 442 of the CRR), remuneration policy (Article 450 of the CRR), leverage ratio (Article 451 of the CRR) and use of credit risk mitigation techniques (Article 453 of the CRR).

The disclosure by Bank Austria is available at its website www. bankaustria. at/Investor Relations/Disclosure according to Basel 2 and 3 (CRR).

Operational risk (OpRisk) is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events (including legal risks). For example, compensation paid to customers for incorrect/inadequate product-related advice, IT system failures, damage to property, processing errors or fraud are subject to accurate and consolidated risk measurement and management (collection of loss data, external data, scenarios, indicators), on which the calculation of capital to be held for operational risk is based.

Loss data are collected, and processes are optimised, in close coordination and cooperation with other departments and units including Internal Audit, the Compliance Office, Legal Affairs, ICT & Security Management and the insurance sector. Over the years, UniCredit Bank Austria AG has taken numerous measures in the various divisions to manage and reduce operational risk. Thus data security measures, measures to ensure the confidentiality and integrity of stored data, access authorisation systems, the two-signatures principle, and a large number of monitoring and control processes as well as staff training programmes have been implemented among other measures.

In line with other types of risk, UniCredit Bank Austria AG – like UniCredit – has built up a decentralised operational risk management framework based on representatives within divisions and at banking subsidiaries – Divisional OpRisk Managers (DORM) and OpRisk Managers – in addition to central operational risk management. While the main task of central risk management is to define the methods used and to perform risk measurement and analysis, decentralised risk managers are responsible for taking measures to reduce, prevent, or take out insurance against, risks.

- The following areas were a focus of activities in 2015: extended scenario process with detailed documentation of underlying risks and the potential impact of losses and risk-mitigating measures as a basis for the adapted AMA approach, which has been used in UniCredit Group since it was approved in 2014; preparing and acceptance regarding a risk-sensitive approach to apportioning the operational risk capital requirement within the UniCredit Bank Austria sub-group; implementing the "OpRisk Assessments for Relevant Transactions" to assess operational risk in quantitative and qualitative terms with regard to relevant transactions in connection with outsourcing, insourcing, mergers and acquisitions, business expansion and organisational changes in the Bank Austria sub-group; implementing the OpRisk ICT Risk Assessment Framework to assess critical ICT bank processes in UniCredit Bank Austria AG; reviewing the Operational Risk Appetite Framework: a pilot project was carried out to convert operational risk net loss limit monitoring to "simplified ELOR (Expected Loss on Revenues)"; analysing, collecting and classifying operational risk events relating to credit risk, and reporting them at meetings of the Bank Austria Operational & Reputational Risk Committee.

- In CEE, the focus was on addressing the findings from local regulatory AMA reviews performed at banking subsidiaries in 2014 as part of the AMA review of UniCredit by the ECB, and on further expanding the strategy process for the targeted reduction of existing core risks at all strategically relevant banking subsidiaries, which are identified on the basis of analyses of various factors including business strategies, loss events, KRIs, scenarios, projects and new products. These risks are to be linked with potential and existing risk-reducing measures and integrated in operational risk monitoring using risk indicators.

Overall, the organisation of operational risk management at UniCredit Bank Austria AG is well established at a high level of quality. A network of independent functions and teams are involved in managing and controlling risks, providing the Management Board with sufficient information on the risk situation and enabling the Management Board to manage risk.

The task of dealing with operational risk issues is performed by a separate Operational & Reputational Risk Committee (OpRRiCo), whose meetings are held on a quarterly basis and are attended by the Chief Risk Officer, the Head of Strategic Risk Management & Control, the Head of Operational Risk Management, Compliance, Internal Audit, the Divisional Operational Risk Managers and OpRisk representatives of CEE banking subsidiaries. The Committee is a major step towards integrating operational risk in the bank's processes; its main tasks are to report on current operational risk issues and developments, to approve operational risk-relevant documents, to report losses and serve as a body to which unresolved issues are referred.

In 2016 activities with regard to operational risk will focus on:
- integrating OpRisk risk strategy issues for 2016 and monitoring by reference to key performance indicators in the Permanent Work Group.;
- further developing the new approach to monitoring OpRisk exposures on the basis of Expected Loss on Revenues (ELOR), a key indicator which will replace the OpRisk "Simplified ELOR" from 2016;
- supporting the units in preparing and carrying out regulatory reviews in cooperation with UniCredit Group;
- supporting the implementation of the OpRisk ICT Risk Assessment Framework for assessing critical ICT bank processes at large and medium-sized CEE legal entities of the Bank Austria sub-group;
- analysing the collection and classification of operational risk events relating to credit risk.

Detailed information on operational risk in Russia and Ukraine is given in section E.2 Major risks in Central and Eastern Europe.

E.11 – Reputational risk

UniCredit Group has identified reputational risk as the current or future risk of a decline in profits as a result of a negative perception of the Bank's image by customers, counterparties, shareholders, investors, employees or regulators.

Operational & Reputational Risk, a separate unit within the CRO management function, has been entrusted with strategic management and monitoring of reputational risk since 2012.

Reputational risk activities in 2015 focused mainly on the continuation of providing support to CEE legal entities in further implementing and expanding structures, policies and training, on monitoring and reporting cases of reputational risk and trends with regard to relevant topics, and on enhancing awareness of reputational risk management through training activities within UniCredit Bank Austria AG and in CEE. Three additional reputational risk policies for specific industries were implemented within UniCredit Bank Austria AG and rolled out at CEE banking subsidiaries.

E.12 – Business risk

Business risk is defined as unexpected adverse changes in business volume and / or margins which cannot be attributed to other types of risk. Adverse impacts of such changes on profitability result mainly from a significant deterioration in market conditions, changes in the competitive position or customer behaviour, and from changes in the legal environment.

Business risk measurement thus measures the influence of external factors on a decline in profits and the effect on the market value.

As part of general income and cost management, operational management of business risk is the responsibility of the individual business units.

E.13 – Financial investment risk and real estate risk

In dealing with risks arising from the bank's shareholdings and equity interests, Bank Austria takes into account potential market price fluctuations in its equity holdings in listed and unlisted companies.

Not included are equity interests in consolidated subsidiaries of the Group because risks associated with such companies are determined and recorded under the various other risk types. The portfolio includes various strategic investments; real estate holding companies are taken into account in real estate risk.

Financial investment risk and real estate risk are covered by a value-at-risk approach under the ICAAP.

E.14 – Legal risks

We generally do not make provisions to the extent it is not possible to reliably predict the outcome of proceedings or to quantify possible losses. In cases where it is possible to estimate in a reliable manner the amount of the possible loss and such loss is deemed probable, we have made provisions in amounts we deem appropriate in light of the particular circumstances and in accordance with applicable accounting principles.

Termination of the internal service regulation concerning "BA-CA-ASVG" pension benefits equivalent to those under mandatory insurance pursuant to the Austrian General Social Insurance Act (Allgemeines Sozialversicherungsgesetz – ASVG)

Detailed information is given in sections A.2 and A.6.8.1.

Legal risks for which provisions have been made

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

Madoff
Background
In March 2009 Bernard L. Madoff ("Madoff"), former chairman of the NASDAQ Exchange and owner of Bernard L. Madoff Investment Securities LLC ("BLMIS"), pled guilty to operating what has been described as a Ponzi scheme, for which he was sentenced to 150 years in prison. In December of 2008, a bankruptcy administrator (the "SIPA Trustee") for the liquidation of BLMIS was appointed in accordance with the U.S. Securities Investor Protection Act of 1970.

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

- UniCredit Bank Austria AG was, from inception until mid-2007, the owner of founder shares of the Primeo Fund Ltd., a Cayman fund now in Official Liquidation ("Primeo"), which had an account at BLMIS.
- BA Worldwide Fund Management Ltd ("BAWFM"), an indirect subsidiary of UniCredit Bank Austria AG, had been Primeo's investment advisor. BAWFM also performed for some time investment advisory functions for Thema International Fund plc ("Thema"), and Alpha Prime Fund Ltd. ("Alpha Prime"), both non-U.S. funds that had accounts at BLMIS.
- Some UniCredit Bank Austria AG customers purchased shares in Primeo funds that were held in their accounts at UniCredit Bank Austria AG.
- UniCredit Bank Austria AG owned a 25 percent stake in Bank Medici AG ("Bank Medici"), a defendant in certain proceedings described below.
- UniCredit Bank Austria AG acted in Austria as the "prospectus controller" under Austrian law in respect of Primeo and the Herald Fund SPC ("Herald"), a non-U.S. fund that had an account at BLMIS.
- UniCredit Bank AG (then Hypo- und Vereinsbank AG ("HVB")) issued notes whose return was to be calculated by reference to the performance of a synthetic hypothetical investment in Primeo.

Austrian civil proceedings

Investors in the Primeo and Herald Madoff feeder funds have brought numerous civil proceedings, of which 128 with a claimed amount totaling €40 million plus interest remain. The claims in these proceedings are either that UniCredit Bank Austria AG breached certain duties regarding its function as prospectus controller, or that UniCredit Bank Austria AG improperly advised certain investors (directly or indirectly) to invest in those funds or a combination of these claims. The Austrian Supreme Court has issued 13 final decisions with respect to prospectus liability claims asserted in the legal proceedings. With respect to claims related to the Primeo feeder funds, all 9 final Austrian Supreme Court decisions have been in favour of UniCredit Bank Austria AG. With respect to the Herald feeder funds, the Austrian Supreme Court has ruled three times with respect to prospectus liability, once in favour of UniCredit Bank Austria AG and twice in favour of the claimant. In a prospectus liability case with Primeo and Herald investments the Austrian Supreme Court recently ruled in favour of UniCredit Bank Austria AG. The Austrian Supreme Court issued one further Herald decision in favour of UniCredit Bank Austria AG and remanded the case to the Court of Appeal. While we cannot predict with certainty the impact of these decisions on the remaining Herald cases, future rulings may be adverse to UniCredit Bank Austria AG.

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

Austrian criminal proceedings

UniCredit Bank Austria AG has been named as a defendant in criminal proceedings in Austria which concern the Madoff case. These complaints allege, amongst other things, that UniCredit Bank Austria AG breached provisions of the Austrian Investment Fund Act as prospectus controller of the Primeo fund and certain tax issues. On the tax issues the tax authorities confirmed in a final report in April 2015 that all taxes had been correctly paid. The criminal proceedings are still at the pre-trial stage. In August 2015 the Public Prosecutor sent a questionnaire, asking for a list of documents. The requested documents have been submitted.

Proceedings in the United States

Purported Class Actions

UniCredit Bank Austria AG, UniCredit S.p.A., PAI and Pioneer Global Asset Management S.p.A. ("PGAM"), a UniCredit S.p.A. subsidiary, were named among some 70 defendants in three putative class action lawsuits filed in the United States District Court for the Southern District of New York (the "Southern District") between January and March 2009 by purported representatives of investors in the Herald fund, the Primeo funds and the Thema fund, which were invested, directly or indirectly, in BLMIS. Plaintiffs principally alleged that the defendants should have discovered Madoff's fraud, and the Herald case asserted violations of the United States Racketeer Influenced and Corrupt Organizations Act ("RICO"), demanding some $2 billion in damages, which plaintiffs sought to treble under RICO. Plaintiffs in the three class actions also sought damages in unspecified amounts and other relief.

On November 29, 2011, the Southern District dismissed all three putative class actions on grounds, with respect to UniCredit S.p.A., PGAM, PAI and UniCredit Bank Austria AG, that the United States was not a convenient forum for resolution of plaintiffs' claims. That decision was upheld on appeal by the United States Court of Appeals for the Second Circuit (the "Second Circuit") and then was further appealed to the United States Supreme Court (the "Supreme Court"). On March 30, 2015, the Supreme Court denied the appeal. After denial by the Supreme Court, Thema and Herald moved to have the Second Circuit recall its mandate in this matter. The Second Circuit denied those motions by order dated June 19, 2015. All dismissals in the class actions are now final.

Claims by the SIPA Trustee

In December 2008, a bankruptcy administrator (the "SIPA Trustee") for the liquidation of BLMIS was appointed in accordance with the U.S. Securities Investor Protection Act of 1970 (SIPA). In December 2010, the SIPA Trustee filed two cases (the "HSBC" and the "Kohn" case) in the United States Bankruptcy Court in the Southern District of New York (the "Bankruptcy Court") against several dozen defendants, including UniCredit Bank Austria AG, UniCredit S.p.A., PAI, PGAM, BAWFM, Bank Austria Cayman Islands, and certain currently or formerly affiliated persons, as well as Bank Medici. Both cases were later removed to the non-bankruptcy federal trial court, i.e., the Southern District.

Kohn Case

In the Kohn case, the SIPA Trustee made claims against more than 70 defendants, including UniCredit Bank Austria AG, UniCredit S.p.A., PGAM, BAWFM, Bank Austria Cayman Islands, certain current or formerly affiliated persons and Bank Medici. Three categories of claims were advanced: "claw-back" or avoidance claims, common law claims and RICO violations. On November 26, 2014, the SIPA Trustee voluntarily dismissed without prejudice and effective immediately certain defendants (and all claims against them) from the Kohn case, including UniCredit S.p.A., UniCredit Bank Austria AG, PGAM, BAWFM, Bank Austria Cayman Islands and the current or formerly affiliated persons. The case remains pending against certain other defendants not affiliated with UniCredit S.p.A. or its affiliated entities.

HSBC Case

In the HSBC case, the SIPA Trustee made claims against some 60 defendants, including UniCredit Bank Austria AG, UniCredit S. p. A., BAWFM, PAI, certain current or formerly affiliated persons and Bank Medici. Two categories of claims were advanced: "claw-back" or avoidance claims against certain defendants on a joint and several basis, including the abovementioned, alleged to be in excess of $2 billion; and common law claims in unspecified amounts (said to exceed several billion dollars), including aiding and abetting BLMIS's breach of fiduciary duty and BLMIS's fraud.

The common law claims were dismissed by the Southern District on July 28, 2011. That decision was upheld on appeal by the Second Circuit, a further request for review by the Supreme Court was also rejected, and no further appeals are pending.

The SIPA Trustee voluntarily dismissed the avoidance claims against UniCredit Bank Austria AG without prejudice, and the dismissal was approved by the court on July 22, 2015.

The SIPA Trustee, however, continues to assert avoidance claims against BAWFM, which is therefore participating in a request to dismiss made by defendants in the Madoff proceedings on grounds that the relevant avoidance provisions of the United States Bankruptcy Code do not have extraterritorial application. That request is being briefed and remains pending.

The current or formerly affiliated persons named as defendants in the HSBC case, who had not been previously served, have now been served. The current or formerly affiliated persons may have similar defenses to the claims as UniCredit Bank Austria AG and its affiliated entities, and may have rights to indemnification from those parties.

Claims by SPV Optimal SUS Ltd. and by SPV OSUS Ltd.

UniCredit Bank Austria AG and certain of its affiliates – UniCredit S. p. A., BAWFM, PAI – have been named as defendants, together with approximately 40 other defendants, in a lawsuit filed in the Supreme Court of the State of New York, County of New York, on December 12, 2014, by SPV OSUS Ltd. The complaint asserts common law based claims in connection with the Madoff Ponzi scheme, principally that defendants aided and abetted and/or knowingly participated in Madoff's scheme. The case is brought on behalf of investors in BLMIS and claims damages in an unspecified amount. The action filed by SPV OSUS Ltd. is in the initial stages.

Certain legal developments in CEE arising out of disputes relating to foreign currency loans

In Central and Eastern Europe, in the last decade, a significant number of customers took out loans and mortgages denominated in a foreign currency (FX). In a number of instances customers – or consumer associations acting on their behalf – have sought to renegotiate the terms of such FX loans and mortgages, including having the loan principal and associated interest payments redenominated in the local currency at the time the loan was taken out, and floating rates retrospectively changed to fixed rates. This is resulting in litigation against subsidiaries of UniCredit Bank Austria AG in a number of countries including Hungary and Serbia.

In **Hungary**, a Supreme Court decision on 16 June 2014 to ensure uniformity of judicial decisions regarding loans made to consumers in a foreign currency established the following principles:

- foreign currency exchange rate risk is to be borne by the consumer unless the consumer was misinformed about the risk
- whether a unilateral change (e. g. to a rate) is unfair and therefore invalid must be assessed on a case by case basis
- applying a different exchange rate for repayments of the loan from that used when the loan was made is unfair and therefore unenforceable and the difference must be repaid to consumers

In addition, on 4 July 2014 legislation was passed which amended the above decision and also extended it to apply not only to foreign currency based loans but also to domestic currency consumer loans and leasing contracts. Building on the above Supreme Court decision, the legislation established a rebuttable presumption that terms allowing unilateral changes to consumer contracts are unfair and therefore unenforceable. It is for the lender to rebut the presumption. In addition, for loans based on foreign currency, the law requires the substitution of the foreign exchange rate applied by the lender with the midmarket rate of the Hungarian Central Bank (unless the lender used its own midmarket rate). UniCredit Bank Hungary Zrt – just like any other of its peers having the final court decision on the case – was not able to rebut the presumption of unfairness.

The financial settlement with clients had to be executed gradually based on the detailed regulations of the Hungarian Central Bank. In November 2014 Hungary's parliament approved further laws in relation to the comprehensive settlement of households' loans. The act on conversion forces banks to convert foreign-currency home loans to forint and impose pricing limits for fresh lending. The bill on "fair banking" prescribes criteria under which banks can offer household credit in future. The above-mentioned financial settlement and the conversion of mortgages in the case of foreign-currency-based loans were made at the end of March 2015.

The conversion of foreign-currency mortgages was based on the central bank's official forint rate on 7 November 2014 which was 308.97 forints per euro and 256.6 forints per Swiss franc, or the average exchange rate between 16 June and 7 November 2014. The new forint loans, tied to the three-month Budapest interbank rate, or Bubor, may carry a margin of as much as 4.5 percentage points for mortgages and a maximum of 6.5 percentage points for home equity loans.

Under the fair banking bill, banks can only extend retail credit that carries fixed interest rates or fixed interest-rate margins over a set benchmark, for loans with a maximum maturity of three years.

In **Serbia** the association of users of banking services "Currency" has filed a class action against three banks in connection with up to 10,000 contracts on loans in CHF. UniCredit Bank Serbia JSC is not among the three defendants. The Primary Court has rejected this claim as inadmissible. On 22 October 2014 the Appeal Court issued a decision confirming the partial decision of the first instance court by which an article of the banks' loan agreement is null. In further court proceedings the first instance court will decide on the amount of money which the banks will be obliged to return to the clients (the plaintiff). Even though this court decision is not a precedent for other cases, it might influence other judges to decide in the same way.

The Group has made provisions of €10 million for legal disputes in connection with foreign currency loans in Hungary and Serbia.

For the effects of legal developments on the CHF portfolio and on loan loss provisions in **Croatia** see section E.9 – Credit risk.

Alpine Holding GmbH

Alpine Holding GmbH (a limited liability company) issued a bond in every year from 2010 to 2012. In the years 2010 and 2011, UniCredit Bank Austria AG acted as Joint Lead Manager, each year together with another bank. In June/July 2013, Alpine Holding GmbH and Alpine Bau GmbH became insolvent and bankruptcy proceedings began. Numerous bondholders then started to send letters to the banks involved in the issuance of the bonds, specifying their demands. At least as far as UniCredit Bank Austria AG is concerned, bondholders substantiated their claims mainly by referring to prospectus liability of the Joint Lead Managers and only in a minority of cases also to bad investment advice by the banks which sold the bonds to their customers. At this time, civil proceedings including three class actions filed by the Federal Chamber of Labour (with the claimed amount totalling about €21 million) have been initiated by investors in which UniCredit Bank Austria AG, among other banks, has been named as defendant. The key aspect is prospectus liability. These civil proceedings are mainly pending in the first instance. No judgments have been issued so far against UniCredit Bank Austria AG. In three first-instance proceedings on the prospectus liability of the Joint Lead Managers the court dismissed the claim for want of prospectus causality, the first of these judgments became final, the second was confirmed by the court of appeal and the third was appealed. In addition to the foregoing proceedings against UniCredit Bank Austria AG stemming from the Alpine insolvency, additional Alpine-related actions have been threatened and may be filed in the future by investors and/or a consumer protection agency/the Chamber of Labour. The pending or future actions may have negative consequences for UniCredit Bank Austria AG. UniCredit Bank Austria AG intends to defend itself vigorously against these claims. At this stage, it is not possible to estimate reliably the timing and results of the various actions, nor determine the level of responsibility, if any responsibility exists.

Initiative of administrative penalty proceedings referring to Anti Money Laundering

The Austrian Financial Market Authority (Finanzmarktaufsicht, "FMA") suspects UniCredit Bank Austria AG to have infringed the regulations on combating money laundering and financing of terrorism in connection with two customers. If the FMA concludes that UniCredit Bank Austria AG has violated these regulations, UniCredit Bank Austria AG would have to pay a fine according to Section 99d of the Austrian Banking Act (Bankwesengesetz, "BWG"). From a current perspective, it cannot be predicted whether UniCredit Bank Austria AG will be sanctioned by the FMA in this case and if a sanction is imposed, how high the fine will be. Also, UniCredit Bank Austria AG could take legal action if such a fine is imposed.

Legal risks for which provisions have not yet been made

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

Valauret S.A.

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

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

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

Istraturist Umag d.d.

In 2014 Zagrebačka banka d.d. closed a sale and purchase agreement whereby its stake in its former subsidiary Istraturist Umag d.d. was sold. Under the terms of the transaction a specific seller's warranty was agreed in relation to the litigations pending between Istraturist Umag d.d. and Nova Ljubljanska Banka dd.

Several court proceedings involving Nova Ljubljanska Banka dd ("NLJB"), Ljubljanska Banka d.d. ("LJB") and Istraturist Umag d.d. ("Istraturist") are pending. These arise out of the fact that in 1993 Istraturist notified LJB that it was setting off its own credit commitments to LJB in the sum of €15.8 million (originally DEM 31 million) against LJB's commitments to it in the same amount, effectively reducing the position to zero.

NLJB, to whom all assets of LJB had been transferred, rejected the set-off and, between 1994 and 1998, sued Istraturist before the court in Slovenia, demanding payment of €15.8 million (originally DEM 31 million) plus interest. Other legal proceedings are also pending.

Due to various legal reasons (different laws applicable during the long period of the interest calculation, different proceedings pending with the Courts of Slovenia and Croatia, information prejudicing Istraturist's position in the ongoing dispute) Istraturist cannot estimate and disclose any reliable interest figure at this stage.

At the current time, it is not possible to estimate when the legal disputes will finally be resolved and what the ultimate resolution might be.

Negative interest rates

After the Swiss National Bank (SNB) surprisingly discontinued the Swiss franc's link to the euro in the middle of January 2015, the variable indicator (e.g. CHF Libor 1M) in some existing loan agreements became negative. As long as the negative indicator does not exceed the margin, the method used by UniCredit Bank Austria AG for charging interest for loan agreements with no other specific stipulation will not change. This means that the rate of interest payable by the customer may be lower than the margin in such cases (example: indicator minus 0.5% and margin 1.2% = debit interest rate 0.7%). If the calculated debit interest rate becomes negative, however, UniCredit Bank Austria AG will not apply that rate but a debit interest rate of 0.00001% – in line with UniCredit Bank Austria AG's legal view that the borrower is in each case required to pay interest at a minimum rate. The borrower will therefore pay interest at the above-mentioned minimum rate even if the negative indicator exceeds the margin (example: indicator minus 1.3% and margin 1.2% = debit interest rate applied is 0.00001%, not minus 0.1%). The Austrian Association for Consumer Information (Verein für Konsumenteninformation – VKI) has filed a class action against this practice. On 30 September 2015 a negative decision was rendered by the Commercial Court in Vienna against UniCredit Bank Austria AG. According to this decision UniCredit Bank Austria AG would have to pay out negative interest (in FX loans) to consumers. UniCredit Bank Austria AG has appealed against this decision. On 23 December 2015, a positive decision was rendered by the Regional Appeal Court of Vienna in favour of UniCredit Bank Austria AG, dismissing the suit of VKI for lack of standing without addressing the merits of the case. This decision is not legally binding and a ruling of the Austrian Supreme Court (Oberster Gerichtshof) on the merits of the case is to be expected.

Wealth AG j.d.o.o. (1)

Wealth AG j.d.o.o. filed a motion for execution against Zagrebačka Banka d.d. based on trustworthy documents – 20 invoices issued by another firm, Ante gradnja d.o.o. – for the claim whose fulfilment is demanded in the amount of HRK 1,939,526,833.35 (Croatian kuna). A public notary issued a writ of execution based on a trustworthy document on 18 September 2015.

Zagrebačka Banka d.d. filed an objection against the writ of execution for various reasons, in particular for the reason that regulatory requirements for the qualification of the submitted documents as trustworthy enforceable deeds were not met. Zagrebačka Banka d.d. is of the opinion that this is a sham action and the claimant is seen as a vexatious litigant.

As Zagrebačka Banka d.d. filed an objection, the Commercial Court of Zagreb will suspend the writ and revoke any performed action, thus the proceedings will continue before the Commercial Court of Zagreb as litigation.

Wealth AG j.d.o.o. (2)

Wealth AG j.d.o.o. filed a claim against Zagrebačka Banka d.d. with the Commercial Court of Zagreb pursuant to which the claimant requests payment in the amount of HRK 1,183,547,613.76 (Croatian kuna). The claim is unfounded and has no legal ground. As the director and the sole proprietor of the claimant repeatedly filed numerous lawsuits against the Bank, as a natural person or director and proprietor of other legal entities, it is obvious that these proceedings represent an act of excessive litigation of the claimant. Zagrebačka Banka d.d. and the external attorney representing the Bank in this case are of the opinion that this is a sham action and the claimant is seen as a vexatious litigant. The civil proceedings are pending in the first instance.

Loan processing fees

The Austrian Association for Consumer Information (Verein für Konsumenteninformation) has filed two class actions against two other banks in Austria in connection with loan processing fees. First-instance courts have handed down decisions against the two banks; the decisions are not final. The two courts have stated different reasons for their rulings: the Regional Court of Innsbruck referred to one of the parties being put at a serious disadvantage as defined in Section 879 (3) of the Austrian Civil Code (Allgemeines Bürgerliches Gesetzbuch – ABGB), and the Regional Court of St. Pölten referred to intransparency pursuant to Section 6 (3) of the Austrian Consumer Protection Act (Konsumentenschutzgesetz – KSchG). The reasoning used by the Higher Regional Appeal Court of Innsbruck (one of the parties being put at a serious disadvantage basically because of this fee) was taken over by the Higher Regional Appeal Court of Vienna without any reflections of its own. As these cases involve a point of law, the matter will be decided by the Austrian Supreme Court, to which both banks will appeal. An initial assessment of whether borrowers have a right to reclaim loan processing fees, and if so, to what extent this might be the case or what objections the banks can raise against this, will only be possible when the Supreme Court has clarified the question of whether the relevant clause is effective. The Supreme Court's decision is expected for 2016. The matter could then be finally clarified only in the course of further legal individual proceedings with customers because class actions do not deal with questions of reclaim.

Other proceedings

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

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

E.15 – Information on the squeeze-out pursuant to the Austrian Federal Act on the Squeeze-out of Minority Shareholders (Gesellschafterausschlussgesetz) of the holders of bearer shares in UniCredit Bank Austria AG

The company's Annual General Meeting on 3 May 2007 adopted a resolution concerning the planned squeeze-out. The legal actions for rescission and declaration of nullity brought against various resolutions adopted at the Annual General Meeting on 3 May 2007 were terminated in spring 2008. The squeeze-out was entered in the Register of Firms on 21 May 2008. After that date, former minority shareholders initiated proceedings for a review of the cash compensation offered by UniCredit. An expert has been appointed in these proceedings to review the amount of the cash compensation paid; the expert report is now available and essentially confirms the adequacy of the cash compensation paid in connection with the squeeze-out. A decision by the court of first instance in this case is not yet available.

E.16 – Report on key features of the internal control and risk management systems in relation to the financial reporting process

The Management Board is responsible for establishing and designing internal control and risk management systems which meet the company's requirements in relation to the financial reporting process.

The objective of the internal control system is to assist management in assuring internal controls in relation to financial reporting which are effective and are improved on an ongoing basis. The system is geared to complying with rules and regulations and creating conditions which are conducive to performing specific controls in key accounting processes.

Following the integration of the Bank Austria Group in UniCredit Group, the Italian Savings Law, Section 262 (detailed descriptions of processes, risk and control for minimising risk in preparing financial statements) in particular, must be complied with in addition to the existing internal control system.

Pursuant to the "262 Savings Law", the CEO and the CFO delegated by UniCredit S.p.A. are liable, under civil and criminal law, for any violation of the legal provisions. They are also responsible for subsidiaries defined by UniCredit S.p.A. within the group of consolidated companies.

Internal Audit performs independent and regular reviews of compliance with internal rules also in the area of accounting. The Head of Internal Audit reports directly to the Management Board and provides the Chairman of the Supervisory Board with quarterly reports.

Control environment

The basic aspect of the control environment is the corporate culture in which management and all employees operate.

UniCredit S.p.A., the parent company of UniCredit Bank Austria AG, works to maintain effective communication and convey the corporate values defined in the Integrity Charter. The Integrity Charter embodies the UniCredit Group's identity and is based on the following shared values: fairness, transparency, respect, reciprocity, freedom to act, and trust.

The implementation of the internal control system in relation to the financial reporting process is also set out in the internal rules and regulations.

All accounting entries are made within the guidelines established in the Accounting Policy, and release follows defined instruction and control criteria. For each general ledger account there is a responsible person who reconciles the general ledger accounts in accordance with existing rules.
This internal reconciliation process is interrogated by Financial Accounting and reviewed by Internal Audit.

Risk assessment

In the course of the "262 Savings Law" project, the persons having process responsibility identified risks in relation to the financial reporting process and described them in detail using the method defined by UniCredit S.p.A. These risks are monitored on an ongoing basis and checked for up-to-dateness at least on a half-yearly basis. The focus is on those risks which are typically considered to be material.

To meet the "262 Savings Law" requirements, controls pursuant to the methodology used by UniCredit S.p.A. are required to be performed at least on a half-yearly basis (for full-year and half-year reporting). Such control evidence must be kept on file for 10 years by the person having process responsibility. Any controls that do not meet the relevant criteria are identified under this method and reported to management together with a proposal for a solution.

Controls

All controls are applied in the current business process to ensure that potential errors or deviations in financial reporting are prevented or detected and corrected. Controls range from a management review of results for the various periods to specific reconciliation of accounts and the analysis of continuous accounting processes.

The levels of hierarchy are designed so that an activity and the control of that activity is not performed by the same person (four-eyes principle). In the course of the preparation of financial reports, the general ledger accounts are reconciled with business and front-end systems.

IT security controls are a cornerstone of the internal control system. Defined IT controls are documented under “262 Savings Law” and audited by external auditors pursuant to “International Standards for Assurance Engagements” (ISAE) No. 3402.

Information and communication

Management regularly updates rules and regulations for financial reporting and communicates them to all employees concerned.

Moreover, regular discussions on financial reporting and on the rules and regulations applicable in this context take place in various bodies and are repeatedly communicated to UniCredit Bank Austria AG. Employees in Financial Accounting receive regular training in new methods of international financial reporting in order to identify risks of unintended misreporting at an early stage.

To perform monitoring and control functions with a view to proper financial accounting and reporting, extensive financial information is made available at key levels of the bank. Relevant information is not only provided to the Supervisory Board and the Management Board, middle management levels also receive detailed reports.

Monitoring

As part of the implementation of the internal control system pursuant to the “262 Savings Law”, instruments were introduced to monitor the effectiveness of controls. In connection with the compulsory half-yearly certification process for the preparation of the management report, the persons having process responsibility are required to carry out tests to check the up-to-dateness of descriptions and the effectiveness of controls. It must be ascertained whether the controls work according to their design and whether the persons who perform controls have the competence/authority and qualifications required to perform the controls effectively.

All persons having process responsibility confirm by means of certification that their processes are adequately documented, risks have been identified and controls have been evaluated with a view to deriving measures to minimise risk.

The Management Board of UniCredit Bank Austria AG receives the certifications of UniCredit Bank Austria AG and of the subsidiaries defined by UniCredit S.p.A. within the group of consolidated companies, in the form of a consolidated management report on a half-yearly basis, and provides UniCredit S.p.A. and the public with confirmation of the reliability and effectiveness of the internal control system pursuant to the “262 Savings Law” in the context of the financial statements for the first six months and the annual financial statements.

F – Additional disclosures

F – Additional disclosures (CONTINUED)

F.1 – Supervisory Board and Management Board

The following persons were members of the Management Board of UniCredit Bank Austria AG in 2015:

Chairman and Chief Executive Officer: Willibald CERNKO
Deputy Chairman: Carlo VIVALDI (from 16 February 2015), Gianni Franco PAPA (until 15 February 2015)
Members: Helmut BERNKOPF, Mirko BIANCHI (from 1 June 2015), Francesco GIORDANO (until 31 May 2015), Dieter HENGL, Jürgen KULLNIGG, Doris TOMANEK, Robert ZADRAZIL

Carlo Vivaldi assumed responsibility for the CEE Banking Division with effect from 16 February 2015, succeeding Gianni Franco Papa in this function. At the same time he was appointed Deputy Chairman of the Management Board of UniCredit Bank Austria AG.

The following persons were members of the Supervisory Board of UniCredit Bank Austria AG in 2015:

Chairman: Erich HAMPEL
Deputy Chairman: Paolo FIORENTINO
Members: Alessandro DECIO, Olivier Nessime KHAYAT, Alfredo MEOCCI, Marina NATALE (from 9 May 2015), Roberto NICASTRO (until 27 November 2015), Vittorio OGLIENGO, Gianni Franco PAPA (from 15 January 2016), Franz RAUCH (until 4 May 2015), Karl SAMSTAG, Wolfgang SPRISSLER (until 8 May 2015), Eveline STEINBERGER-KERN (from 4 May 2015), Ernst THEIMER, Adolf LEHNER, Michaela VRZAL, Barbara WIEDERNIG, Alfred FÜRLER (from 30 December 2015), Johannes KOLLER (until 1 February 2015), Josef REICHL (until 29 December 2015), Robert TRAUNWIESER, Wolfgang TRUMLER (from 2 February 2015)

As at 31 December 2015, there were the following interlocking relationships with UniCredit S.p.A.:

- Three members of the Supervisory Board of UniCredit Bank Austria AG were members of the Executive Management Committee of UniCredit.
- Two members of the Management Board of UniCredit Bank Austria AG were members of the Executive Management Committee of UniCredit.

F.2 – Related party disclosures

Related party disclosures as at 31 December 2015

(€ million)

	PARENT COMPANY	UNCONSOLIDATED SUBSIDIARIES	ASSOCIATES	JOINT VENTURES	KEY MANAGEMENT OF ENTITY OR ITS PARENT	OTHER RELATED PARTIES	TOTAL
Loans and advances	3,523	3,681	1,249	2,052	4	340	10,929
Equity instruments	–	154	7	–	–	–	161
Other receivables	15	3,650	3	1	–	–	3,669
TOTAL ASSETS	**3,539**	**7,485**	**1,259**	**2,052**	**4**	**340**	**14,759**
Deposits	7,764	1,730	8,665	14	16	282	18,471
Other financial liabilities	184	3,882	8	19	–	0	4,093
Other liabilities	54	15	0	0	–	0	69
TOTAL LIABILITIES	**8,003**	**5,626**	**8,673**	**33**	**16**	**283**	**22,633**
Guarantees issued by the group	231	569	9	153	–	44	1,006
Guarantees received by the group	3,198	399	–	494	–	18	4,112

Related party disclosures as at 31 December 2014

(€ million)

	PARENT COMPANY	UNCONSOLIDATED SUBSIDIARIES	ASSOCIATES	JOINT VENTURES	KEY MANAGEMENT OF ENTITY OR ITS PARENT	OTHER RELATED PARTIES	TOTAL
Loans and advances	5,886	7,725	1,125	1,630	5	246	16,618
Equity instruments	–	–	7	–	–	–	7
Other receivables	423	3,977	54	1,028	–	–	5,482
TOTAL ASSETS	**6,309**	**11,702**	**1,186**	**2,658**	**5**	**246**	**22,106**
Deposits	10,261	3,147	8,276	10,214	15	199	32,112
Other financial liabilities	4	4,921	–	899	–	–	5,824
Other liabilities	31	8	–	21	–	–	61
TOTAL LIABILITIES	**10,295**	**8,076**	**8,276**	**11,134**	**15**	**200**	**37,997**
Guarantees issued by the group	138	464	576	544	1	7	1,731
Guarantees received by the group	2,162	374	–	60	–	2	2,598

F.2.1 – Information on members of the Management Board, the Supervisory Board and the Employees’ Council of UniCredit Bank Austria AG

F.2.1.1 – Emoluments of members of the Management Board and the Supervisory Board

The emoluments paid by UniCredit Bank Austria AG to Management Board members in the 2015 financial year (excluding payments into pension funds) totalled €3,064,969.55 (comparable emoluments in 2014 totalled €2,871 thousand). Of this total, €2,305,711.52 (2014: €2,135 thousand) related to fixed salary components and €759,258.03 were variable salary components (2014: €736 thousand). The changes resulted mainly from cash deferrals from previous years pursuant to legal requirements. Moreover, a provision was made for variable remuneration for 2014 (subject to malus) in the amount of €1,408,000.00, which may be paid in subsequent years pursuant to the same legal provisions governing compensation. Several members of the Management Board receive their emoluments from companies which are not included in the group of consolidated companies of Bank Austria. These emoluments granted to Management Board members for activities in UniCredit Bank Austria AG and in subsidiaries in the 2015 financial year amounted to €4,078,902.20 (2014: €3,003 thousand) and are partly (2015: €1,057,170.19; 2014: €1,906 thousand) charged to UniCredit Bank Austria AG. These Management Board members also received emoluments for activities which are not connected with the Bank Austria Group but are in the interest of UniCredit Group.

Payments to former members of the Management Board and their surviving dependants (excluding payments into pension funds) totalled €8,773,377.68. (Of this total, €4,530,437.01 was paid to former Management Board members of Creditanstalt AG, which merged with Bank Austria in 2002, and their surviving dependants; €1,608,185.54 was paid to former Management Board members of Österreichische Länderbank AG, which merged with Zentralsparkasse in 1991, and their surviving dependants.) The comparative figure for 2014 was €8,622 thousand. Emoluments paid to this group of persons for activities in subsidiaries amounted to €3,633.64 (2014: €4 thousand).

The emoluments of the Supervisory Board members active in the 2015 business year totalled €329,897.34 (2014: €338 thousand) for UniCredit Bank Austria AG, and €1,520.00 (2014: €2 thousand) for the two credit associations.

F.2.1.2 – Loans to members of the Management Board and of the Supervisory Board

Loans to members of the Management Board amounted to €406,100.30 (2014: €1,733 thousand), overdrafts granted to them were €40,651.27 (2014: €44 thousand). Repayments during the business year totalled €40,235.60 (2014: €55 thousand).

Loans to members of the Supervisory Board amounted to €621,920.02 (2014: €463 thousand). Overdrafts granted to Supervisory Board members totalled €65,436.09 (2014: €121 thousand). Repayments during the business year totalled €53,593.66 (2014: €53 thousand).

Loans to the Supervisory Board include those made to members of the Employees’ Council who are members of the Supervisory Board. The maturities of the loans range from five to thirty years. The rate of interest payable on these loans is the rate charged to employees of UniCredit Bank Austria AG.

F – Additional disclosures (CONTINUED)

F.2.2 – Related party disclosures

In order to ensure full compliance with legislative and regulatory provisions currently in effect as regards disclosure of transactions with related parties, UniCredit has adopted procedures for identifying related-party transactions designed to ensure that appropriate information is provided to enable compliance with the obligations of the Directors of UniCredit, as a listed company and the parent company of the Group.

Transactions carried out within the Group and/or generally with Austrian and foreign related parties are executed as a rule on an arm's length basis, on the same terms and conditions as those applied to transactions entered into with independent third parties.

Intra-group transactions were carried out based on assessments of a mutual economic advantage, and the determination of applicable terms and conditions took place in compliance with substantial correctness, keeping in mind the common goal of creating value for the entire Group. The same principle was also applied to the provision of services, combined with the principle of charging for such services at minimal rate solely to recover related production costs.

Pursuant to IAS 24, Bank Austria's related parties include:
- companies belonging to UniCredit Group and companies controlled by UniCredit but not consolidated;
- associates and joint ventures;
- UniCredit's "key management personnel";
- close family members of key management personnel and companies controlled (or jointly controlled) by key management personnel or their close family members;
- Group employee post-employment benefit plans.

Restated Bank of the Regions Agreement (ReBoRA)

In the Restated Bank of the Regions Agreement, "AV-Z Stiftung" and "Betriebsratsfonds" have given an undertaking to UniCredit to the effect that if they want to sell UniCredit Bank Austria shares, they will first offer such shares held by them to UniCredit. If UniCredit does not accept the offer, the relevant contracting party could sell the UniCredit Bank Austria shares to a third party. In this case UniCredit has a right of preemption.

For the duration of this agreement (10 years), "AV-Z Stiftung" has a right to nominate two members of the Supervisory Board of UniCredit Bank Austria AG, and thereafter one member of the Supervisory Board for the duration of the guarantee issued by "AV-Z Stiftung" and the Municipality of Vienna.

As at 31 December 2015, UniCredit held a direct interest of 99.996% in UniCredit Bank Austria AG.

Compensation agreement

In connection with the "Restated Bank of the Regions Agreement", UniCredit S.p.A. and UniCredit Bank Austria AG signed a contract valid from 1 January 2010 to 1 March 2015 which included a commitment by UniCredit S.p.A. to pay 13.8% (2010–2012: 14.5%) of profit before tax of UniCredit's Markets subdivision in return for the commitment by UniCredit's Markets subdivision to pay 12M Euribor + 200bps recorded annually on a notional value of €1.28 billion.

Cooperation agreement

In the course of the integration of HVB (now UniCredit Bank AG) into the UniCredit group of companies, HVB has been assigned the role of centre of competence for markets and investment banking for the entire corporate group. Among other things, UniCredit Bank AG acts as counterparty for derivative transactions conducted by UniCredit companies in this role. For the most part, this involves hedge derivatives that are externalised on the market via UniCredit Bank AG. UniCredit Bank Austria AG and UniCredit Bank AG signed a corresponding cooperation agreement for 10 years in 2010.

F.2.3 – Other information on related party relationships

Under Section 92 (9) of the Austrian Banking Act, "Privatstiftung zur Verwaltung von Anteilsrechten" ("AV-Z Stiftung", a private foundation under Austrian law) serves as deficiency guarantor for all liabilities of UniCredit Bank Austria AG in the event of the company's insolvency. The board of trustees of the private foundation has 13 members. These included three members of the Supervisory Board of UniCredit Bank Austria AG.

After the change in the legal form of Anteilsverwaltung Zentralsparkasse into a private foundation ("AV-Z Stiftung") in 2001, the Municipality of Vienna serves as deficiency guarantor for all outstanding liabilities, and obligations to pay future benefits, of UniCredit Bank Austria AG (then Bank Austria Aktiengesellschaft) which were entered into prior to and including 31 December 2001.

The board of trustees of Immobilien Privatstiftung has three members. One of them is a member of the Supervisory Board of UniCredit Bank Austria AG.

F.3 – Share-based payments

Description of payment agreements based on own equity instruments

Outstanding instruments

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

- **Stock Options** allocated to selected Top & Senior Managers and Key Talents of the Group;
- **Performance Stock Options** allocated to selected Top & Senior Managers and Key Talents of the Group and represented by UniCredit Options that the Parent Company undertakes to grant, conditional upon achieving performance targets approved by the Parent Company's Board of Directors;
- **Share Plan for Talent** that offers free UniCredit ordinary shares that the Parent Company undertakes to grant, conditional upon achieving performance targets approved by the Parent Company's Board of Directors;
- **Group Executive Incentive System** that offers to eligible Group Executives a variable remuneration for which payment will be made within five years. The beneficiary will receive the payment by cash and/or by Unicredit shares; the payments are related to the achievement of performance conditions (other than marked conditions) stated in the Plan Rules;
- **Group Executive Incentive System** (Bonus Pool) that offers to eligible Group Executives and relevant employees identified following regulatory rules, a bonus structure composed by upfront (following the moment of performance evaluation) and deferred payments in cash and in shares, to be paid over a period ranging from 1 to 6 years (first year upfront and 4 or 5 years deferred). This payment structure will guarantee the alignment with shareholder interests and will be subject to malus (which applies in case specific profitability, capital and liquidity thresholds are not met at both Group and Country/Division level) and clawback conditions (as legally enforceable) as defined in Plan Rules (both non-market vesting conditions);
- **Employee Share Ownership Plan (ESOP)** that offers to eligible Group employees the possibility to buy UniCredit ordinary shares with the following advantage: granting of free ordinary shares ("Discount Shares" and "Matching Shares" or, for the second category, rights to receive them) measured on the basis of shares purchased by each Participant ("Investment Shares") during the "Enrolment Period". The granting of free ordinary shares is subordinated to vesting conditions (other than market conditions) stated in the Plan Rules.

Measurement model

Stock Options and Performance Stock Options

The Hull and White Evaluation Model has been adopted to measure the economic value of Stock Options.
This model is based on a trinomial tree price distribution using the Boyle's algorithm and estimates the early exercise probability on the basis of a deterministic model connected to:

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

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

No new Stock Options' Plans and Performance Stock Options were granted during 2015.

Share Plan for Talent

The plan offers three "Free UniCredit Shares" instalments, having subsequent annual vesting, to selected beneficiaries.

The economic value of Shares is measured considering the share market price at the grant date less the present value of the future dividends during the performance period. Parameters are estimated by applying the same model used for Stock Options measurement.

The economic and equity effects will be accrued during the instrument's vesting period.

No new Share Plans were granted during 2015.

Group Executive Incentive System

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

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

The economic and equity effects will be accrued on the basis of the instrument's vesting period.

F – Additional disclosures (CONTINUED)

Group Executive Incentive System 2014 – Shares

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

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

	SHARES GRANTED GROUP EXECUTIVE INCENTIVE SYSTEM – BONUS POOL 2014			
	INSTALMENT (2017)	INSTALMENT (2018)	INSTALMENT (2019)	INSTALMENT (2020)
Date of Bonus Opportunity Economic Value granting (Grant Date)	21 January 2014	21 January 2014	21 January 2014	21 January 2014
Date of Board resolution (to determine number of shares)	9 April 2015	9 April 2015	9 April 2015	9 April 2015
Vesting Period start-date	1 January 2014	1 January 2014	1 January 2014	1 January 2014
Vesting Period end-date	31 December 2016	31 December 2017	31 December 2018	31 December 2019
UniCredit Share market price (€)	6.269	6.269	6.269	6.269
Economic value of vesting conditions (€)	–0.240	–0.430	–0.710	–1.069
Performance Shares' fair value per unit at the grant date (€)	**6.029**	**5.839**	**5.559**	**5.200**

Group Executive Incentive System 2015 (Bonus Pool)

The new Group Incentive system 2015 is based on a bonus pool approach, aligned with regulatory requirements and market practices. It defines:
- sustainability, through direct link with entity results and alignment with relevant risk categories, utilising specific indicators linked to risk appetite;
- link between bonuses and organisation structure, defining the pool on a country/division level with further review at Group level;
- bonuses allocated to Executives and other relevant employees, on the basis of European Banking Authority (EBA) rules and local regulations;
- payment structure has been defined in accordance with regulatory provisions qualified by Directive 2013/36/EU (CRD IV) and will be distributed in a period of six years by using a mix of shares and cash.

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

Employee Share Ownership Plan (Let's Share for 2015)

The following table shows the measurements and parameters used in relation to Free Shares (or rights to receive them) connected to the "Employee Share Ownership Plan" approved in 2014.

Measurement of Free Shares ESOP for 2015

	FREE SHARES 1ST ELECTION WINDOW	FREE SHARES 2ND ELECTION WINDOW
Date of Free Shares delivery to Group employees	30 January 2015	31 July 2015
Vesting Period start-date	30 January 2015	31 July 2015
Vesting Period end-date	30 January 2016	31 July 2016
Discount Shares' fair value per unit (€)	5.280	6.078

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

The Let's Share for 2015 Plan provides for the use of shares to be purchased on the market. To that end, Participants give a mandate to a broker (internal or external to UniCredit Group) to purchase the shares to be transferred into an account opened in their name.

Other information

Let's Share for 2016 (ex 2015) – Employee Share Ownership Plan for 2016

In May 2015 the Ordinary Shareholders' Meeting approved the "UniCredit Group Employee Share Ownership Plan 2016" ("Let's Share for 2016") that offers to eligible Group employees the opportunity to purchase UniCredit ordinary shares at favourable conditions in order to reinforce employees' sense of belonging and commitment to achieve the corporate goals.

According to UniCredit discretionary evaluation, there may be two main election windows:
1st election window: within the end of the second quarter of 2016;
2nd election window: within the end of the fourth quarter of 2016.

Let's Share for 2016 envisages the following elements:
- during the "Enrolment Period", which will be communicated to the Participants in due time, they can buy UniCredit ordinary shares ("Investment Shares") by means of monthly or one-off contributions taken from their current account;
- at the first month of the Enrolment Period, each Participant will receive, in the form of shares ("Free Shares") a discount equal to 25% of the overall amount of shares purchased; the Free Shares will be locked up for one year ("Holding Period"). The Participant will lose the entitlement to the Free Share if, during the Holding Period, he/she will no longer be an employee of a UniCredit Group Company unless the employment has been terminated for one of the specific reasons stated in the Rules of the Plan. In some countries, for fiscal reasons, it will not be possible to grant the Free Shares at the beginning of the Enrolment Period: in that case an alternative structure is offered that provides to the Participants of those countries the right to receive the Free Shares at the end of the Holding Period ("Alternative Structure");
- during the Holding Period, the Participants can sell the Investment Shares purchased at any moment, but they will lose the corresponding Free Shares (or right to receive them).

The Free Shares are qualified as "Equity Settled Share-based Payments" as Participants will receive UniCredit Equity Instruments as consideration for the services rendered to the legal entity where they are employed. The fair value will be measured at the beginning of Enrolment Period according to the price paid by Participants to acquire the first instalment of the Investment Shares on the market.

All profit-or-loss and net equity effects related to Let's Share for 2016 will be booked during the Holding Period.

Let's Share for 2016 did not have any effect on 2015 consolidated financial statements.

Effects on profit or loss

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

Payroll costs in 2015 included share-based payments of €12 million.

F.4 – Employees

In 2015 and 2014, the Bank Austria Group employed the following average numbers of staff (full-time equivalents):

Employees

	2015	2014
Salaried staff	35,783	37,087
Other employees	32	42
TOTAL*)	**35,815**	**37,129**
of which: in Austria	*7,198*	*7,171*
of which: abroad	*28,617*	*29,958*

*) Average full-time equivalents of staff employed in the Bank Austria Group, excluding employees on unpaid sabbatical or maternity/paternity leave.

F – Additional disclosures (CONTINUED)

F.5 – Auditors' fees

(pursuant to Section 237 no. 14a and Section 266 no. 11 of the Austrian Business Code)

The following table shows the fees charged by the auditors of the consolidated financial statements for the 2015 financial year in the following categories:

Auditors' fees

(€ thousand)

	2015	2014
Fees for the audit of the financial statements and the consolidated financial statements	**5,453**	**4,796**
Deloitte Austria	4,187	3,678
Austrian Savings Bank Auditing Association	1,266	1,118
Other services involving the issuance of a report	**631**	**1,013**
Deloitte Austria	625	982
Austrian Savings Bank Auditing Association	6	31
Tax consulting services	**113**	**368**
Deloitte Austria	113	368
Austrian Savings Bank Auditing Association	–	–
Other services	**1,422**	**1,674**
Deloitte Austria	341	566
Austrian Savings Bank Auditing Association	1,081	1,108
TOTAL	**7,619**	**7,851**

F.6 – Geographical distribution

Disclosures pursuant to Section 64 no. 18 of the Austrian Banking Act ("country-by-country reporting")

Section 64 no. 18 of the Austrian Banking Act requires disclosure of specific information on a country-by-country basis.
Information on the country in which each of our subsidiaries in the Group has its registered office is given in section A.8. In addition, the following information is required to be given on a consolidated basis, broken down by country:

COUNTRY	NET INTEREST INCOME (€ million)	OPERATING INCOME (€ million)	TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS (€ million)	TAX EXPENSE (INCOME) RELATED TO PROFIT OR LOSS FROM CONTINUING OPERATIONS (€ million)	EMPLOYEES (FTE)
Austria	983	1,742	236	85	7,111
Bosnia and Herzegovina	102	145	58	–6	1,645
Bulgaria	305	453	191	–20	4,162
Czech Republic	361	570	252	–50	3,175
Croatia	396	555	–51	12	4,073
Hungary	218	387	163	–37	1,751
Latvia	19	20	7	–1	91
Romania	251	388	73	–11	3,362
Serbian Republic	108	145	51	–2	1,079
Russia	571	731	273	–52	3,988
Slovenia	52	89	10	–1	550
Slovakia	21	27	9	–3	174
Ukraine	0	0	–1	0	4,344
Other countries*)	–1	6	351	0	56
TOTAL	**3,386**	**5,259**	**1,621**	**–86**	**35,559**

*) Cayman Islands, Germany, Netherlands, Poland, Turkey, USA

The Bank Austria Group received the following subsidies from public sector entities:

UniCredit Bank Austria AG, Austria

The Municipality of Vienna serves as deficiency guarantor for the following items in the statement of financial position under a guarantee totalling €5,548 million:

Items in the statement of financial position

(€ million)

	31 DEC. 2015	31 DEC. 2014
Deposits from banks	367	424
Deposits from customers	540	600
Debt securities in issue	1,814	1,905
of which: subordinated	*1,784*	*1,876*
Other liabilities	60	70
Provisions for post-retirement benefit obligations	2,766	4,265
Total	**5,548**	**7,265**

F.7 – Effects of netting agreements on the statement of financial position

Assets and liabilities subject to accounting offsetting or under master netting agreements and similar ones

(€ millon)

	31 DEC. 2015					
				RELATED AMOUNTS NOT NETTED IN THE STATEMENT OF FINANCIAL POSITION		
	GROSS AMOUNTS OF FINANCIAL ASSETS	FINANCIAL LIABILITIES OFFSET IN THE STATEMENT OF FINANCIAL POSITION	NET AMOUNTS OF FINANCIAL ASSETS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	FINANCIAL INSTRUMENTS	CASH COLLATERAL RECEIVED	NET AMOUNTS
Assets						
1) Derivatives	5,298	–	5,298	–4,043	–448	806
2) Repos	5,718	–	5,718	–227	–	5,491
3) Securities lending	–	–	–	–	–	–
4) Others	–	–	–	–	–	–
TOTAL 31 DEC. 2015	**11,016**	**–**	**11,016**	**–4,271**	**–448**	**6,297**
Liabilities	**–**	**–**	**–**	**–**	**–**	**–**
1) Derivatives	4,730	–	4,730	–4,036	–218	476
2) Repos	215	–	215	–215	–	–
3) Securities lending	–	–	–	–	–	–
4) Others	–	–	–	–	–	–
TOTAL 31 DEC. 2015	**4,946**	**–**	**4,946**	**–4,251**	**–218**	**476**
	31 DEC. 2014					
				RELATED AMOUNTS NOT NETTED IN THE STATEMENT OF FINANCIAL POSITION		
	GROSS AMOUNTS OF FINANCIAL ASSETS	FINANCIAL LIABILITIES OFFSET IN THE STATEMENT OF FINANCIAL POSITION	NET AMOUNTS OF FINANCIAL ASSETS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	FINANCIAL INSTRUMENTS	CASH COLLATERAL RECEIVED	NET AMOUNTS
Assets						
1) Derivatives	4,212	–	4,212	–4,028	–	184
2) Repos	–	–	–	–	–	–
3) Securities lending	–	–	–	–	–	–
4) Others	–	–	–	–	–	–
TOTAL 31 DEC. 2014	**–**	**–**	**–**	**–**	**–**	**–**
Liabilities	**–**	**–**	**–**	**–**	**–**	**–**
1) Derivatives	4,426	–	4,426	–4,028	–309	90
2) Repos	–	–	–	–	–	–
3) Securities lending	–	–	–	–	–	–
4) Others	–	–	–	–	–	–
TOTAL 31 DEC. 2014	**4,426**	**–**	**4,426**	**–4,028**	**–309**	**90**

The above table shows the potential netting of derivatives (recognised financial assets and liabilities) which are subject to an enforceable ISDA Master Netting Agreement and Cash Settlement Agreement, which cannot be offset in the statement of financial position and for which the entity currently has the right, legally enforceable, to offset the recognised amounts in case of insolvency or termination.

F – Additional disclosures (CONTINUED)

F.8 – Assets pledged as security

Assets used to guarantee own liabilities and commitments

(€ million)

	31 DEC. 2015	31 DEC. 2014*)
Financial instruments held for trading	–	4
Financial instruments designated at fair value	–	14
Financial instruments available for sale	7,095	7,554
Financial instruments held to maturity	214	282
Loans and receivables with banks	1,060	2,200
Loans and receivables with customers	29,249	29,630
Property, plant and equipment	–	–
TOTAL	**37,618**	**39,685**

*) Figures for 2014 adjusted to reflect a change in reporting requirements.

F.9 – Transfer of financial assets

In the ordinary course of business, the Group enters into transactions that result in the transfer of financial assets, primarily debt and equity securities and loans and advances to customers. The transferred financial assets continue either to be recognised in their entirety, or are derecognised in their entirety.

The Group transfers financial assets primarily through the following transactions:
- Sale and repurchase of securities
- Securities lending
- Securitisation activities in which loans and advances to customers or investment securities are transferred to special-purpose entities or to investors in the notes issued by special-purpose entities. Every special-purpose entity is assessed in order to evaluate whether consolidation is required in accordance with IFRS 10.

Transferred financial assets that are not derecognised in their entirety

Sale and purchase agreements

Sale and purchase agreements are transactions in which the Group sells a financial asset and simultaneously agrees to repurchase it at a fixed date in the future. The Group continues to recognise the financial asset in its entirety in the statement of financial position because it retains all the risks and rewards of ownership. The cash consideration received is recognised as a financial asset and a financial liability is recognised for the obligation to pay the repurchase price. Because the Group sells the contractual rights to the cash flows of the securities it does not have the ability to use the transferred assets during the term of the arrangement.

Under repurchase agreements, financial assets were sold to third parties with a commitment to repurchase the financial instruments at a price specified when the assets were sold. The assets transferred are either securities held by the bank or borrowed from other parties. In those cases where Bank Austria is the transferor, securities held by the bank continue to be recognised as assets in its statement of financial position. In those cases where Bank Austria is the transferee, the bank does not recognise the assets in its statement of financial position.

Securities lending

Securities lending agreements are transactions in which the Group lends equity securities for a fee and receives cash as collateral. The Group continues to recognise the securities in their entirety in the statement of financial position because it retains substantially all the risks and rewards of ownership.

The cash received is recognised as a financial asset and a financial liability is recognised for the obligation to repay this collateral. Because the Group sells the contractual rights to the cash flows of the securities it does not have the ability to use the transferred assets during the term of the arrangement.

Securities in the amount of €34 million lent in 2015 (2014: €28 million) were sold to banks; €268 million (2014: €25 million) were sold to banks under a repo transaction.

F – Additional disclosures (CONTINUED)

Sales transactions relating to financial liabilities with repayment exclusively based on assets sold and not derecognised: fair value

(€ million)

	31 DEC. 2015								
	FINANCIAL ASSETS HELD FOR TRADING		AVAILABLE-FOR-SALE FINANCIAL ASSETS		HELD-TO-MATURITY INVESTMENTS		LOANS AND RECEIVABLES WITH CUSTOMERS		
TYPE/PORTFOLIOS	A	B	A	B	A	B	A	B	TOTAL
Balance-sheet assets	**54**	**–**	**739**	**–**	**–**	**–**	**724**	**–**	**1,517**
Debt securities	54	–	739	–	–	–	–	–	793
Loans and receivables	–	–	–	–	–	–	724	–	724
Derivatives	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Associated financial liabilities	**54**	**–**	**655**	**–**	**–**	**–**	**330**	**–**	**1,039**
Deposits from customers	54	–	235	–	–	–	–	–	289
Deposits from banks	–	–	420	–	–	–	101	–	521
Debt securities in issue	–	–	–	–	–	–	230	–	230
TOTAL 31 DEC. 2015	**–**	**–**	**84**	**–**	**–**	**–**	**394**	**–**	**478**
	31 DEC. 2014								
	FINANCIAL ASSETS HELD FOR TRADING		AVAILABLE-FOR-SALE FINANCIAL ASSETS		HELD-TO-MATURITY INVESTMENTS		LOANS AND RECEIVABLES WITH CUSTOMERS		
TYPE/PORTFOLIOS	A	B	A	B	A	B	A	B	TOTAL
Balance-sheet assets	**18**	**–**	**762**	**81**	**68**	**–**	**–**	**–**	**929**
Debt securities	18	–	762	81	68	–	–	–	929
Loans and receivables	–	–	–	–	–	–	–	–	–
Derivatives	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Associated financial liabilities	**18**	**–**	**743**	**75**	**63**	**–**	**–**	**–**	**898**
Deposits from customers	14	–	310	–	–	–	–	–	324
Deposits from banks	3	–	433	75	63	–	–	–	574
Debt securities in issue	–	–	–	–	–	–	–	–	–
TOTAL 31 DEC. 2014	**–**	**–**	**20**	**5**	**6**	**–**	**–**	**–**	**31**

A= Financial assets sold and fully recognised
B= Financial assets sold and partially recognised

The carrying amounts are equal to the fair values.

Securitisations

The Group sells loans and advances to customers and investment securities to special-purpose entities (SPEs) that in turn issue notes to investors that are collateralised by the purchased assets. If the Group sells assets to a consolidated SPE then the transfer is in the form of the Group assuming an obligation to pass cash flows from the underlying assets to investors in the notes. Derecognition of the transferred assets is prohibited because either the cash flows that it collects from the transferred assets on behalf of the investors are not passed through to them without material delay or the majority of risks and rewards of such assets has not been substantially transferred. In these cases, the consideration received from the investors in the notes in the form of cash is recognised as a financial asset and a corresponding financial liability is recognised. The investors of the notes have recourse only to the cash flows of the transferred financial assets.

F – Additional disclosures (CONTINUED)

Securitisation exposures: breakdown by quality of underlying assets

(€ million)

	AMOUNTS AT 31 DEC. 2015					
	ON BALANCE-SHEET					
	SENIOR		MEZZANINE		JUNIOR	
QUALITY OF THE UNDERLYING ASSETS/EXPOSURES	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE
With own underlying assets:	**26**	**24**	**–**	**–**	**–**	**–**
Impaired	0	0	–	–	–	–
Other	26	24	–	–	–	–
With third-party underlying assets:	**429**	**367**	**58**	**62**	**–**	**–**
Impaired	8	8	–	–	–	–
Other	421	359	58	62	–	–
	AMOUNTS AT 31 DEC. 2014					
	ON BALANCE-SHEET					
	SENIOR		MEZZANINE		JUNIOR	
QUALITY OF THE UNDERLYING ASSETS/EXPOSURES	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE
With own underlying assets:	**892**	**43**	**57**	**61**	**–**	**–**
Impaired	0	–	–	–	–	–
Other	892	43	57	61	–	–
With third-party underlying assets:	**557**	**472**	**128**	**125**	**–**	**–**
Impaired	17	13	–	–	–	–
Other	540	459	128	125	–	–

Transferred financial assets that are derecognised in their entirety

Securitisations

When the Group transfers substantially all the risks and rewards of ownership of financial assets to an unconsolidated SPE and retains a relatively small interest in the SPE or a servicing arrangement in respect of the transferred financial assets, the transferred assets are derecognised in their entirety. If the financial assets are derecognised in their entirety, then the interest received as part of the transfer and the servicing arrangement represent continuing involvement with those assets according to IFRS 7.

F.10 – Subordinated assets/liabilities

(€ million)

	31 DEC. 2015	31 DEC. 2014
Financial assets held for trading	1	1
Financial assets designated at fair value	–	–
Available-for-sale financial assets	38	42
Held to maturity investments	–	–
Loans and receivables with banks	1,129	1,029
Loans and receivables with customers	255	255
Non-current assets and disposal groups classified as held for sale	–	–
Subordinated assets	**1,423**	**1,326**
Deposits from banks	–	15
Deposits from customers	98	98
Debt securities in issue	5,057	4,240
Liabilities included in disposal groups classified as held for sale	93	83
Subordinated liabilities	**5,247**	**4,436**

The total amount of expenses for subordinated liabilities in 2015 was €208 million (2014: €143 million).

F – Additional disclosures (CONTINUED)

F.11 – Trust assets and trust liabilities

(€ million)

	31 DEC. 2015	31 DEC. 2014
Loans and receivables with banks	1	1
Loans and receivables with customers	674	607
Equity securities and other variable-yield securities	7,646	6,641
Debt securities	18,990	18,685
Other assets	1,140	926
TRUST ASSETS	**28,452**	**26,860**
Deposits from banks	8,765	8,333
Deposits from customers	19,427	18,263
Debt securities in issue	–	–
Other liabilities	259	264
TRUST LIABILITIES	**28,452**	**26,860**

F.12 – Guarantees given and commitments

(€ million)

	31 DEC. 2015	31 DEC. 2014
Financial guarantees given to:	**4,610**	**4,398**
Banks	1,093	460
Customers	3,517	3,938
Commercial guarantees given to:	**13,196**	**11,973**
Banks	4,355	2,687
Customers	8,841	9,287
Other irrevocable commitments to disburse funds	**19,942**	**20,314**
Banks	1,343	1,563
Usage certain	*1,287*	*1,364*
Usage uncertain	*56*	*199*
Customers	18,599	18,751
Usage certain	*14,985*	*13,865*
Usage uncertain	*3,614*	*4,886*
Underlying obligations for credit derivatives: sales of protection	**–**	**–**
Assets used to guarantee others' obligations	**10**	**10**
Other commitments	**1,015**	**2,803**
TOTAL	**38,773**	**39,498**

F.13 – Return on assets

Disclosure pursuant to Section 64 (1) 19 of the Austrian Banking Act

	2015	2014
Net profit in € million	1,232	1,360
Total assets in € million	193,638	189,118
Return on assets	0.64%	0.72%

F.14 – Consolidated capital resources and regulatory capital requirements

Capital management

Bank Austria, as part of UniCredit Group, places a high priority on capital management and capital allocation. The Bank's capital management strategy is characterised by a strong commitment to maintaining a sound capital base; the strategy is based on a risk-oriented and earnings-oriented allocation of capital to achieve the highest possible shareholder value.

From 2013 Bank Austria's internal capital is set at a level that will cover adverse events with a probability of 99.93 % (confidence interval).

At the same time regulatory capital ratio targets (Common Equity Tier 1 and capital adequacy ratio) are set so as to be consistent with regulatory expectations and the Risk Appetite Framework defined by the bank.

Capital management activities form a major part of the Group's planning and budgeting process as well as within ICAAP processes. Bank Austria is regularly monitoring capital evolution and regulatory trends at country level and at Group level.

Capital management activities comprise:

- planning and budgeting processes:
  - proposals as to risk propensity, development and capitalisation objectives
  - analysis of RWA development and changes in the regulatory framework
  - proposals for the financial plan and an appropriate dividend policy
- monitoring processes
  - analysis and monitoring of limits for Pillar 1 and Pillar 2
  - analysis and monitoring of the capital ratios of the Bank Austria Group as well as at single entity level

Capital is managed dynamically which means that Bank Austria prepares the financial plan, monitors capital ratios for regulatory purposes on an ongoing basis and anticipates the appropriate steps required to achieve the goals set.

Capital requirements

The capital requirements pursuant to the Capital Requirements Regulation comprise requirements resulting from credit risk, all types of risk in the trading book, commodities risk and foreign-exchange risk outside the trading book, operational risk and the CVA risk.

Regulatory developments – Basel 3 / CRD IV, CRR

The final Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD IV) for the implementation of Basel 3 in the European Union were published in the EU Official Journal on 27 June 2013. The new legal framework replaces Capital Requirements Directives 2006 / 48 / EC and 2006 / 49 / EC and came into force in Austria on 1 January 2014.

After the framework is fully implemented (2019), Basel 3 will consist of stricter requirements for regulatory capital with a minimum of Common Equity Tier 1 Capital of 4.5 % of RWA, Total Tier 1 Capital of 6 % and Total Capital of 8 %.

In addition, all banks will be required to hold a capital conservation buffer consisting of Common Equity Tier 1 Capital of 2.5 % on top of the new minimum requirements. This will lead to an effective minimum capital requirement of 7 % Common Equity Tier 1 Capital, 8.5 % Tier 1 Capital and 10.5 % Total Capital.

Furthermore, Member States can set a buffer requirement to dampen excess lending growth (counter-cyclical buffer up to 2.5 %). The Austrian Capital Buffer Regulation (Kapitalpuffer-Verordnung – KP-V) of December 2015 set the counter-cyclical capital buffer for major loan exposures in Austria at 0 % from 1 January 2016. In addition, the authorities can set systemic risk buffers (SRB) and capital surcharges for systemically important banks. Under the KP-V, the SRB is currently set at 2 % from 2019. A transitional rule provides for a step-by-step increase (2016: 0.25 %, 2017: 0.5 %, 2018: 1 % and 2019: 2 %). If an authority imposes the systemic risk buffer and the systemic bank surcharge is applicable, the higher of the two will apply.

In 2015 the total capital ratio increased compared with the previous year. This gives Bank Austria a sound capital base to meet the capital requirements pursuant to Article 92 of the CRR in conjunction with Article 129 ff of CRD IV (capital requirements, Pillar I). Tier 2 capital totalling €0.93 billion was issued in 2015.

F – Additional disclosures (CONTINUED)

Consolidated capital resources

(€ million)

	31 DEC. 2015	31 DEC. 2014
Paid-in capital instruments (excl. own Common Equity Tier 1 instruments)	1,681	1,681
Reserves (incl. profit) and minority interests	13,602	13,183
Adjustments to Common Equity Tier 1	–878	–860
Transitional adjustments to Common Equity Tier 1*)	–244	–539
Common Equity Tier 1 (CET1)	**14,162**	**13,465**
Additional Tier 1 capital and qualifying Additional Tier 1 instruments issued by subsidiaries	90	154
Adjustments to Additional Tier 1	0	0
Transitional adjustments to Additional Tier 1*)	–90	–154
Additional Tier 1 (AT1)	**0**	**0**
Tier 1 capital (T1=CET1+AT1)	**14,162**	**13,465**
Tier 2 capital and qualifying Tier 2 instruments issued by subsidiaries	4,897	4,080
Adjustments to Tier 2 capital	158	96
Transitional adjustments to Tier 2 capital*)	–146	–113
Tier 2 capital (T2)	**4,909**	**4,062**
Total regulatory capital (TC=T1+T2)	**19,070**	**17,527**

*) according to the Austrian CRR Supplementary Regulation (CRR-Begleitverordnung) of 11 Dec. 2013

Total risk exposure amount

(€ million)

	31 DEC. 2015	31 DEC. 2014
a) Credit risk pursuant to standardised approach	69,241	68,896
b) Credit risk pursuant to internal ratings-based (IRB) approach	43,920	43,879
c) Other (contribution to default fund of a central counterparty [CCP])	3	220
Credit risk	113,164	112,995
Position, foreign exchange and commodity risk	3,974	4,643
Operational risk	10,716	12,068
Risk positions for credit value adjustments (CVA)	405	644
TOTAL RISK EXPOSURE AMOUNT	**128,259**	**130,351**

Capital ratios

	31 DEC. 2015	31 DEC. 2014
Common Equity Tier 1 ratio*)	11.0%	10.3%
Tier 1 ratio*)	11.0%	10.3%
Total capital ratio*)	14.9%	13.4%

*) based on all risks

By deviation from IFRS 11, the Yapı Kredi sub-group companies continue to be included on a proportionate basis in the calculation of consolidated capital resources and consolidated capital requirements for regulatory purposes.

The calculation of consolidated regulatory capital and consolidated regulatory capital requirements as at 31 December 2015 is based, in conformity with the CRR, on International Financial Reporting Standards (IFRS).

F.15 – Events after the reporting period

Robert Zadrazil was appointed Chief Executive Officer of Bank Austria with effect from 1 March 2016 and will at the same time assume direct responsibility for the entire Austrian customer business (Retail & Corporates and Private Banking).

Helmut Bernkopf will leave the bank on 31 March 2016 by mutual agreement and transfer his responsibilities as Management Board member for the Retail & Corporates Division to Robert Zadrazil.

Romeo Collina was appointed Chief Operating Officer (COO) of Bank Austria with effect from 1 March 2016.

Given the current public and political discussion on the possibility of amending an Austrian law, there is specific uncertainty about the determination of the payments to be made to the state pension scheme under the Austrian General Social Insurance Act in connection with the plan curtailment for active employees (see section A.6.8.1). It is currently not possible to reliably determine or estimate whether and to what extent this will ultimately result in a change in such payments. Any effects resulting from potential future amendments to the law would have to be taken into consideration in accordance with IAS 37.50 in the reporting period of such amendment.

Concluding Remarks of the Management Board

of UniCredit Bank Austria AG

The Management Board of UniCredit Bank Austria AG has prepared the consolidated financial statements for the financial year beginning on 1 January 2015 and ending on 31 December 2015 in accordance with International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board as adopted by the European Union. The management report of the Group was prepared in accordance with the Austrian Business Code and is consistent with the consolidated financial statements.

The consolidated financial statements and the management report of the Group contain all required disclosures; in particular, events of special significance which occurred after the end of the financial year, and other major circumstances that are significant for the future development of the Group have been appropriately explained.

Vienna, 29 February 2016

Willibald Cernko
CEO Support Services
(Chief Executive Officer)

Carlo Vivaldi
CEE Banking Division
(Deputy CEO)

Helmut Bernkopf
Commercial Banking Division
(Retail & Corporates)

Mirko Bianchi
CFO Finance

Dieter Hengl
Corporate & Investment
Banking Division

Jürgen Kullnigg
CRO Risk Management

Doris Tomanek
Human Resources Austria & CEE

Robert Zadrazil
Private Banking Division

Report of the Auditors

Auditors’ report

Report on the consolidated financial statements

Sparkassen-Prüfungsverband and Deloitte Audit Wirtschaftsprüfungs GmbH have audited the accompanying consolidated financial statements of UniCredit Bank Austria AG for the fiscal year from 1 January 2015 to 31 December 2015. These consolidated financial statements comprise the balance sheet as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in total equity for the fiscal year ended 31 December 2015, and the notes.

Management’s responsibility for the consolidated financial statements and for the accounting system

UniCredit Bank Austria AG’s management is responsible for the group accounting system and for the preparation of the consolidated financial statements, which provide a fair representation of the earnings, finance and asset situation of the group, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements of section 245a UGB. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements and the earnings, finance and asset situation of the group, that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditors’ responsibility and description of the type and scope of the statutory audit

It is the responsibility of Sparkassen-Prüfungsverband and Deloitte Audit Wirtschaftsprüfungs GmbH to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group’s preparation of the consolidated financial statements and the fair representation of the earnings, finance and asset situation of the group in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group’s internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the group as of 31 December 2015, and of its financial performance and its cash flows for the fiscal year from 1 January 2015 to 31 December 2015 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Without qualifying our opinion, we refer to the remarks by the management board in the notes to the consolidated financial statements, “Part A.2 – Basis for the preparation of the financial statements” and “F.15 – Events after the reporting period”.

There, the termination of UniCredit Bank Austria AG’s role as pension insurance provider for certain employees and the corresponding transfer of the affected employees of UniCredit Bank Austria AG into the full insurance under the Austrian General Social Security Act (ASVG) are explained. According to the view of UniCredit Bank Austria AG and its legal experts, this measure is in accordance with the legal framework applicable

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(especially section 311 ASVG) and has been accounted for accordingly.

The management board indicates that due to the currently ongoing public and political discussions about the possibility of a legislative amendment, there is a special uncertainty regarding the determination of the future payments to be made to the public pension system associated with the curtailment for active employees (see section A.6.8.1). Whether and to what extent this might lead to an adaption of these future payments can currently neither be assessed nor predicted reliably. Pursuant to IAS 37.50, any implications of possible future legislative amendments would need to be considered in the reporting period in which this change occurs.

Comments on the consolidated management report

Pursuant to statutory provisions, the consolidated management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the position of the group. The auditor's report also has to contain a statement as to whether the consolidated management report is consistent with the consolidated financial statements and whether the disclosures pursuant to section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the consolidated management report is consistent with the consolidated financial statements. The disclosures pursuant to section 243a UGB (Austrian Commercial Code) are appropriate.

Consolidated financial statements for 2015
UniCredit Bank Austria AG, Vienna

Vienna, 29 February 2016

Austrian Savings Bank Auditing Association
Auditing Board

Herwig Hierzer Certified Accountant	**Reinhard Gregorich** Auditor

Deloitte Audit Wirtschaftsprüfungs GmbH

Peter Bitzyk Certified Accountant	**Gottfried Spitzer** Certified Accountant

The report (in the German language, or translations into another language, including shortened or amended versions) may not be made public or used by third parties, when reference is made in part or in whole to the auditors' report, without the express written consent of the auditors.

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Report of the Supervisory Board for 2015

In the reporting period the Supervisory Board acted with due care in performing the duties as defined by law and in the Articles of Association and in the rules of procedure, and it regularly advised the Management Board and supervised its activities. The Supervisory Board held five meetings and passed sixteen resolutions by written circular vote. For the efficient performance of its duties, the Supervisory Board created four committees from among its members. It passed resolutions on matters within its competence after appropriate analyses and discussion. The Supervisory Board was also directly involved in a timely manner in all decisions on issues which are of fundamental importance to the bank. The Chairman of the Supervisory Board and the Chairman of the Management Board also maintained a constant exchange of information on important current developments and major specific issues outside the meetings of the Supervisory Board.

Focus of the Supervisory Board's activity

In the 2015 financial year, the Management Board regularly provided information to the Supervisory Board, in writing and orally and in a timely and comprehensive manner, on business policy, financial developments, results, changes in regulatory requirements, and on risk management, liquidity management and capital management. The Supervisory Board in this way constantly performed its supervisory and advisory functions after in-depth analyses and consideration of all relevant facts.

Regular discussions of the Supervisory Board focused on Internal Audit reports, the Madoff case, measures in connection with the review of credit risk performed by Oesterreichische Nationalbank, Austria's central bank, pursuant to Section 70 of the Austrian Banking Act, and on the appointment of persons authorised to represent and act on behalf of the bank.

The Supervisory Board also discussed the 2015 risk strategy, the risk governance model, the report on large loans pursuant to Section 28b of the Austrian Banking Act, the sale of the Wien-Mitte property, issuance of letters of comfort, and of a commercial banking benchmarking presentation.

The Supervisory Board was moreover informed about the Single Supervisory Mechanism (SSM) and the extent to which use had been made of advance approval of loans to members of the Supervisory Board and the Management Board as well as other related parties for 2014 as defined in Section 28 (1) and (4) of the Austrian Banking Act. Decisions were also taken on the switch by the bank from the deposit guarantee scheme applicable to savings banks to that which is applicable to banks, and on the transfer of all active "Bank Austria ASVG" employees to the state scheme under the Austrian General Social Insurance Act (Allgemeines Sozialversicherungsgesetz – ASVG) and related changes to the bank's internal service agreement.

Besides giving attention to all measures relating to the separate financial statements and the consolidated financial statements and the audit reports, the Supervisory Board took a decision on the election of the auditors for the separate financial statements and for the consolidated financial statements for the 2016 financial year. It also adopted a resolution on the funding plan and the ceiling applicable for 2015, as well as on the 2015 Audit Plan.

Further decisions taken by the Supervisory Board concerned a capital increase of PJSC Ukrsotsbank and the bank's subsequent sale, the granting of a shareholder contribution to FactorBank AG, participation in the capital increase of Bank für Tirol und Vorarlberg AG, and the share buyback offer made to minority shareholders of UniCredit Tiriac Bank.

Finally, the activities of the Supervisory Board included a report on Ramius, decisions on an increase in the capital facility of UniCredit Turn-Around Management GmbH (UCTAM) and on restructuring measures concerning the WED Group, and discussions regarding Austrian group taxation and the extension of, and conclusion of new, profit and loss transfer agreements and tax compensation agreements.

The Supervisory Board was constantly provided with information, through written and oral presentations, on the main issues dealt with by the Supervisory Board Committees and on the result of their meetings.

Committee activities

The **Credit/Risk Committee** held five meetings and passed fifty-four resolutions by written circular vote. All loans approved under the Management Board's approval authority were brought to the Credit/Risk Committee's notice and the Committee passed resolutions on loan applications requiring its approval. In regular discussions, close attention was paid to the risks that were discernible in Austria and Central and Eastern Europe in the context of the loan portfolio, market risk and liquidity risk, and the risk situation in Russia – including the stress test scenario – and Ukraine. The presentations were supplemented by reports on operational risk, reputational risk, ICAAP and

Report of the Supervisory Board for 2015 (CONTINUED)

risk appetite, and by the resolutions passed in this context. The activities of the committee moreover included timely reports on specific risk exposures and current information on regulatory capital, funding and liquidity management, and the impact on the Swiss franc portfolio. Finally, the committee also dealt with the 2015 risk strategy, the recovery and resolution plan, large loans pursuant to Section 28b of the Austrian Banking Act, and reports on Eurex Clearing and loans to political organisations.

The **Audit Committee** held four meetings, which were also regularly attended by representatives of the auditors. The committee closely discussed the separate financial statements and the consolidated financial statements as well as the audit reports, and provided the Supervisory Board with information on these topics. The committee extensively discussed the regular reports prepared by Compliance and Internal Audit, and the related strategy and target plans for 2015. Close attention was paid to the reports on the findings of the regulatory authorities. The Audit Committee also dealt with the proposal concerning the election of the auditors for the 2016 financial year, the management letter of the auditors, and the engagement letter of the auditors. The committee also discussed the engagement of Deloitte, auditor of the financial statements, for consulting services not related to its auditing activities. A separate report provided information on measures related to comments in the management letter. Activities by the committee also included discussing a report on Complaint Management for 2014 and status reports on governance rules and risk management. Finally, the Audit Committee's responsibilities included presentation of the results of the Managerial ICS Assessment for Austria and CEE and the monitoring of the financial reporting process with due regard to the "262 Savings Law".

The **Strategic and Nomination Committee** held one meeting and passed four resolutions by written circular vote, which in each case dealt with the extension of the terms of members of, and new appointments to, the Management Board and Supervisory Board, respectively. In addition to the Fit&Proper re-evaluation of members of the Management Board and Supervisory Board, the committee focused on the senior manager and gender balance in the bank.

The **Remuneration Committee** held one meeting and passed two resolutions by written circular vote. Its activities focused on the approval of the Group Remuneration Guidelines and on the 2015 Group Incentive System, as well as on the incentive payments relating to previous annual plans and on the bonus payment for 2014. The committee also discussed the implementation of the regulatory remuneration framework.

Supervisory Board and Management Board changes

Franz Rauch resigned from the Supervisory Board with effect from 4 May 2015, Wolfgang Sprißler resigned from the Supervisory Board with effect from 8 May 2015, and Roberto Nicastro resigned from the Supervisory Board with effect from 27 November 2015. At the Annual General Meeting held on 4 May 2015, Eveline Steinberger-Kern was appointed to the Supervisory Board with effect from 4 May 2015 and Marina Natale was appointed to the Supervisory Board with effect from 9 May 2015. Gianni Franco Papa was appointed to the Supervisory Board with immediate effect at the Extraordinary General Meeting on 15 January 2016.

Johannes Koller and Josef Reichl left the Supervisory Board with effect from 1 February 2015 and 29 December 2015, respectively, and were replaced by Wolfgang Trumler with effect from 2 February 2015 and by Alfred Fürler with effect from 30 December 2015, in accordance with the decision taken by the Employees' Council.

The Supervisory Board thanks the members who have left the Board for their valuable contributions to the bank over the past years.

Gianni Franco Papa, deputy chairman of the Management Board, resigned from the Management Board with effect from 15 February 2015. The Supervisory Board appointed Carlo Vivaldi to succeed him as member of the Management Board and deputy chairman with effect from 16 February 2015 until 15 February 2018.

The term of office of Helmut Bernkopf, member of the Management Board, was renewed until 31 December 2018, the term of office of Jürgen Kullnigg, member of the Management Board, was renewed until 31 October 2018, and the term of office of Doris Tomanek, member of the Management Board, was renewed until 6 May 2019, by resolution passed by the Supervisory Board.

Following the resignation of Francesco Giordano from the Management Board with effect from the end of May, Mirko D. Bianchi was appointed to the Management Board with effect from 1 June 2015 until 31 May 2018.

Details of the composition of the Supervisory Board and the Supervisory Board Committees and of the Management Board in the past financial year are given in the "Supervisory Board and Management Board of UniCredit Bank Austria AG" section of the annual report.

Report of the Supervisory Board for 2015 (CONTINUED)

Audit of the separate financial statements and consolidated financial statements

The accounting records, the 2015 separate financial statements and the management report were audited by the Auditing Board of the Austrian Savings Bank Auditing Association and by Deloitte Audit Wirtschaftsprüfungs GmbH. As the audit did not give rise to any objections and the legal requirements were fully complied with, the auditors' report was expressed without qualification.

The Supervisory Board endorsed the findings of the audit, agreed with the separate financial statements and management report presented by the Management Board, and approved the 2015 separate financial statements, which were thereby adopted pursuant to Section 96 (4) of the Austrian Joint Stock Companies Act.

The 2015 consolidated financial statements were audited by the Auditing Board of the Austrian Savings Bank Auditing Association and by Deloitte Audit Wirtschaftsprüfungs GmbH for consistency with International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board as adopted by the European Union, and the management report of the Group was audited for consistency with the Austrian legal provisions. The audit did not give rise to any objections and the legal requirements were fully complied with. In the opinion of the auditors, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of the results of the Group's operations and its cash flows for the financial year beginning on 1 January 2015 and ending on 31 December 2015, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The auditors certified that the management report of the Group was consistent with the consolidated financial statements, and that the legal requirements for exemption from the obligation to prepare also separate consolidated financial statements pursuant to Austrian law were met, and they expressed their unqualified opinion.

The Supervisory Board has endorsed the findings of the audit.

A word of thanks

The Supervisory Board thanks the Management Board, the Employees' Council and all employees for their commitment and constructive cooperation in the 2015 business year.

Vienna, 7 March 2016

The Supervisory Board

Erich Hampel
Chairman of the Supervisory Board

Statement by Management

We state to the best of our knowledge that the consolidated financial statements prepared in accordance with the applicable financial reporting standards provide a true and fair view of the financial position and performance of the Group, and that in the management report of the Group the business trends including business results and the position of the Group have been presented in such a way as to provide a true and fair view of the financial position and performance of the Group, and that the management report of the Group describes the material risks and uncertainties to which the Group is exposed.

Vienna, 29 February 2016

The Management Board

Willibald Cernko
CEO Support Services
(Chief Executive Officer)

Carlo Vivaldi
CEE Banking Division
(Deputy CEO)

Helmut Bernkopf
Commercial Banking Division
(Retail & Corporates)

Mirko Bianchi
CFO Finance

Dieter Hengl
Corporate & Investment
Banking Division

Jürgen Kullnigg
CRO Risk Management

Doris Tomanek
Human Resources Austria & CEE

Robert Zadrazil
Private Banking Division

II. UniCredit Bank Austria AG

Preliminary remarks on the financial statements

of UniCredit Bank Austria AG for 2015

UniCredit Bank Austria Aktiengesellschaft, the parent company of the Bank Austria Group, presents its balance sheet as at 31 December 2015 and its profit and loss account for the year ended 31 December 2015, as well as the management report and the notes pursuant to Austrian law.

The consolidated financial statements of the Bank Austria Group for the financial year beginning on 1 January 2015 and ending on 31 December 2015 were prepared in accordance with International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board as adopted by the European Union. The annual report of the UniCredit Bank Austria Group, which includes, inter alia, the consolidated financial statements, as well as the Group's management report and notes may be downloaded from the Investor Relations/Financial Reports site of Bank Austria's website (http://ir-en.bankaustria.at → Financial Reports).

The two reporting formats – under IFRSs and under the Austrian Business Code/Austrian Banking Act (UGB/BWG) – cannot be compared with one another because the operations covered by the financial statements differ (consolidated financial statements versus separate financial statements of the Group's parent company), and the valuation and accounting principles are also different.

The annual report of the Group gives readers information on the status of the group of companies controlled by UniCredit Bank Austria AG. The consolidated financial statements provide international comparability, a fair value-based presentation of the financial position and performance, and more detailed information, for example through segment reporting.

UniCredit Bank Austria AG's separate financial statements, prepared in accordance with Austrian rules, fulfil other important functions, especially under supervisory aspects. They are also the basis for determining the profit available for distribution under Austrian law and the dividend of UniCredit Bank Austria AG. In making an economic evaluation of the bank, users of the separate financial statements should take into account especially the extensive financial relations between the parent company and its banking subsidiaries. For this reason the financial statements of the Group provide more comprehensive information.

Management Report of UniCredit Bank Austria AG

1. Report on business developments and the economic situation

1.1. Business developments

Economic situation and banking environment

The turnaround which the European banking sector has been hoping for failed to materialise in 2015: while the moderate upturn in the euro area was subsequently more robust, as expected, adverse global economic factors and new uncertainties prevented banking business from gaining momentum. This is for example reflected in lending volume, which has been stagnating for years and has most recently been 2 % below the level seen seven years ago, with corporate loans down by 11 %. Monetary policy measures taken by the ECB to stimulate economic growth were once again unprecedented in the reporting period: surplus liquidity, intervention and interest rate declines pushed benchmarks down to zero or even less, a development which in the past two years also affected interest rates of countries in the euro area periphery and of corporate bond issues as well as bank interest rates. The combined effect of all these developments impacted the earnings situation of the banking sector, with earnings squeezed to the extent that it was increasingly difficult to earn the cost of capital and the expenditure for compliance with regulatory requirements, prudential supervision and direct controls. Banks therefore resorted to defensive measures, continued to discard non-core business and started to restructure core business components with low profitability. When adjusting their business models and internal processes, banks took into account the trend in digitalisation in business with customers and in back office operations.

Global economy: globalisation in transition

In 2015 the European environment was shaped by strong global economic trends. As the year progressed, the dynamic of economic growth shifted back to the industrial countries from the emerging economies, almost suggestive of a pause in globalisation. In 2015, the real growth of emerging markets is likely to have fallen to 4 %; without **China**, which accounts for two-thirds of this group of countries, real growth is expected to have contracted to less than 2 %. China was one of the reasons for the loss of momentum, with the country reducing overcapacity in heavy industry and in the construction industry, suggesting a transition to a higher, service-intensive level of development where companies are closer to consumers and their needs. This has resulted in short-term changes in demand for, and the structure of, imports in China. These changes were one important reason for the global decline in **commodity prices** (–13.3 % without oil), which was not compatible with the growth model of other emerging markets. This impacted **global trade**, which is expected to have expanded by about 3 % in 2015 after contracting from time to time during the year.

The **significant decline in oil prices** was a further disruptive factor. Starting from a level of US$112.6/bl at the end of June 2014, the price of oil fell to US$45.19/bl in a first step until the middle of January 2015. After recovering briefly to US$69.63/bl (6 May 2015), it resumed its downward trend. This is explained by a fight for market share with the advent of new market players (US, Libya, Iraq, soon also Iran) and the export pressure experienced by Russia. The decision by OPEC in December to abandon its production ceiling led to a sharp fall in oil prices to US$37.2/bl by the end of 2015; in January 2016 oil prices continued to decline to under US$29/bl. While the pronounced movement in oil prices supported growth in industrial countries, it also curbed global demand for imports.

Monetary policy and financial markets

● **Monetary policy:** It was several times that the **Federal Reserve** postponed the overdue change in monetary policy after a 7-year period of very low interest rates. When key interest rates were finally raised to 0.25 %-0.50 % towards the end of 2015 – on 16 December – this move had already been priced in and markets only expected a moderate and steady increase in interest rates for the future. Long-term expectations of inflation in the euro area, on the other hand, fell to a level significantly below 2 % (reaching a low of 1.6 %). On 22 January 2015, the **European Central Bank (ECB)** decided to extend its **asset-backed securities purchase programme** (ABSPP) and its **covered bond purchase programme** (CBPP) launched in autumn 2014 by adding a new public sector purchase programme (PSPP). Monthly purchases of euro area government bonds totalling €60 billion will be made (in proportion to the ECB's capital key) until inflation is close to the target rate of just below 2 %; such purchases will be carried out until at least September 2016. In view of the renewed decline in inflation rates (and expectations), the ECB extended the minimum period of its programmes by half a year. At the same time, the deposit facility interest rate was lowered by 10 basis points to –0.30 %. Securities held for monetary policy purposes were increased in a year-end 2015/2014 comparison, by €586 billion to €803 billion. The volume of conventional refinancing transactions declined slightly, by €71 billion to €559 billion, in the course of the year. Most recently, the outstanding volume of Targeted LTROs, which are linked to actual lending, amounted to €470 billion; the main participants were banks from Italy, France and Spain, with Austria also participating in these operations.

● **Interest rates:** The announcement of quantitative easing (QE) and initial interventions on 9 March 2015 had significant impacts on expectations and thus on the pattern of interest rates and exchange rates. **Money market rates**, which are closely related to central bank interest rates, fell to levels which were significantly below zero (year-end 2015: repo rate –0.29 %, unsecured overnight swap/3-month –0.24 %, interbank 3-month Euribor –0.13 %). **Benchmark yields** fell below zero step by step up to the eight-year maturity. Historically low levels were seen on 17 April 2015, with the yield on the ten-year benchmark bond at 0.049 % p.a. (intraday). However, when euro inflation rates in April and May returned to positive territory after negative figures in four periods, and when good quarterly growth figures were published, this dispelled fears of deflation, and expectations and the yield curve abruptly reversed ("flash crash"). The ten-year benchmark yield rose to 1.059 % in two major moves by 10 June 2015. Subsequently, yields declined again in the later part of the year to about 0.60 % (year-end 2015: 0.64 %), reflecting the influence of purchases by the ECB and a slowdown in economic growth.

- **Exchange rates:** The **exchange rate effect** was the main transmission channel of the new monetary policy during the announcement and implementation phase of securities purchases. As a consequence of **divergence in monetary policies**, the **US dollar** appreciated against the euro by 15.7 % from year-end 2014 to the annual high of 1.0456 USD / EUR on 16 March 2015, subsequently declining again in response to disappointing US growth rates and the turnaround in German yields. After the interest rate reversal in the USA and a further easing of monetary policy by the ECB, the US dollar closed the year at 1.0887 USD / EUR, thus appreciating by 11.5 %. In effective (trade-weighted) terms, the euro depreciated by 6.2 % from year-end 2014 to the end of 2015, reflecting the strength of the British pound and the Swiss franc as well as the weakness of the Russian rouble, the Turkish lira and the yuan. After the **Swiss National Bank** surprisingly **ended the Swiss franc's link to the euro** on 15 January 2015 (intervention limit: 1.20), the currency briefly overshot to a level of up to 0.85 CHF / EUR. Subsequently, the exchange rate moved between 1.04 and 1.08 CHF / EUR; the year-end 2015 level (1.0835 CHF / EUR) reflected appreciation of 11.0 %. The **Russian rouble** experienced dramatic exchange rate movements exactly in line with crude oil prices: from a level of 45.97 RUB / EUR at the end of June 2014 it weakened to 81.53 RUB / EUR at the end of January 2015; after recovering to about 55 RUB / EUR in the second quarter of 2015, the exchange rate declined to 83.60 RUB / EUR (24 August), reaching 80.67 RUB / EUR at the end of 2015. When the price of Brent fell to below 30 US$/bl after the turn of the year, the rouble exchange rate reached a new low of 86.86 RUB / EUR. With a change in the exchange rate regime, the Chinese renminbi yuan depreciated by 4.5 % against the US dollar in the course of 2015.

- **Stock markets** advanced to reach new highs in spring 2015, being the only investment category promising to generate a return, driven by global excess liquidity. The EuroSTOXX index showed a particularly strong recovery, additionally supported by favourable depreciation effects and commodity price movements as well as hopes for economic growth (annual high: 392.98 on 13 April/+ 22.8 %). The renewed escalation of the **Greek crisis** (see timeline column) put a damper on the bull market as early as May and June. In **August and September**, however, world stock markets saw a sharp increase in **volatility** and a bout of risk aversion. This was triggered by the **plunge in prices on the Shanghai-Shenzhen stock market** (down by 27 % within a few days, 40 % below the annual high reached in the middle of June), where debt-financed investments had created a huge speculative bubble. Concern about a general slump in growth led to massive capital outflows from China. Emerging market indices followed suit, as did stock markets in industrial countries. A year-on-year comparison shows hardly any changes in the **MSCI world index** and **Wall Street** in local currency. Emerging markets, on the other hand, were affected by heavy losses, reflecting their overall economic performance (MSCI / EM – 4.2 %; of which BRIC: – 8.0 %). While the EuroSTOXX was the only index that still recorded a year-on-year gain (+ 8.0 %), it lost this head start in the first few days of 2016. At year-end 2015 the **price of gold** was 1,061 USD / oz, down by 10.4 % on a year earlier (but remaining unchanged in euro terms, – 0.1 %), not to speak of commodity price indices (S & P / GS spot: – 27.7 % in US dollar terms, Rogers euro hedged: – 26.3 %). This means that **investment performance in 2015** was primarily driven by exchange rate effects resulting from translation of the US dollar and other currencies into the weaker euro (e.g. MSCI / USA: + 1.3 %/+ 12.9 %, MSCI World: + 1.8 % in local currency/+ 9.3 % in euro terms). Bond markets did not permit any significant capital growth, either, even at higher risk levels (corporate bonds BBB: – 2.3 %; iBoxx covered bonds Europe: + 0.0 %, iBoxx euro government bonds: + 1.9 %; CEE government bonds EMBI Europe: + 4.5 %).

Financial markets – key figures

		YEAR-END 2015	YEAR-END 2014	CHANGE
Currencies	US dollar per euro (appreciation / depreciation in %)	1.0887	1.2141	+ 11.5 %
	Swiss franc per euro	1.0835	1.2024	+ 11.0 %
	Czech crown per euro	27.023	27.735	+ 2.6 %
	Hungarian forint per euro	315.98	315.54	– 0.1 %
	Turkish lira per euro	3.1765	2.832	– 10.8 %
	Russian rouble per euro	80.674	72.337	– 10.3 %
	Ukrainian hryvnia per euro	26.134	19.141	– 26.8 %
Interest rates, yields	Euro three-month money (Euribor)	– 0.21 %	0.07 %	– 28 bp
	10-year euro benchmark bond	0.63 %	0.54 %	+ 9 bp
	10-year US Treasury benchmark	2.27 %	2.17 %	+ 10 bp
Risk premiums	Austria (CDS, five-year)	16 bp	13 bp	+ 3 bp
	Italy (CDS, five-year)	80 bp	107 bp	– 27 bp
	Spain (CDS, five-year)	75 bp	74 bp	+ 1 bp
	CESEE+ (Central / South-East Europe)	118 bp	124 bp	– 6 bp
	Turkey	238 bp	160 bp	+ 78 bp
	Russia	280 bp	442 bp	– 162 bp
Stock indices	MSCI World	468.6	471.9	– 0.7 %
	MSCI BRIC	483.0	525.0	– 8.0 %
	MSCI Emerging Europe	4,246	4,433	– 4.2 %
	USA (S & P500)	2,059	2,059	+ 0.0 %
	EuroStoxx	345.2	319.7	+ 8.0 %
	ATX	2,019	2,160	– 6.5 %
Crude oil price	(US$/bl, Brent)	37.28	57.33	– 35.0 %
	Industrial commodities (S&P GS, spot)	253.1	329.2	– 23.1 %
Gold	(US$/oz)	1,061	1,184	– 10.4 %

Economic environment in Austria and CEE

● While the **Austrian economy** achieved **GDP growth of 0.9%** in 2015 and thereby grew stronger than in the previous year (+0.4%), it was still clearly lagging behind the euro area. After a strong start to the year, economic growth was impacted by uncertainty – also because the **Greek debt crisis** flared up again – and pessimism that is difficult to explain. Moreover, Austria lost export market share to advancing CEE competitors. The most prominent feature which distinguished Austria from its neighbouring countries was the sluggish growth of **domestic demand** (+0.7%). Sentiment was further impacted by the situation on the **labour market**: the increase in the labour supply, primarily through migrants from other EU countries, pushed up unemployment from 5.6% to 5.8% (according to Eurostat criteria) despite an almost 1% rise in employed persons (almost entirely through part-time jobs). **Disposable income** hardly rose although wages and employment increased. Purchasing power was moreover lost through **inflation**: the inflation rate fell from 1.7% in 2014 to an average 0.9% in 2015, while consumer prices in the euro area remained unchanged. With the low energy prices exerting downward pressure, inflation was driven by the services segment. The savings ratio rose slightly, to 8.0%. On this basis, **private consumption grew by 0.4%**, making only a negligible contribution to economic growth as a whole.

Investment activity remained weak (+0.3%), strengthening slightly in the latter part of the year as export demand picked up. Given substantial capacity levels there was little demand for expansion investments, which were largely limited to equipment (+2.6%); investment in construction declined again (–1.6%). **Exports** of goods and services grew at a relatively modest 1.8% in real terms. Supported by the weaker euro, merchandise exports grew somewhat faster in the second half of 2015, with exports to third countries, especially the US and Switzerland, outperforming those to EU countries, while the Russia/Ukraine crisis and economic performance in emerging economies continued to impact foreign trade. Net exports made a slight contribution to economic growth as weak domestic demand limited **import** growth (+1.6%).

Lending volume picked up slightly in the latter part of 2015 and at the end of 2015 it was 1.7% up on the level of the previous year. Demand for corporate loans stagnated in 2015 given the lacklustre investment climate. The total volume of corporate loans was down by 0.1% on the level at the end of 2014, with short-term loans decreasing. Loans to private households increased by 3.94%, with consumer loans declining by 3.5% while demand for housing loans recovered significantly in the course of the year (+7.0%). Deposits with banks rose by 4.0% despite low interest rates. Deposits by companies increased by 2.8% (mainly on account of sight deposits) and deposits by private households by 1.9% (mainly savings deposits). While the volume of mutual funds reflected erratic price movements on stock markets, net inflows of funds were positive. At the end of 2015 mutual fund volume was 3.74% higher than in the previous year. Sales of bank bonds continued to decline significantly in 2015.

● 2015 was a good year for most countries in **Central and Eastern Europe (CEE)**1) although the boom years that preceded the financial market crisis are now a thing of the past. Overall (excluding Russia, which is a special case), the countries in our perimeter of operations1 achieved real economic growth of 3.3 % in 2015 after 2.5% in 2014.

● The **CEE countries which are members of the EU** (CE+RO+BG, without Croatia) are currently in a stage of the business cycle which is characterised by strong economic growth, with an external impetus triggering a strong revival of domestic demand: these countries benefited to a disproportionately large extent from more robust growth in Western Europe through their highly integrated, competitive key industries, whose capacity has been expanded until most recently. This has resulted in high growth in exports and output as well as current account surpluses. Additional factors which supported the positive basic balance were funding from EU financial assistance schemes, which were most recently tapped more heavily, and capital inflows. Given their stable external position, the countries pursued a non-restrictive monetary policy and maintained low interest rates. Loans expanded at a faster rate although foreign currency loans declined in five countries. This was accompanied by higher local funding as a result of an increase in deposits with banks; in 2015 the loan/deposit ratio in these six countries was well below 100%. The labour market situation improved, reflected also in an increase in permanent employment, and wages started to rise. Stronger real purchasing power (at zero inflation) significantly boosted private consumption in all countries. Improved budgetary positions (tax revenues) and the implementation of EU programmes paved the way for an expansion of infrastructure investments. On this basis growth was driven by domestic demand in 2015.

The economy of the **Czech Republic** recorded the strongest growth (real GDP: +4.3%), mainly reflecting growth in domestic demand. Under pressure to appreciate, the Czech crown was consistently held at over 27.00 CZK/EUR. Although **loans** expanded strongly (+8.1% yoy) as interest rates had fallen to a record low (at euro benchmark level), they were still equal to only 71.2% of deposits; asset quality is good (NPL ratio: 5.8%). **Slovakia** presents a similar picture (GDP +3.4%). Domestic demand expanded significantly for two reasons: double-digit growth in investment in equipment in the automotive industry, and private consumption, which expanded mainly as a result of social transfers, an increase in minimum wages and a reduction of several VAT rates. **Lending** activity remained lively (most

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1) Country groups: CEE = countries where Bank Austria is represented through banking subsidiaries (without Ukraine) = CE (CZ, SK, H, Slo) + SEE (RO,BG; Cro, BiH, SRB) + RUS + TK; the equity investment in the Polish UniCredit bank is held by UniCredit S.p.a.; Ukraine is no longer included; CESEE = CE+SEE = CEE without RUS and TK; CEE/EU members: CZ, SK, H, Slo, RO, BG, Cro.

recently +8.4%), also fully funded by deposits. In **Hungary**, economic growth slowed somewhat but still came to 2.8% in 2015. Exports were the mainstay of growth (+8.2%). Unlike other countries, domestic demand grew more slowly than in the previous year. The **conversion of foreign currency loans** led to a 7.7% decline in lending volume in 2015. The **Funding for Growth Scheme II (FGS)**, a programme introduced to provide small and medium-sized businesses with financial assistance, has meanwhile expired. It failed to adequately boost lending in local currency, primarily because companies and private households are focusing on **repaying** their **debt**. At almost 16%, the impaired loans ratio is relatively high for this group of countries. Significant sales of government bonds by foreign investors were offset by purchases by private domestic investors and banks (supported by interest rate swaps). The **forint** remained stable thanks to a high external surplus and an interest rate lead of about 3 percentage points. **Slovenia's** economy experienced a sound recovery since the local banking crisis in 2013 (GDP growth of +2.6% in 2015). The main factors in this connection were private consumption and public-sector investment due to greater use of EU funds for structural projects. Slovenia moreover benefited from a good tourist season. The local banking sector **regained public confidence**. Companies have however not yet completed the restructuring of their balance sheets. The marked contraction in lending volume seen in the two previous years was followed by a slight decline in 2015 (–2.7%). The NPL ratio was most recently 11.5%.

Romania achieved surprisingly strong real economic growth of 3.7% in 2015. Exports and industrial output declined as the year progressed, reflecting the shortfall of demand from Russia, the Middle East and Turkey and also the gradual loss of competitiveness due to rising unit labour costs. Still, the trade deficit for 2015 was almost offset by services (IT maintenance work, settlement activities). **Domestic demand**, on the other hand, is expanding strongly, driven by large increases of 7% in real wages and purchasing power gains resulting from reductions of value-added tax rates. The banking sector saw a significant **shift from foreign currency loans** to RON-denominated loans in 2015; overall, however, lending volume was **stagnant**. The NPL ratio continued to decline to 11.8% (2013: 32.1%). In view of **high real interest rates** (10-year yield: 3.80%/inflation rate: –1.75%) the currency remained stable throughout the year (most recently, RON/EUR –0.9%). **Bulgaria's** economic growth of 2.8% in 2015 was also stronger than in 2014 (+1.5%). Exports were up by 6.7%, reflecting an expansion of exports to the EU and to third countries, a development which also benefited from depreciation of the euro as Bulgaria followed suit with its currency board. **Services offshoring** (exports of ICT maintenance and back-office activities) plays an important role in trade with EU countries. Domestic demand was driven by investment (+5.5%), mainly due to **EU-supported infrastructure projects**. The banking sector coped well with the resolution of Corporate Commercial Bank (CCB) and with uncertainty caused by **Greek** capital controls. Lending volume again **declined**; at 79.4%, the loan/deposit ratio is the second lowest after the Czech Republic. The NPL ratio improved slightly to 15.7%.

● While the **Western Balkan countries** were still experiencing economic imbalances and structural problems, they gradually emerged from the cyclical trough which resulted from various factors including the disastrous floods a year earlier. A recovery of exports of merchandise and services (including an excellent tourist season, which contributed two-fifths to GDP in the third quarter) helped Croatia achieve economic growth of 1.3% in 2015 after six years of recession. In the meantime the improvement is reflected in domestic demand components, even if the rates of growth are low, ranging between 0.5% and 1%. On 18 September 2015, ahead of the elections, parliament adopted **amendments to the Consumer Credit Act and the Credit Institutions Act** under which the banks will, within three months, have to convert customer loans denominated in **Swiss francs** into Croatian kuna **at the historical exchange rates** applied when the loans were granted. Since 2009, the euro has depreciated by 27.0% against the Swiss franc (in which most of the loans that had to be converted were denominated) and the Croatian kuna has depreciated by 30.2% against the Swiss franc.

In **Bosnia and Herzegovina**, services and construction activity to repair damage to agricultural land and production facilities – caused by disastrous floods a year earlier – resulted in economic growth which is estimated to have reached 2%. The large current account deficit (about 7.5% of GDP) is financed primarily via **loans from international financial institutions**. Until the renewal of the stand-by agreement with the IMF, which expired in June 2015, the country is trying to use domestic borrowing as bridge-over finance. Lending volume expanded moderately, by 2.4%, while inflation was close to zero. Loans recently exceeded deposits by 5%. **Serbia's** economy has also succeeded in overcoming recession, thanks to **reconstruction efforts** and from a low base (growth of +0.5%). Contributions to this development came from large exports of wheat, the resumption of steel production and electricity generation, and also from the Fiat car manufacturing plant. The twin deficits (budget and current account) still exceed 4% of GDP, despite the favourable effect of low oil prices. Lending volume and deposits with banks expanded slightly, by about 2%, in 2015. The NPL ratio was 22.0%. As **foreign currency loans** account for three-quarters of total loans to private customers and two-thirds of these loans are denominated in euro, the country had to pursue a **restrictive monetary policy** (short-term interest rates: 3.50%, 5-year bonds: 6.30%) to maintain currency stability (RSD/EUR –0.4%).

● In **Turkey**, fears of economic risks materialised in view of **domestic political uncertainty** ahead of the elections (1 November 2015), the country's increasing **involvement in the Middle East conflict** and recently also the Russian **sanctions**. Against the background of a large external financing requirement – the current account deficit remained at 4% of GDP although the terms of trade improved significantly – country risk premiums rose by 100 basis points (bp) to over

300 bp in late summer and towards the end of the year (compared with 180 bp in early 2015). The **Turkish lira** depreciated by 10.8 % against the euro from year-end 2014 to the end of 2015, with significant volatility reflecting intermittent withdrawals of capital. Most recently, the inflation rate was 8.8 %; the key interest rate stood at 7.50 %, and short-term and long-term interest rates were about 10.50 % (in TRY). Nevertheless, the **real economy** achieved stronger-than-expected growth (GDP 2015: +3.4 %). The current account deficit has so far been financed without any problems via short-term capital imports by banks. But companies' foreign indebtedness in foreign currency and their borrowings from banks are at very high levels. **Loans and deposits** rose **strongly** again in 2015, by 21.8 % and 21.4 %, respectively. The high loan / deposit ratio of 120.3 % reflects the strong growth seen in previous years. Nevertheless, the NPL ratio is the lowest in the CEE region (2.9 %).

● The recession in **Russia** in 2015, with a 3.7 % decline in real GDP, was not as deep as had been feared. In early December 2015, **oil prices and the rouble exchange** rate started to **fall again in a spiral movement** which has raised doubts about signs that the downward trend has bottomed out as a result of the numerous measures taken. The **double shock** – Russian Urals crude oil prices down by 34.2 % from year-end 2014 to year-end 2015, since then down by 29.1 %; rouble / currency basket down by 34.2 %, since then down by 8.1 % – hit an economy which has been experiencing a decline for structural reasons since 2012. The combined impact resulted in lower export earnings and direct revenue shortfalls for the government as well as a **sharp increase in inflation** (with a peak of 16.9 % in March 2015 and 12.9 % in December), leading to a pronounced fall of 14 % in real wages and an unusually weak expansion of domestic demand. Although the terms of trade deteriorated, the current account improved to +5.9 % of GDP, partly supported by import substitution programmes. As the **sanctions** were renewed several times, Russian state-owned banks in particular had no access to international financing. This may have been one of the reasons why Russian companies repatriated foreign assets and there was an inflow of capital in the course of 2015, reversing the traditional capital outflows. As the situation stabilised temporarily until June 2015, the **central bank** lowered its repo rate, which had been raised to 17 % at the end of 2014, to 11 % and subsequently took further supportive action (foreign exchange swaps, FX repos, recapitalisation of banks with recourse to the deposit guarantee scheme, government purchases of bank issues). In this restrictive environment, nominal **lending volume** grew by 4.7 %, implying a significant decline of about 10 % when adjusted for price and exchange rate movements. In corporate lending business, foreign currency loans accounted for 30 % of the total volume, up from 18 % because of the exchange rate effect. Among loans to private households, foreign currency loans are not significant. The slowdown in monetary expansion is also reflected in the decline in the loan / deposit ratio from 109 % to 97 %. The NPL ratio on its broader definition rose from 12 % to 19 % at the end of 2015, despite less stringent FX valuation rules.

● After the dramatic slump in **Ukraine** it appears that the economy is gradually bottoming out – at least in those regions which saw no direct fighting; the tenuous truce has more or less held. In 2015, GDP shrank by 10 %, reflecting a sharp fall of between 15 % and 20 % in demand aggregates, with inflation rates reaching almost 50 %. The main reason why the situation eased was the **successful debt restructuring**, on 27 August 2015, of US$18 billion in government bonds and government-guaranteed bonds. The key elements of the debt restructuring include a 20 % haircut, a four-year grace period, a high coupon of 7.75 % and some kind of recovery arrangement in the event that economic indicators improve faster than expected. The conditions imposed by the IMF were met with this arrangement in a timely manner. In the middle of December 2015 the **IMF** changed one of its lending rules and disbursed tranches from its Extended Fund Facility of US$17 billion to Ukraine although the country stopped servicing a Russian bond in the amount of US$3 billion by way of a moratorium, a move which has become a controversial issue. Since the **hryvnia** recovered from its sharp fall in value in February 2015 (–50.7 %), intervention and exchange controls have helped to keep the currency stable; from year-end 2014 to year-end 2015, the hryvnia depreciated by 26.7 %. Slow progress in reforms suggests that framework conditions will not meet Western standards in the foreseeable future. Moreover, the banking sector can hardly fulfil its functions in view of capital controls, a permanent shortage of liquidity and the workout of problem loans.

Balance sheet developments in 2015

In 2015, UniCredit Bank Austria AG's balance sheet remained stable compared with the previous year, reflecting the sluggish economic environment, without any pronounced trends in the major aggregates of customer business but with a number of changes, partly moving in opposite directions, in various items which are of relevance to overall bank management and resources. There were also a number of special factors and one-off effects.

As at 31 December 2015, **total assets were €123.6 billion**. The slight decline of €1.4 billion or 1.1 % compared with year-end 2014 is explained by the following developments: growth of loans and deposits in customer business was moderate, with loans and advances to customers increasing by €2.8 billion (+4.3 %) and amounts owed to customers up by €1.9 billion (+3.7 %); this compares with a decline of €4.1 billion in bonds and other fixed-income securities on the assets side, partly on account of maturing securities, and on the liabilities side, debts evidenced by certificates were down by €4.8 billion for the same reason. These were the largest movements in the balance sheet. Among the assets primarily related to liquidity management of the bank and its subsidiaries, holdings of government bonds which are eligible for repurchase transactions (Treasury bills and other bills eligible for refinancing at central banks) were up by €1.5 billion at the end of 2015, while loans and advances to credit institutions were down by €1.2 billion on year-end 2014. The carrying amounts of equity interests and shares in group companies were more or less unchanged (+1.4 %, see table).

2015 balance sheet – structure and changes

(overview of combined balance sheet items)

	31 DEC. 2015 € BILLION	PROPORTION %	CHANGE OVER 31 DEC. 2014	
			+/– € BILLION	+/– %
Assets				
Treasury bills and other bills eligible for refinancing at central banks	**11.1**	*9.0 %*	**+1.5**	+16.1 %
Loans and advances to credit institutions	**21.9**	*17.7 %*	**–1.2**	–5.0 %
Loans and advances to customers (item 4)	**66.9**	*54.1 %*	**+2.8**	+4.3 %
Bonds and other fixed-income securities; shares and other variable-yield securities (items 5+6)	**5.6**	*4.5 %*	**–4.1**	–42.5 %
Equity interests and shares in group companies (items 7+8)	**13.1**	*10.6 %*	**+0.2**	+1.4 %
Other assets items	**5**	*4.0 %*	**–0.6**	–10.2 %
Total assets	**123.6**	*100.0 %*	**–1.4**	–1.1 %
Liabilities and shareholders' equity				
Amounts owed to credit institutions	**26.6**	*21.5 %*	**+1.6**	+6.2 %
Amounts owed to customers	**53.8**	*43.5 %*	**+1.9**	+3.7 %
Debts evidenced by certificates	**19.8**	*16.0 %*	**–4.8**	–19.5 %
Direct funding (items 2+3)	***73.6***	*59.5 %*	***–2.9***	*–3.8 %*
Provisions	**4.8**	*3.9 %*	**–1.7**	–25.7 %
Other liabilities items	**3.2**	*2.6 %*	**+0.5**	+20.9 %
Tier 2 capital	**4.9**	*4.0 %*	**+0.8**	+20.7 %
Capital and reserves (items 9 to 13)	**10.5**	*8.5 %*	**+0.3**	+2.5 %
Total liabilities and shareholders' equity	**123.6**	*100.0 %*	**–1.4**	–1.1 %

Special effects in connection with the strategic reorientation of Austrian customer business are reflected in various items, especially in provisions, which – together with current provisions made for other purposes – declined by €1.7 billion to €4.8 billion.

- In November 2015, with a view to the medium-term targets under the **multi-year plan** for Austrian customer business, the Management Board adopted a **package of measures** (see page 306 of this report). New provisions were made, and recognised in the profit and loss account, for initiatives on the revenue and cost sides under the Bank Austria Reloaded **restructuring programme** to implement staffing targets, the rightsizing of the branch network, digitalisation and efficiency enhancement in back-office activities; these provisions were added to the item "Other provisions" (€873 million).

- An important component is the **transfer** of those active employees to the Austrian General Social Insurance scheme for whom UniCredit Bank Austria AG currently acts as social security provider on account of historical developments in employment relationships (see 2.2.11 in the notes to the financial statements).

The capital base further improved in 2015. In the reporting year the amount of €0.93 billion was added to Tier 2 capital (pursuant to Chapter 4 of Title I of Part Two of Regulation (EU) 575/2013); this compared with the amount of €0.18 billion which matured in 2015. Of the total amount of €4.9 billion now shown for this item in the balance sheet, €4.2 billion represents eligible capital. As a result of the allocation of the annual surplus to revenue reserves, the sum total of capital and reserves (equity) increased by €0.3 billion to €10.5 billion (8.5 % of total liabilities and shareholders' equity after 8.2 % at year-end 2014).

Capital ratios under Basel 3 – Regulation (EU) No 575/2013 – and the applicable transitional arrangements also improved: as at 31 December 2015, the Tier 1 capital ratio (and the Common Equity Tier 1 capital ratio) was 16.25 %, and the total capital ratio was 22.99 %.

Major balance sheet items – comparison of year-end 2015/2014 levels

● On the **assets side, cash in hand and balances with central banks and postal giro offices** (€1.6 billion, with balances held with Oesterreichische Nationalbank accounting for a very large proportion of this amount) as at 31 December 2015 were lower than at the end of the previous year (€2.2 billion). **Treasury bills and other bills eligible for refinancing at central banks** increased by €1.5 billion or 16.1 % to €11.1 billion in 2015; the proportion of Republic of Austria bonds declined from 85 % to 70 % as holdings of foreign government bonds increased more strongly. **Loans and advances to credit institutions** were €22.0 billion, down by €1.2 billion or 5.0 %. Interbank business largely reflects funding of foreign subsidiaries and is strongly dependent on reporting dates. Most of the loans and advances to credit institutions (89 %) were loans and advances to foreign banks. Moreover, this item includes margin deposits with central clearing houses.

Although credit demand was weak, **loans and advances to customers** increased by €2.8 billion or 4.3 % to €66.9 billion in 2015, accounting for 54.1 % of total assets (on a net basis, i.e. after deduction of loan loss provisions, which were significantly lower than at the end of 2014). Within the total figure, retail loans showed disproportionately strong growth (+6.0 %) in the area of housing loans. In the first few months of the reporting year, growth was partly due to a higher valuation of loans resulting from the fact that the Swiss franc's link to the euro was discontinued, leading to appreciation of the Swiss franc against the euro. However, total lending volume also increased as the year progressed while foreign currency loans in Austria slightly declined, by 0.3 %, from year-end 2014 to year-end 2015. Moderate growth of 2.9 % was seen in loans to corporate customers, reflecting customer restraint and companies' strong liquidity position. There was disproportionately strong growth of 9.5 % in loans to large customers (Corporates & Investment Banking). Demand for structured export finance and working capital solutions picked up while standard lending business showed a moderate trend as corporate customers' behaviour continued to be characterised by credit restraint and a preference for liquidity. Overall growth in the item "loans and advances to customers" was dampened by the fact that the portfolio of loans to Ukrainian customers booked directly in UniCredit Bank Austria AG (Profit Center Vienna, PCV) was significantly reduced through an increase in loan loss provisions.

At the end of 2015, **bonds and other fixed-income securities** totalled €5.5 billion, a decrease of €4.1 billion on year-end 2014 (–43.0%). These securities holdings, which are classified as financial investments to the extent of 86%, declined as a result of redemptions; moreover, covered bonds are no longer reflected in the balance sheet on the assets side and on the liabilities side. (In this context we refer to section "3. Changes in accounting and valuation methods, reclassifications" in the notes to the financial statements). Euro-denominated foreign securities account for 72% of the total holdings.

Equity interests amounted to €3.0 billion, more or less unchanged compared with the previous year (–1.0%). The largest item is our Turkish joint venture Koç Finansal Hizmetler AS, with an unchanged carrying amount of €2.7 billion, and the carrying amounts of the other equity interests also hardly changed. As at 31 December 2015, **shares in group companies** amounted to **€10.1 billion**, up by €0.2 billion or 2.1% on the previous year; within the total figure, shareholdings in credit institutions rose by €0.6 billion. The carrying amount of the shareholding in our Russian banking subsidiary, AO UniCredit Bank, had to be reduced in view of changes in the medium-term outlook and on account of exchange rate movements. This compared with write-ups on the shareholdings in other CEE banks, primarily UniCredit Bulbank AD, Sofia. The shareholding in the Romanian UniCredit Bank S.A. (previously UniCredit Tiriac Bank S.A.) increased by 0.5 billion with the takeover of minority interests. At the end of 2015, the carrying amounts of equity interests in a large number of non-financial group companies totalled €1.9 billion, down by €0.4 billion on a year earlier; in this context one should note that in the case of real-estate special purpose entities, the carrying amount declines as a result of large income distributions reflected in the profit and loss account.

● On the **liabilities side**, **amounts owed to credit institutions**, a volatile item, totalled €26.6 billion as at 31 December 2015. The increase of €1.6 billion or 6.2% over year-end 2014 was due to deposits from Austrian banks.

Amounts owed to customers were **€53.8 billion**, accounting for 43.5% of total liabilities and shareholders' equity. The **increase of €1.9 billion or 3.7%** reflected movements in amounts repayable on demand (combined total of savings deposits and other amounts owed to customers), which rose by €4.8 billion (+17.6%) while time deposits declined by €2.9 billion or 11.7%. These movements are mainly explained by developments in the segment of large customers, with the shift from time deposits to sight deposits partly representing a countermovement to the opposite trend seen in 2014, when attractive terms and conditions were offered to attract deposits with maturities of over 30 days ("Basel 3 products") and time deposits rose strongly in that year (2014: +€5.2 billion). Savings deposits showed a similar trend: total volume held up well, at €16.5 billion (+1.0%); within the total amount, savings deposits repayable on demand increased by 25.8% and those with agreed maturity dates declined by 12.1%. Quite generally, the very low and flat yield curve (market interest rates by maturity) offers private individuals hardly any incentive to make deposits for longer periods.

Debts evidenced by certificates amounted to **€19.8 billion** at the end of 2015, a decrease of €4.8 billion or 19.5% on year-end 2014 which was due to various factors including large amounts of maturing bonds and a change in the form of presentation. (In this context we refer to section "3. Changes in accounting and valuation methods, reclassifications" in the notes to the financial statements.) Debts evidenced by certificates now account for 16.0% of total liabilities and shareholders' equity. In February and September 2015, UniCredit Bank Austria AG issued benchmark covered bonds of €500 million with very low spreads (between 3 and 5 basis points over mid-swap) with seven-year and ten-year maturities, respectively. At the end of 2015, bonds accounted for about 60% of the total volume of debts evidenced by certificates, with the remaining amount being represented by mortgage bonds and municipal bonds. **Direct funding** – i.e. the sum total of amounts owed to customers and debts evidenced by certificates – at the end of 2015 totalled €73.6 billion (59.5% of total liabilities and shareholders' equity). The comparative figure as at year-end 2014 was €76.5 billion (61.2%). This means that loans and advances to customers were funded with direct funding to the extent of 110% (2014: 119%).

Other liabilities rose by €564 million or 21.9% compared with the end of the previous year. The increase was due to the recognition of a liability for the amount, defined by law, to be paid to the Austrian general social insurance scheme for the transfer of rights to future pension benefits, and for lump-sum payments to the employees concerned as compensation for any related disadvantages. Without this amount, the item "other liabilities" declined by 6.3% to €2.4 billion. The item includes various settlement accounts relating to banking operations and the derivatives position, which was more or less unchanged in 2015 compared with the previous year, as was the corresponding item on the assets side ("other assets"); at the end of 2015, the combined total of the trading book and the banking book was €2.2 billion after €2.4 billion a year earlier (–8.83%).

As at 31 December 2015, **provisions** were €4.8 billion, down by €1.7 billion (–25.7%) on year-end 2014.

The largest movement in 2015 (as in the previous year) is reflected in the sub-item **pension provisions**, which was reduced by €1.5 billion (more specifically, down by €1,510 million or 34.1%) to €2.9 billion (more specifically, €2,913 million). (In 2014, a significant decline in market interest rates required a large addition to pension provisions as the underlying discount rate was adjusted.)

The sub-item **other provisions** declined by €166 million to €1,571 million. This reflects the addition of €873 million to restructuring provisions in connection with the package of measures to enhance profitability in Austrian customer business. The measures relate to the implementation of staffing targets, the rightsizing of the branch network, digitalisation and efficiency enhancement in back-office operations, including UBIS. These additions to other provisions compared with a large decline of €984 million in previously recognised other provisions (including provisions for taxes, for pending losses on lending and securities business, for risks associated with equity interests, for litigation risks and guarantee obligations), leading to the decrease in the total amount of other provisions.

Tier 2 capital (pursuant to Chapter 4 of Title I of Part Two of Regulation (EU) No 575/2013) increased by €0.8 billion or 20.7% to €4.9 billion in 2015, reflecting three new issues of eligible Tier 2 capital totalling €930 million, which we issued to strengthen the capital base.

The sum total of **capital and reserves** – subscribed capital, capital reserves, revenue reserves and the reserve pursuant to Section 57 (5) of the Austrian Banking Act – increased to €10.5 billion (more specifically, €10,459 million) following the allocation of the annual surplus of €254 million to revenue reserves; capital and reserves thus accounted for 8.5% of the balance sheet total.

Profit and loss account for 2015

The profit and loss account of UniCredit Bank Austria AG for 2015 reflects more or less unchanged commercial banking business in Austria, with slightly lower income, strong cost discipline and a low charge for loan loss provisions, additionally supported by large dividend income from domestic and foreign companies. On the other hand, the financial statements reflect substantial one-off effects: in 2014, these included large additions to pension provisions; in 2015, the multi-year package of measures for sustainable revenue growth and restructuring of Austrian business had a strong impact.

- The underlying **stable operating performance** is reflected in the increase of 13.9%, without one-off effects, in **operating income** in 2015 compared with 2014 (see table with footnotes and commentary below). A decline in **net interest income** was offset by increases in **net fee and commission income** and in net profit on trading activities (following the expiry of the participation in profits, included until 2014, of UniCredit's Markets product line under the "compensation agreement"). The main factor on the revenue side was **large dividend income and income from shares in group companies** in Austria (including companies which focus on the sale of real estate) and from our shareholdings in successful companies in Central and Eastern Europe (CEE).

Profit and loss account for 2015

			CHANGE	
	2015 € MILLION	2014 € MILLION	+/– € MILLION	+/– %
Operating income	**3,486**	**2,459**	**+1,026**	**+41.7%**
adjusted for one-off effects1)	**2,689**	**2,361**	**+328**	**+13.9%**
Net interest income	1,066	1,152	–87	–7.5%
Income from securities and equity interests	927	646	+281	+43.6%
Net fee and commission income	538	449	+89	+19.9%
Net profit/loss on trading activities	82	133	–51	–38.6%
Other operating income	873	79	+794	>100%
Operating expenses	**–2,616**	**–2,955**	**+340**	**–11.5%**
adjusted for one-off effects1)	**–1,738**	**–1,727**	**–11**	**+0.6%**
Staff costs	–1,635	–2,137	+502	–23.5%
of which: provisions for wages and salaries	–795	–5	–790	>100%
of which: allocation to the pension provision	0	–1,228	+1,228	–100.0%
Other operating expenses	–981	–819	–162	+19.8%
Operating results	**870**	**–496**	**+1,366**	**n.m.**
adjusted for one-off effects1)	**951**	**634**	**+317**	**+50.0%**
Charge for loan loss provisions2)	–77	–88	+11	–13.0%
Operating results less charge for loan loss provisions	**793**	**–584**	**+1,378**	**n.m.**
adjusted for one-off effects1)	**875**	**546**	**+329**	**+60.2%**
Net income/expenses from disposal and valuation of securities / current assets	*35*	*40*	*–6*	*–13.8%*
Net income/expenses from disposal and valuation of securities / financial fixed assets	48	–67	+115	n.m.
Net income/expenses from the disposal and valuation of shares in group companies and equity interests	–558	–1,238	+680	–55.0%
Results from ordinary business activities	**318**	**–1,849**	**+2,167**	**n.m.**
without one-off effects	**875**	**546**	**+329**	**+60.2%**
Annual surplus/annual deficit	**254**	**–1,964**	**+2,218**	**n.m.**

1) **One-off effects in 2015** referred to in the above table: net effect from new provisions made and provisions released in connection with the Bank Austria 2020 Reloaded package of measures, reflected in the following lines of the profit and loss account: other operating income, other operating expenses, provisions for wages and salaries, and other administrative expenses (see commentary); **base effects in 2014:** allocation to the pension provision due to adjustment of discount rate; participation in profits of UniCredit's Markets product line included in net profit/loss on trading activities for the last time pursuant to the "compensation agreement" under the sale of CAIB. 2) Direct write-offs, additions to loan loss provisions, recoveries on loans and advances written off, and release of loan loss provisions for loans and advances to credit institutions and customers. (Derived from lines 11 and 12 of the profit and loss account). / **n.m.** = not meaningful, in most cases relating to a swing from a negative to a positive figure or (more rarely) vice versa.

- In view of the medium-term targets set in the multi-year plan, updated in 2015, for Austrian customer business (a return on allocated capital, RoAC, of 13 % and a cost/income ratio of 60 %), the Management Board adopted resolutions on a **package of measures** in November 2015 (see the section on "non-financial performance indicators", pages 306 and 307 of this report). An important component of these measures is the transfer to the **state scheme under the Austrian General Social Insurance Act (ASVG)** of those active employees for whom Bank Austria assumed the obligations of the mandatory social insurance scheme under employment contracts in the past. In the future, the transfer will reduce volatility in this context, significantly relieving the impact on the income statement. **On the one hand, substantial restructuring provisions** were made for the related initiatives on the revenue and costs sides under the Bank Austria Reloaded programme (aimed at achieving staffing targets, restructuring the branch network, digitalisation and efficiency enhancement in back-office operations): the total amount of €878 million relates to staff costs, other administrative expenses and other operating expenses. **On the other hand**, the transition from a defined-benefit scheme to a defined-contribution scheme involves and requires the **release** of pension provisions for active employees who will be transferred to the Austrian general social insurance scheme. The resulting one-off income, less actuarial adjustments and obligations to make additional payments, explains the increase of €794 million in other operating income, to a total of €873 million. The positive and negative effects of this package of measures on the profit and loss account give a positive **balance of +€80 million** before taxes.

When comparing the profit and loss account for 2015 with the profit and loss account for the previous year, one should note a substantial **base effect**, namely the **allocation of €1,228 million to pension provisions in 2014**, as a result of the reduction of the discount rate in line with market developments.

The 2015 financial statements reflect the underlying trend in operating performance, the effects of the package of measures described above and the base effects compared with the previous. The combined effect was a **swing in operating results** from minus €496 million to **plus €870 million.** (Adjusted for the above-mentioned one-off effects, the increase was +€317 million or +50.0 %.) The **charge for loan loss provisions** remained relatively low, at €77 million. Among the other **non-operating items of the profit and loss account**, the **valuation result of shares in group companies and equity interests** was negative, at –€558 million, but this reflects a significant improvement over the previous year's figure of –€1,238 million. On the other hand, valuation losses were still high, including those on our shareholdings in the bank in Ukraine and our Russian banking subsidiary. These valuation losses were, however, reduced by almost one-half through the reversal of write-downs (including that on our successful bank in Bulgaria).

After deduction of taxes and levies, UniCredit Bank Austria AG's **results from ordinary business activities** in the 2015 financial year were **€318 million** (after minus €1,849 million in 2014); the **annual surplus** amounted to **€254 million** and was allocated to reserves. (In 2014, UniCredit Bank Austria AG recorded a deficit of €1,964 million, on account of various factors including the substantial charge for staff-related provisions.)

Major items in the profit and loss account for 2015 compared with 2014

● **Operating income** in 2015 was **€3,486 million**, up by €1,026 million or 41.7 %, mainly reflecting the increase of €794 million in other operating income, to a total of €873 million, as a result of the change in the pension scheme.

▶ The largest component of total operating income was **net interest income**, which amounted to €1,066 million. The decline of €87 million or 7.5 % in net interest income compared with 2014 resulted mainly from customer business and higher funding costs in connection with the bank's own issues; the contribution from interbank business increased.

The balance of interest income/expenses from loans and advances to, and amounts owed to, **credit institutions** fluctuates significantly from year to year. In 2015, it amounted to €298 million, an increase of €83 million (+38.4 %) over the previous year. Volume on the assets side and on the liabilities side increased, and contributions to growth in net interest income came from both higher interest income and lower interest expenses. The interbank interest margin – i. e. net interest income measured against the mean value of interest-bearing volume on the assets side and the liabilities side (annual averages) – improved from 0.92 % to 1.23 %, which is explained by the decline in assets repayable on demand which bear interest at very low, or even negative, rates.

The low level of interest rates seen in the past years has a strong impact on customer business in particular, where **customer interest** rates fell to new lows as there is intense competitive pressure on the assets side and interest rates on the liabilities side can hardly be reduced further. In 2015, customer interest rates in lending business fell more strongly than those on deposits. The resulting narrowing of the interest margin was further accentuated by a volume effect: deposits increased more strongly than loans. **Therefore net interest income from loans and advances to, and amounts owed to, customers in 2015 was €1,090 million, down by €129 million or 10.6 % on the figure for 2014.**

All segments achieved significant growth in new commercial banking business. As a result of repayments, however, total business volume rose only slightly. Disproportionately strong growth was recorded in construction and housing finance in the **retail banking** sector, even after the higher valuation of loans following appreciation of the Swiss franc in the middle of January 2015; this resulted in slight market share gains for UniCredit Bank Austria AG.

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On the other hand, short-term finance and consumer loans declined. Business with **corporate customers** was impacted by the fact that key **euro reference interest rates** moved into negative territory, with the 3-month Euribor remaining negative from April onwards; this led to historically low levels of interest rates on loans and deposits. Although financing terms were extremely favourable in 2015, companies' **investment propensity** remained moderate and credit demand was weak. Nevertheless, Bank Austria recorded slight growth in loans to corporate customers, thereby gaining market share. The improvement was supported by successful marketing initiatives, including the energy efficiency package, which helps companies identify financial assistance schemes and offers suitable financing transactions, or loans to innovative Austrian companies for investment purposes backed by a Risk-Sharing Instrument (RSI) guarantee under a European Investment Fund (EIF) framework agreement. Marketing efforts were complemented by an internationalisation initiative. In business with **large customers**, lending volume again showed an upward trend after a long pause. Demand for **structured export finance and working capital solutions** picked up while **standard lending business** showed a moderate trend as corporate customers' behaviour continued to be characterised by credit restraint and a preference for liquidity. Funding activities in the corporate sector were very modest in 2015 as most companies took advantage of the low interest rates of previous years to secure attractive terms and conditions in the longer term. Positive developments were seen in new business in the areas of export finance and trade finance.

➔ While overall **lending volume** at the end of 2015 was **up by 4.3 %** on year-end 2014, annual average growth was as low as 0.4 %. For this reason, **interest income in 2015 declined by €182 million or 12.1 % to €1,323 million.** The average interest margin on the lending side narrowed from 2.3 % to 2.0 % in 2015.

On the **deposit side**, interest-based business was characterised by a shift rather than growth in 2015. In 2014, time deposits had grown significantly at the expense of sight deposits, reflecting targeted acquisition efforts with "Basel 3 products". In 2015, on the other hand, all of the growth in customer deposits was recorded in sight deposits, which rose at double-digit rates. This development is partly explained by the fact that the above-mentioned marketing campaign ended; moreover, with interest rates close to zero and a flat yield curve, there was no incentive for customers to make deposits for longer periods. Retail deposits showed only moderate growth; in the segment of large international companies, however, deposits increased strongly (up by almost one-quarter on year-end 2014), reflecting the current excess liquidity in this sector.

➔ Amounts owed to customers increased by 3.7 % from year-end 2014 to year-end 2015, and by 2.2 % in annual average terms. Interest expenses in this context declined by €53 million or 18.4 % to €233 million. The customer interest margin on the liabilities side measured against average volume thus narrowed by 0.1 percentage points to 0.4 %. This means that the favourable effect on the liabilities side of continued reductions of market interest rates in 2015 was less significant than the negative impact on the lending side (–0.3 percentage points).

Net interest income / expenses from interest-bearing securities and debts evidenced by certificates was – €322 million in 2015, a larger negative figure than in the previous year (2014: – €281 million), reducing net interest income by €40 million year-on-year. This is mainly explained by the fact that securities issued by public sector entities, i. e. benchmark bonds with very low interest rates, account for a large proportion of the relevant assets; on the liabilities side, however, funding through the bank's own issues is only possible at higher interest rates. While changes in volume moved in parallel, interest rates showed divergent trends. Interest expenses for debts evidenced by certificates increased (+ €19 million or + 3.1 %) although underlying volume declined.

▶ In 2015 Bank Austria's **income from securities and equity interests** was €927 million, up by €281 million or 43.6 % on the previous year. The increase is explained by higher dividend income from shares in group companies (+ €284 million or + 49.5 % to €857 million). In 2015, our banking subsidiaries in Central and Eastern Europe paid €290 million in dividends based on the 2014 financial statements (previous year: €212 million). Significant contributions came especially from Zagrebačka banka d. d., our successful subsidiary in Croatia, followed by UniCredit Bank Czech Republic and Slovakia a. s., UniCredit Bulbank AD, Sofia, and UniCredit Bank Hungary Zrt. as well as UniCredit Bank a. d., Banja Luka. This item also reflects contributions of €566 million (previous year: €354 million) from shareholdings in Austrian companies. The significant increase resulted mainly from the reduction of the real estate portfolio, which is not part of core business; this led to large distributions by several special purpose entities (including ZETA Fünf Handels GmbH, BA-CA Wien Mitte Holding GmbH). Distributions made by other companies in which equity interests are held were partly offset by write-downs on carrying amounts reflected in lines 13 and 14 of the profit and loss account.

▶ Among the items of the profit and loss account which mainly reflect day-to-day commercial banking business, **net interest income** increased by €89 million or 19.9 % to €538 million. Net fee and commission income from lending business rose strongly (+ €78 million to €91 million); the increase was due to one-off income from the arrangement of large-volume financings in business with large customers, and to lower commission expenses for guarantees received. **Securities business picked up** in the reporting year: mutual fund business with private and business customers – a focus of advisory services in the retail banking sector, given investment restraint on the part of customers in an environment of very low interest rates – grew by 19.3 %. Fee and commission income from **asset management** increased substantially, by 27.5 %; the increase was mainly due to Bank Austria's Private Banking operations, which have promoted asset management products for a long time. Assets under management (without safe-custody business, without deposits) in Austrian customer business increased by 3.0 % to € 17 billion in 2015; within the total figure, Bank Austria Private Banking achieved significant growth of 13.5 % to € 4 billion (without Schoellerbank). It should be noted that the increase reflects not only a stronger performance but also a steady net inflow of funds, which even continued during the difficult period in autumn 2015. Combined net fee and commission income from account and payment services and from other services provided as part of current banking business remained stable at a high level.

▶ **Net profit/loss on trading activities** was € 82 million in 2015, down by € 51 million on the previous year. All of the decrease is explained by the fact that Bank Austria no longer participated in profits of UniCredit's Markets product line to which it was entitled until 2014 (under the terms and conditions of the sale of UniCredit CAIB). Adjusted for this base effect, net profit on trading activities more than doubled, driven by a positive swing in equity and bond trading activities, which was diminished by counterparty risk expenses and by a weaker performance of foreign exchange trading operations.

▶ **Other operating income** comes from transactions which are not directly related to current banking operations. In addition to income from the sale of fixed assets, rental income and the release of provisions for litigation risks, the figure for 2015 includes the effect on the profit and loss account of the **net release of pension provisions** in connection with the above-mentioned package of strategic measures and the related transfer of rights to future pension benefits to the Austrian general social insurance scheme, with the resulting reduction of the present value of the pension obligation. The profit and loss account reflects the net effect of the gross amount of the pension provision released (see commentary in the notes to the financial statements), the allocation requirement resulting from the discontinuation of the corridor method, including actuarial compensation expenses, and by an insignificant new allocation to pension provisions. On balance, other operating income increased by € 798 as a result of this transaction. This explains why other operating income rose from € 79 million in 2014 to € 873 million in 2015. The total amount of the various other components included in this item were more or less unchanged.

● **Operating expenses** were € 2,616 million in 2015, down by € 340 million or 11.5 %. Without the one-off effects resulting from the 2015 package of restructuring measures and without the allocation to pension provisions in 2014 – i. e. from the perspective of operating performance – costs (€ 1,738 million) were more or less unchanged compared with the previous year (+ 0.6 %).

The above-mentioned one-off effects (restructuring in 2015 and base effect in 2014) are mainly reflected in **staff costs**, which totalled € 1,635 million, down by € 502 million or 23.5 % on the previous year. The sub-item wages and salaries includes a provision of **€ 800 million made in 2015 for the restructuring** of the Austrian business model over the next three years and the resulting need to adjust effective employment (FTEs). The measures aim to implement a new advisory services model for retail banking operations, based on a leaner product range and further digitalisation, and a complete overhaul of the Corporate Center; they include the related expenses for staff reduction. "Move On", the internal job platform, is intended to avoid internal friction. The **comparative figures for the previous year** show the amount of € 1,228 million in the sub-item "allocation to the pension provision" as the present value of the pension and severance payment obligations and of anniversary bonuses had to be adjusted to the lower discount rate. This change (on balance, – € 428 million) was the main factor leading to the € 502 million reduction of staff costs.

Apart from provisions, **current staff costs were reduced by € 74 million or 8.1 %** to € 835 million in 2015. This development is to be seen mainly in connection with our staff-related Initiative 2020, which aimed at reducing full-time equivalents (FTEs) from 2014 to the middle of 2015 in a socially responsible manner, primarily through the introduction of various part-time working models (see the commentary on Human Resources on pages 308 to 311 of this report). In terms of average annual FTEs, staffing levels were reduced by a further 288 FTEs in 2015 after a reduction of 320 FTEs in 2014 (including normal staff turnover).

Other administrative expenses, including expenses for services provided by Group-internal service providers, rose by € 28 million or 3.9 % to € 753 million, mainly on account of increases in information and communications technology. The figure for other administrative expenses also reflects provisions of € 18 million for the implementation of the restructuring package; this will cover foreseeable expenses associated with further closures of branches and the rightsizing of the branch network as well as compensation for adjustments by the service provider to this reduction.

The **cost/income ratio** (operating expenses / operating income, excluding other operating income/expenses) does not provide meaningful information as it reflects substantial releases and additions to provisions in 2014 and 2015 (unadjusted: 72.6 % after 120.7 %). Without special effects (restructuring in 2015; "compensation agreement" and allocation to pension provisions in 2014), the cost/income ratio was 69.9 % compared with 74.0 %. This definition still includes CEE dividend payments and income from shareholdings in other group companies. In purely commercial terms (without any one-off income and without any

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income from dividend payments and from equity interests in group companies) the cost/income ratio for Austria is 94.4% after 96.5%, underlining the need for restructuring measures.

➔ **Operating results**, i.e. operating income less operating expenses, amounted to €870 million after a negative result in the previous year (–€496 million). On an adjusted basis, operating results for 2015 were €951 million after €634 million in 2014; the increase of €317 million was mainly due to higher income from shares in group companies (+€284 million).

● Among the **items to be taken into account to calculate profit or loss for the year**, net income/expenses from the **disposal and valuation of loans and advances and securities remained** very low, at –€42 million after –€48 million, considering the fact that this item includes the charge for loan loss provisions (i.e. the sum total of direct write-offs/write-backs and net additions to loan loss provisions for loans and advances to credit institutions and customers including contingent liabilities). The **charge for loan loss provisions** in 2015 was **a low €77 million after €88 million**; the figure for 2013 had been €420 million. The cost of risk (charge for loan loss provisions in basis points of average volume of customer loans) continued to fall, to 12 basis points in 2015, after 13 and 63 basis points in 2014 and 2013, respectively. This confirmed the high quality of the loan portfolio across all Austrian customer segments: in the retail banking sector, a temporary increase in the charge for loan loss provisions was seen only in the first few months of 2015, when the Swiss franc's link to the euro was discontinued and the Swiss franc appreciated against the euro. In business with Austrian corporate customers, the outstanding quality of the loan portfolio made it possible to release loan loss provisions; overall, the charge for loan loss provisions in retail and corporate banking declined significantly, to €12 million in 2015 compared with €69 million in 2014. In the business segment comprising large customers, loan loss provisions remained low; the release of a provision for a major customer in the middle of 2015 led to a net release of loan loss provisions in the year as a whole (positive contribution of €24 million). A negative impact came from the increase in the charge for loan loss provisions in the Profit Center Vienna, almost all of which was attributable to the portion of loans to Ukrainian customers booked in UniCredit Bank Austria AG.

➔ **Operating results less the charge for loan loss provisions**, i.e. the net operating performance, showed a positive swing from minus €584 million in 2014 to plus €793 million in 2015. Even adjusted for the above-mentioned one-off effects, the net operating performance rose significantly, from €546 million to €875 million. Higher income from shares in group companies made a large contribution to the increase.

Net income/expenses from the disposal and valuation of securities valued as financial fixed assets, and of shares in group companies and equity interests remained negative in 2015; but at –€510 million the net expense was down by more than one-half (i.e. by €795 million) on the previous year (–€1,305 million). The main factor in this connection was the valuation result from financial fixed assets, including the **valuation result from shares in group companies**: the negative balance declined strongly, by €680 million to –€557 million (after –€1,238 Mio € in 2014). In 2015, this amount included **valuation losses** of –€1,138 million and valuation gains of +€518 million (2014: –€1,289 million and +€92 million, respectively). Within the valuation losses, the adjustment of –€219 million to the carrying amount of the shareholding in AO UniCredit Bank in **Russia** was a significant factor, explained by the reassessment of the medium-term outlook in view of the difficult economic environment and by depreciation of the Russian rouble (–10.3% against the euro from year-end 2014 to year-end 2015). Write-downs of €384 million had to be made on the exposure in **Ukraine** in 2015 (the risk profile is explained in the risk report on pages 360 to 362 of this report). As far as the Austrian group companies are concerned, one should note an accounting effect: write-downs on the carrying amount of several **special purpose entities in the real estate sector** reflect the successful sale of real estate and corresponding distributions, which are included in dividends and income from equity interests. **Write-ups** resulted from the release of provisions of €36 million for Schoellerbank AG and €375 million for UniCredit Bulbank AD, Sofia, as the medium-term outlook under the multi-year plan improved.

➔ Based on operating results of €870 million, and after deduction of net expenses – largely **non-operating** in nature – totalling €552 million which resulted from disposals and valuation (items 11 to 14 of the profit and loss account), **results from ordinary business activities** were positive in 2015, reaching **€318 million**. The comparative figure for 2014 was negative, at –€1,849 million. The balance of positive and negative one-off effects from the restructuring of Austrian business had a slightly positive effect of +€82 million; on an adjusted basis, results from ordinary business activities therefore amounted to €875 million. The comparative figures for 2014 included one-off effects of –€1,130 million (reflecting the allocation to the pension provision and the share of profits, received for the last time, of UniCredit's Markets subdivision under the "compensation agreement"). This means that even on an adjusted basis, the figures show a positive swing in the results from ordinary business activities, from minus €718 million to plus €875 million.

● After the inclusion of income taxes (+€67 million) and other taxes (–€131 million), which mainly include the charge of €129 million for the bank levy, the **surplus** shown in UniCredit Bank Austria AG's profit and loss account for the 2015 financial year was **€254 million** (after a deficit of €1,964 million in 2014). As the annual surplus was allocated to **reserves** in full, the profit or loss for the year and the accumulated profit or loss were zero.

1.2. Structural changes at Bank Austria

Scope of consolidation (in accordance with IFRSs) and changes in the scope of consolidation of the Bank Austria Group in 2015

	CONSOLIDATED COMPANIES	COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD	TOTAL
Opening balance	**413**	**37**	**450**
Additions	**23**	**1**	**24**
Newly established companies	11	–	11
Acquired companies	12	1	13
Disposals	**–36**	**–1**	**–37**
Companies sold or liquidated	–17	–1	–18
Mergers	–19	–	–19
Closing balance	**400**	**37**	**437**

Wien Mitte Immobilien GmbH was sold to a consortium of companies, the closing of the transaction took place on 15 December 2015.

1.3. Branches

On 29 December 2006, UniCredit Bank Austria AG set up a permanent establishment in Milan, Via Marco D'Aviano 5, which is exclusively engaged in the management of equity interests of UniCredit that were transferred by way of contribution in kind. Therefore these activities are not banking activities.

1.4. Financial and non-financial performance indicators

Financial performance indicators

	2015	2014	2013	2012[2]	2011
Eligible capital (until 2013: Tier 1 capital ratio)[1]	23.0%	19.70%	17.70%	19.20%	21.30%
Return on equity before taxes	3.1%	–15.60%	–11.90%	–1.80%	–2.70%
Return on equity after taxes	2.4%	–16.60%	–12.60%	–2.30%	–3.40%
Cost income ratio	73.6%	120.70%	89.30%	64.50%	66.50%
Risk/earnings ratio	3.8%	4.90%	26.00%	20.40%	27.60%
Risk/earnings ratio (without dividends)	7.2%	7.60%	33.70%	25.60%	37.70%

1) Tier 1 capital ratio: from 2012, the calculation is based on the total book (previously based on the banking book). / 2) In 2013, the method of reporting swaps in the trading book was changed from a net basis to a gross basis. For comparison purposes, the figure for total assets in 2012, on which the calculation was based, was adjusted by €1.2 billion.

Definitions of performance indicators

Eligible capital ratio (from 2014): eligible capital divided by capital requirements in accordance with Article 92 of Regulation (EU) No 575/2013
Tier 1 capital ratio (until 2013): regulatory Tier 1 capital divided by risk-weighted assets of the total book pursuant to the Austrian Banking Act (Bankwesengesetz – BWG); until 2011, the calculation was based on risk-weighted assets of the banking book
Return on equity before taxes: annual surplus before taxes divided by average equity
Return on equity after taxes: annual surplus divided by average equity
Equity: subscribed capital, capital reserves, revenue reserves, reserve pursuant to Section 57 (5) of the Austrian Banking Act, untaxed reserves
Average equity: equity as at 1 January of the reporting year + equity as at 31 December of the reporting year divided by 2
Cost/income ratio: general administrative expenses (including depreciation) divided by operating income including the balance of other operating income/expenses
Risk/earnings ratio: net income/expenses from the disposal and valuation of loans and advances divided by net interest income including income from securities and equity interests

Non-financial performance indicators

Branch network

	2015	2014	2013	2012	2011
Domestic branches	174	217	253	271	273
Foreign branches (without banking business)	1	1	1	1	1
Outlets at companies	1	1	1	1	1
Total	**176**	**219**	**255**	**273**	**275**

Employees

Under the place-of-work principle applied to UniCredit Bank Austria AG and its subsidiaries, staffing levels and staff costs are recorded by those companies in which the employees work.

	31 DEC. 2015	AVERAGE FOR 2015	31 DEC. 2014	31 DEC. 2013	31 DEC. 2012	31 DEC. 2011
Headcount *)	6,430	6,508	6,597	6,841	6,996	6,935
of which workers other than salaried staff	*0*	*0*	*0*	*0*	*0*	*0*
Full-time equivalents *)	5,593	5,670	5,769	6,207	6,364	6,540
of which workers other than salaried staff	*0*	*0*	*0*	*0*	*0*	*0*

*) excluding employees on unpaid sabbatical or maternity/paternity leave but including workers other than salaried staff and delegated employees under the "place-of-work principle"

Management Report (CONTINUED)

Strategic evolution

● Bank Austria sees itself as a **universal bank** which holds leading positions in the countries where it operates. In its long history the bank has always had an international outlook; today it is a member of UniCredit, which has a network spanning 17 countries and has been classified as a global systemically important bank. Bank Austria's most important **economic objective** is to create value in a sustainable manner, i. e. to achieve a level of profitability exceeding the cost of capital. In this way Bank Austria aims to secure its existence and market position in the long term while meeting the expectations of shareholders and, last but not least, putting in place the equity capital base required for further growth. Optimum capital allocation, a transparent use of resources in the various business segments – without cross-subsidies – and professional risk management are the main factors required for the bank to make full use of its growth potential.

Customer business has top priority in the **business model** for implementing these objectives. This involves limiting proprietary business to the tasks relating to overall bank management. Bank Austria's lending business is mainly funded by resources entrusted to the bank by customers. **Customer centricity** is key to sustainable success in several respects: we aim to be very close to customers by using the channels preferred by them – be they classic or digital channels – in a timely manner and speaking customers' language. With regard to product design and services, our top priority is to keep them simple and transparent and to meet customers' specific needs. Identifying long-term trends in customer behaviour and responding to them through innovation and adjustments also requires close contact with customers. Permanent feedback from customers is essential to operational excellence and service efficiency; ways to provide feedback have become increasingly institutionalised and digitalised. Moreover, the **Bank of the Future** needs a simpler structure and more efficient back-office processes. We have launched a streamlining initiative to screen all areas of the bank and make our internal procedures leaner, eliminate inefficiency and improve the cost/income ratio.

We use various HR measures to train our **employees** with a view to enhancing professionalism, establishing a distinct service culture and introducing an entrepreneurial mindset. Permanent adjustment to the rapid changes in banking requires flexibility and mobility, which we support with new forms of working arrangements and measures focusing on staff development and mobility. We are strengthening the work-life balance of our employees to enable them to develop their performance capabilities in a sustainable manner. Openness, diversity and the values defined in our Integrity Charter guide our activities. Bank Austria is the only large Austrian bank that coped with the financial market crisis without using state aid. One of the lessons learnt from those difficult years is that the **trust of customers** and other stakeholders as well as the bank's reputation are of vital importance. We see our **social responsibility** as an integral component of our financial success and we want to support the development of communities in which we operate as an active corporate citizen.

● The corporate objectives, principles and values apply to the Austrian business segments in the same way as to our banks in CEE countries and their business segments. However, the potential of a mature, overbanked market differs from that of the banking sectors in CEE, which continue to expand strongly. And this calls for different measures to be taken in each case for the further development of the business model.

The profitability of traditional banking business in **Western Europe** has come under sustained pressure through the combined impact of several trends: interest rates have been low over the past few years (and will remain so in the foreseeable future); this has led to an erosion of margins on traditional banking products. Weak growth has translated into stagnant credit demand, and this is proving to be a structural phenomenon rather than reflecting the business cycle. The resulting loss of income makes it difficult, in view of tighter capital requirements, to earn the cost of capital and other compliance costs. Moreover, structural changes in customer preferences and demand for end-to-end and easy-to-use products, driven by the advance of digitalisation, are challenging traditional sales methods. And disintermediation tendencies are again making themselves felt as new competitors (fintechs, crowdfunding and IT companies) expand their activities.

The unfavourable overall environment in Europe is further aggravated in **Austria**, where the bank levy is the highest in Europe and based on assets. More detailed regulatory requirements are making business more expensive and strongly restricting it in some areas. Price regulation based on far-reaching consumer protection rules limits the leeway for pricing and impacts banks' earning power in retail banking, which is also affected by terms and conditions which are unfavourable for banks by international comparison, due to irrational competition.

As a result, profitability in Austrian customer business has fallen; the **retail banking** segment is making a loss, despite the intensive countermeasures that have been taken.

● As part of the implementation of UniCredit's multi-year plan (MYP 2.0), the Management Board adopted a **package of measures** in November 2015 to **restructure** retail banking operations, i. e. business with private customers and small businesses, and to improve the cost/income ratio on a sustainable basis. This underlines Bank Austria's commitment to a universal banking business model as sound retail banking operations are necessary for successfully conducting business with corporate customers and high net worth individuals as well as Corporate & Investment Banking activities in the long term; in this context retail banking is an important source of direct funding, ensures a broad customer base and acts as a key driver of the brand presence in the market.

● When UniCredit presented its multi-year plan in November 2015, it announced its intention to transfer direct shareholding control of CEE business to UniCredit S. p. A. The transfer of equity interests in CEE companies from UniCredit Bank Austria AG to the Group holding company, subject to resolutions adopted by the corporate bodies, is to take place by the end of 2016. This move is intended to streamline the organisation of UniCredit Group. It will also enhance UniCredit's ability to manage liquidity and capital for the Group, and also for CEE business, in the current regulatory environment (global SIFI, banking union etc.). This change in governance will not in any way affect the close links between Austrian corporate banking business and the CEE network.

Restructuring Austrian customer business

● Bank Austria aims to further expand its leading market positions in Austria in the following three areas: business with corporate customers, Corporate & Investment Banking and Private Banking. Almost one in two small and medium-sized companies is a customer of Bank Austria's **Corporates segment**, and 7 out of 10 companies use the services available in **Corporate & Investment Banking**. Bank Austria is the clear market leader in corporate bonds and loans against borrowers' notes, in export finance and in documentary credit business. Bank Austria acted as lead manager for 6 out of 10 corporate bond issues in Austria in 2014, and for 5 out of 6 corporate bond issues in 2015. The Private Banking Division is number one in the Austrian market, with €22.8 billion in assets managed on behalf of customers and a market share of 19 %. These three profitable business segments currently account for three-quarters of the bank's total assets in Austria. Based on the combination of customer satisfaction, a good earnings position and cost efficiency, these business segments may be expected to achieve further growth of business volume and profits.

● In its **retail banking** operations Bank Austria has pursued the digital modernisation of its sales network which was initiated two years ago. The SmartBanking projects implemented in this context aimed at giving branches and the digital marketplace (with the Online-Shop and the online branch) equal weight as channels for product sales and advisory services in the medium term. Among Bank Austria customers who maintain accounts at the bank, about three-quarters currently use OnlineBanking, and over one-third of them use MobileBanking via a smartphone, with a significantly rising trend. Digitalisation has gone hand in hand with an upgrading of branch-based sales and a reduction of the number of locations: following the integration of 18 branches serving private customers in 2013, 36 branches were integrated in 2014 and 43 in 2015, thereby reducing the total number to 174 by the end of 2015. One-fifth of our branches currently displays the new design and has been equipped with the latest technology. We also operate a number of state-of-the-art advisory service centres where we serve more than one customer segment. At the end of 2015 the Management Board launched the **Bank Austria Reloaded** project, which will be implemented over the years to 2018 with a view to achieving the income/cost targets defined in the multi-year plan. In addition to offering longer opening hours, we will complete the process of modernising all branches and enhancing their efficiency. While the number of branches serving private customers will decline to about 120 by the end of 2018, a number of these branches will be significantly larger and offer a wider range of advisory services. Starting in 2016 we will transfer small business customers (with an annual turnover of up to €3 million) and independent professionals from the Corporates to the Retail segment (project name: CREDO), moving them closer to local decentralised sales units. Services for small businesses will be significantly expanded, including the possibility to draw on the expertise of specialists via video calls, and offered in 55 locations in the future, up from the 29 units where services have so far been available to this customer group.

We will strongly expand our digital offering. This will involve further standardising the range of products and expanding the digital marketplace with personal advisory services in the online branch and with the Online-Shop, where all key banking products are available. We aim to offer all products and services to meet daily needs 7 days a week and 24 hours a day, in the branches and in the digital marketplace via the online branch and the Online-Shop. Some 255 employees currently work in the online branch. Advisory services focus on high-grade and more complex banking products, for example, with the use of video-based advisory services provided by specialists both online and at branches, drawing on the expertise of highly qualified real-estate and investment specialists.

● The transformation of the retail banking business model will be accompanied by a **cost reduction programme** aimed at cutting payroll costs and other administrative expenses by 18 % or €300 million by 2018, through the following measures:

- Reducing IT and processing costs through a higher degree of standardisation and streamlining of the product offering.
- Downsizing the branch network while expanding the digital marketplace.
- Significant capacity adjustments in the Corporate Center, comprising all of the bank's back-office and support functions.
- The number of related job reductions will depend on progress made in expanding the digital offering, streamlining the product range and adjusting processes, and on the models agreed with the Employees' Council. The job reductions will be made in a socially acceptable manner on the basis of mutual agreement.
- The restructuring of Austrian business will also involve removing a **structural cost burden** of the past: under a special legal arrangement and an internal service regulation going back many years, Bank Austria has assumed the obligations of the mandatory social and pension insurance scheme pursuant to the Austrian General Social Insurance Act (ASVG) for about

3,300 employees. This "BA-ASVG" arrangement is intended to be transferred to the general Austrian state pension system within the legal framework and with the contributions required to be paid by law. An internal service regulation to this effect has been signed with the Employees' Council and communicated internally. In this context there will be fair compensation for the employees concerned, in respect of both pension and health insurance. (Bank Austria will continue to act as pension insurance institution only for the current Bank Austria pensioners.) The complete changeover from a provision-based pension system to a defined-contribution pension scheme for all active employees will lead to further significant cost savings.

- We will increase the return on allocated capital (RoAC) in Austria to about 13% by 2018 while improving our cost/income ratio to 60%. With total assets of about €100 billion and 1.6 million customers, Bank Austria will remain the largest individual bank active in Austrian customer business.

Initiatives in Central and Eastern Europe

As part of the implementation of the multi-year plan, the **shareholding interests in UniCredit banks in Central and Eastern Europe (CEE)** are intended to be transferred, subject to resolutions adopted by the corporate bodies, from UniCredit Bank Austria AG, which acts as sub-holding company, directly to UniCredit S.p.A., the Group holding company. This transaction is to be completed by the end of 2016. The related simplification of governance will eliminate duplication and facilitate capital management and liquidity management of the CEE banking subsidiaries.

Regardless of where the equity interests in the CEE banking subsidiaries are held in the future, it is important to state that local service continuity and the banks' full expertise and customary high service quality are preserved for the Group's internationally active corporate customers. The CEE Division will continue to work with the successful team. This move will not affect the **strategic importance of the CEE Division**: being the undisputed number one in the CEE market, with positions among the five largest local banks in ten countries, the CEE banking subsidiaries are UniCredit's key growth driver.

Customer centricity and change

"Digitalisation – 24 hours / 7 days – mobile – social networking – personalised & configurable": these are some of the key words signalling the dramatic changes in society and in our business model and service approach. These changes also influence our measures to support customer centricity, which has top priority in Bank Austria's business model. The customer experience is taking centre stage. Our ambition is clearly reflected in our **promise to customers** – "Wir möchten die Besten für Sie sein!" (We want to be the best for you) – and in the slogan "Life is full of ups and downs – we're there for both". This is guiding the further development of our **multi-channel bank**. Receiving the **Top Service Österreich 2015** award and the **Service Champion 2015 in der Bankenbranche** award, we were again among the winners in Austria in 2015, underlining that our new business models are an appropriate response to changes in customer behaviour.

Bank Austria customers' satisfaction with services, reliability and quality of advice is measured with the **TRI*M** index. This is an important factor which we have used in scorecards at all levels of hierarchy, from top management to branches, over many years. In the first nine months of 2015, Bank Austria's aggregated TRI*M improved by 1 point, reaching an overall level of 72 and an all-time high in specific customer groups, including a TRI*M of 83 in Private Banking. In the fourth quarter of 2015, rumours circulated in daily newspapers that the Austrian retail banking operations would be sold pushed this key indicator down to a level just below that of the previous year. In 2015 we continued to use telephone **interviews** (about 25,000 calls per year) and online questionnaires (about 10,000 responses per year) to measure customer satisfaction while also conducting mystery shopping at branches. Moreover, our customers made intensive use of the possibility to provide feedback on their satisfaction via digital and mobile channels. Tools such as **myFeedback**, which can be used to give feedback quickly and easily via a smartphone, or **Feedback Kundenerlebnis** (automated @mail feedback upon completion of banking transactions) are being further developed and offered at various points of contact in our multi-channel bank.

A high level of external service quality requires excellent internal cooperation. Since 2009, **internal service quality** provided by our head office units has been evaluated by their colleagues, using the results to sharpen the focus on internal customer needs in their processes and services. In 2015, the aggregated **internal TRI*M** of all 39 units and service providers increased by 4 points to a level of 66. Around the turn of the year 2014/2015, we again conducted the Group-wide **People Survey**, giving our employees an opportunity to let us know what they think about such topics as commitment to the company, leadership, clarity of strategy and objectives, customer orientation and contributions to the community. The participation rate of 64% and an increase of 1 point to 72 in the **engagement index** showed good developments at a stable level, with a significant improvement of 7 points in a multi-year comparison.

CoCreation in the digital and real worlds. With our Bank Austria Mitarbeiterforum and Kundenforum (www. kundenforum. at) developed in 2013, we are using an open social media platform for surveys, forum discussions, quick polls and votings to involve our customers in corporate processes. In 2015, about 20,000 responses via questionnaires and over 700 forum contributions on over 50 topics (including "The Branch of the Future", mobile banking apps, Cashback Online and cashless payments) from about 3,000 customers and employees were processed, evaluated and discussed in the digital sphere. In the real world we have standardised customer integration in product and process development (using CoCreation workshops, in-depth interviews, customer dialogue …) and established it as a mandatory process.

The **BeschwerdeExzellenz** project launched in 2013 enables us to improve all internal and external complaint management processes on an ongoing basis with a view to optimising the handling of complaints for our customers at all points of contact (branch, @mail, CallCenter etc.). We aim to offer top standards with regard to response time (within 48 hours) and solution competence. Moreover, we have bundled specific competencies in the **ombudsperson's office for persons experiencing social hardship**, where customers in financial difficulty receive assistance in reducing their debt, or are granted additional time for payment, etc. In 2015 we again maintained close contact with consumer protection organisations, the Chamber of Labour, debtor associations and special interest groups in order to deal with specific issues such as complaints concerning foreign currency loans and to find solutions together with our customers.

Human Resources (HR)

Human Resources Management supports the ongoing change processes in the company and acts as **strategic partner and change agent for all business units**. These activities also make a significant contribution to creating the best possible environment for all employees on our way to the "Bank of the Future". Creating optimal conditions to identify and use potential, investing in training and supporting employees in all areas with a view to establishing a work-life balance are key requirements met by HR Management in living up to its claim to be a leading player in the banking sector.

Human Resources Austria

- The **business model reorientation** continued in 2015, accompanied by measures to reduce payroll costs and other administrative expenses. Strategic projects launched in 2013 – primarily SmartBanking and the Bank Austria 2020 initiative – enabled us to respond effectively to rapid changes in customer behaviour and technology as well as to demographic changes and the new communication media, in the banking business and in the working environment quite generally. The implementation of these projects relied on our employees' qualifications and flexibility, backed by intensive HR support.

The declared target was to reduce payroll costs by €70 million in the period to the middle of 2015; this target was achieved and even exceeded. The reductions were made, as planned, by offering employees attractive HR instruments, without operational layoffs. The focus was on innovative part-time working arrangements under the Bank Austria 2020 initiative, from which employees could choose, enabling them to benefit from newly won leisure time according to their own preferences. 1,451 employees selected one of the models offered. Of the total number, 48 % are women and 52 % men, 46 % are below the age of 50 and 54 % are more than 50 years old. This means that there is a well-balanced gender and age distribution. The participation ratio among managers reached 12 %, four times the figure recorded in the previous year.

This measure helped us achieve essential objectives: making the organisation leaner by the defined target factor, raising the company's flexibility and enhancing the work-life balance of our employees. As a result, the proportion of part-time employees in the bank as a whole reached 41 % by the end of 2015. The initiative led to a reduction of 685 full-time equivalents in the period starting in 2014, of which 20 % resulted from natural staff turnover and retirement. Special attention is being given to making processes leaner and streamlining internal administrative activities so that service quality for our customers can be further enhanced with reduced staff numbers.

- **Internal recruiting:** The **Move On** initiative (previously referred to as "Movement Management") is an integral part of HR strategy. Against the background of the new HR instruments (part-time working arrangements, new working world etc.) and the related impact on the internal job market, we have adjusted and expanded this initiative. All vacant positions in the bank are now offered internally via the new "Move On" job platform, an innovative approach. The objective of this cloud-based recruiting solution is to make employees aware of new oppportunities through the automated analysis of their personality and subsequent job matching. Finding the right job no longer depends on employees' curriculum vitae and training alone but also on their personality. Several hundred employees make daily use of Move On and appreciate the opportunities which the platform offers, including direct availability of a personal assessment report. Move On brings the internal job market to life, with employees being able to view new job opportunities with ease. These activities are aimed at supporting a more effective use of employee potential and raising employee satisfaction.

- **Assessment of staff performance:** UniCredit Performance Management is a modern, fair and transparent performance evaluation and development system for all employees of Bank Austria. All employees can easily view their evaluation and the feedback documentation in their personal electronic archives. Performance Management thus makes an essential contribution to a feedback culture. The goals of each employee are discussed between the employee and the manager and then captured in the Performance Management tool. The employee's performance is evaluated after a maximum period of 12 months and feedback on development is provided. The information obtained from feedback and evaluation serves as a basis for personal development measures and further steps in Bank Austria.

● **Staff development:** The pleasure of learning – **UniCredit Academy Austria**. Sharing knowledge and experience – in an entertaining, informal and timely manner – is an essential feature of the "Bank of the Future". Against this background we created the UniCredit Academy Austria in autumn 2013, which bundles all Learning & Development activities of UniCredit in Austria. The UniCredit Academy Austria offers our employees a wide range of programmes to acquire and develop know-how required for an employee's sphere of activities by using the appropriate learning method. Seminars, simulations, eLearning, game-based learning, podcasts (audio files), coaching, mentoring, shadowing and internships are among the methods used for promoting and supporting a person's individual learning style. This gives the learner a more active role in his/her learning process.

The UniCredit Academy Austria supports the transformation into the "Bank of the Future". Advancing **digitalisation** opens up new channels for our customers to do banking business with us; it also offers our employees new ways of cooperating and learning. In 2015 the UniCredit Academy Austria therefore started to expand digital self-study media and methods by introducing a comprehensive portfolio of learning media, putting emphasis on needs-oriented real-time learning. We also encourage learning from and with one another, and learning on the job. The UniCredit Academy Austria is thereby following the **70/20/10 principle of what is called "new learning"** (70 per cent learning on the job, 20 per cent learning by sharing, and 10 per cent formal learning). Employees can learn on a self-determined basis and are not tied to specific time schedules, thereby enhancing the return on learning for everyone – in line with the motto: higher earnings through effective learning. www.unicreditacademy.at

● **Succession planning:** Our **Executive Development Plan (EDP)** and **Talent Management** programme support our managers in developing the relevant qualities and skills for the "Bank of the Future". We focus on the development of management potential from within the bank, in line with the motto "Investing in People", while giving special attention to raising the percentage of female managers on a sustainable basis. We thereby ensure forward-looking and effective personnel planning for managers and talents who can get along well in a changing digitalised society and who can make sustainable contributions to shaping the "Bank of the Future". Uniform Group-wide quality criteria are applied in the evaluation process, with a focus on feedback exchange. Moreover, as part of UniCredit, Bank Austria offers the opportunity to gain and use international experience in a Group-wide process of filling vacancies.

● **Compensation & Benefits:** Our human resources activities, especially those in the area of Compensation & Benefits, are based on and guided by the **Global Job Model**, the Group-wide job evaluation system used for describing and categorising all roles and activities within UniCredit, and the **UniCredit Competency Model**, which defines essential skills and employee conduct in our company.

The proper mix: our **Total Compensation** system. Our Group-wide remuneration system provides for a balanced mix of fixed and variable monetary and non-monetary components. Regular communication to our employees and information available on "myHR", the HR Intranet site, provide an overview of all components of compensation while linking this to the related compensation processes including the merit review and the bonus. Remuneration of **top management** is determined within UniCredit by way of a Group Compensation System, which has been in place for several years and has also been implemented at Bank Austria. Parts of the variable components of compensation are withheld in line with regulatory requirements, and deferred payments are made subject to sustainability. This may also be in the form of UniCredit shares. The bonus pool method introduced across the Group in 2014 ensures that variable components of remuneration are subject to the achievement of sustainable, long-term financial and non-financial performance criteria. The introduction of this method further strengthens the link between variable remuneration and risk-weighted results of Bank Austria.

● **Diversity & equal opportunity:** Bank Austria employs persons who differ from one another in their background, culture, language, religion, training, state of health and sexual orientation. With our **diversity management** activities we want to use opportunities in this context and unlock underlying potential for the bank. The corporate culture of Bank Austria therefore encompasses mutual respect, openness, recognition and appreciation. This enables us to benefit greatly from the manifold qualities, talents and personality facets of our employees in all their diversity. Implementing these objectives is facilitated by an innovative design of the work environment. With the "Job and Family" audit we use assessments by external auditors to make further improvements. Bank Austria is the only Austrian company to which the European Commission made specific reference as a best-practice model in its publication on diversity management of 19 November 2015.

Employees by gender (headcount)*)	8,247	
… female	56.18 %	
… male	43.82 %	
Employees by tier and gender	female	male
Top management and executive	0.15 %	1.08 %
Middle management	7.94 %	25.59 %
Staff	91.91 %	73.33 %
Total	100.00 %	100.00 %
Employees by age		
Up to 30 years	8.29 %	
31 – 40 years	15.93 %	
41 – 50 years	39.69 %	
51 years and more	36.09 %	
Turnover		
… external hirings	1.81 %	
… external leaves	5.46 %	

*) Based on the employment contract principle: incl. delegated persons and employees on unpaid sabbatical or maternity/paternity leave

Gender balance: In 2012, UniCredit launched the Group-wide **Gender Balance Programme** with a view to creating fair workplaces, based on equal rights, for women and men and ensuring that these values are firmly anchored in the corporate culture. The degree to which this objective is reached, especially at managerial levels, is measured by means of a dashboard on a half-yearly basis. The programme has proved effective: the proportion of women at senior management level in Bank Austria has increased by 3 % since 2012. Female members of the Supervisory Board currently account for 24 % of the total number, a strong improvement compared with 5 % in 2013.

This progress reflects the strong commitment of the Gender Balance Programme members. A total of 24 **diversity managers** are currently active, supported by their **ambassadors**, within the framework of five global workstreams. Bank Austria has developed a divisional ambassador concept. To support career planning by women, advertisements of vacant managerial positions are presented to female candidates in particular. Specific communication activities focus on women who have already been promoted to managerial positions and act as models for other talents. Cooperation across countries and divisions is being intensified through regular meetings and the involvement of subsidiaries in the Gender Balance Programme. “Diversity Manager Couples” are formed for the purpose of regularly sharing experience with UniCredit Bank (HVB) in Germany in order to learn from one another. Targeted training programmes underline the importance of equal opportunities. The **Inclusion@work Workshop** focuses on various aspects including the combination of individual and organisational dimensions, the influence of stereotypes on corporate performance, the encouragement of self-assurance, an understanding of a person’s own strengths and attitudes, and the relevance of networks and self-marketing; the objective is to use this information as input in each process. The purpose of the Gender Salon is to enhance awareness of stereotypes, the self-assessment of men and women, and gender-specific language.

- **Cross-regional IT platform** for efficient human resources **management** and **lean HR processes**: Over the past three years we have simplified HR processes in our new working environment in cooperation with HP and SAP. Our **HR services** are settled at hp’s international **Employee Shared Service Center (ESSSC)** in Poland. Following the transfer of performance management processes, we migrated our HR tools for travel management and time management to a state-of-the-art IT systems landscape at the turn of the year 2014/15. In 2015 we further deepened our strategic partnership with hp by analysing and refining processes. The **Employee Self-Service** function available on HR Gate covers travel management and time management (holidays, presence entries), performance management (arranging review meetings with employees, performance evaluation) and further career, development and job tools. At the turn of the year 2015/16 we migrated the payroll to our new HR IT platform. Our employees now have access to their electronic payslips and can change personal data, specify transfers within the company and make other entries. We are thereby also making available to our managers a new advanced HR information and reporting tool. These milestones are two very important steps towards simplifying our HR services and making them more transparent.

- **Awards:** Our human resources activities received several awards in the year under review. The **Reverse Mentoring** initiative, launched in May 2015, aims at transforming internal digitalisation expertise. Reverse mentoring is an exciting new approach: young talents and digital natives are training senior managers. This programme attracts strong interest, not only within the bank. In November 2015 the initiative won the gold **European Change Communication Award**.

In 2015, Bank Austria received the **Top Employer Award** (Austria & Europe) and the silver **Best Recruiter Award** for its numerous recruiting activities.

HR Central and Eastern Europe

- The CEE Human Resources team in Vienna plays an important role for **human resources management with regard to the CEE Division** and **UniCredit banks in Central and Eastern Europe (CEE)**. In both the CEE HR team in Vienna and the HR department of CEE banks, the skills and organisational structure in place ensure effective professional coverage of the main HR topics and processes with a focus on HR Business Partner activities – to provide the operating units with the support required to achieve their objectives – and expertise centres such as Learning & Development, Compensation and HR Planning. The CEE HR team in Vienna also plays a key role in steering the main processes across the region and ensuring the exchange of best practice among the various countries. Since 2014, the CEE HR team has been engaged in the CEE 2020 and CEE 2020 PLUS programme – the CEE Division's strategic programme for sustainable growth of our business, aimed at accelerating the development of the best people through different initiatives like Functional Academies, Development Centres and innovative learning tools. All the initiatives focus on creating the next leader generation for CEE banks based on an international background, rounded banking knowledge, risk awareness and agility to perform in different geographies.

The new working world at the Austria Campus

Building new headquarters. Construction work on the Austria Campus started in January 2015. This means that our project involving the construction of new headquarters is now being implemented. Historic representational buildings are no longer suitable for banks, such buildings lack flexibility and are associated with high costs. Moreover, our head office units are accommodated in several locations throughout Vienna. We are therefore investing in new headquarters for Bank Austria and about 20 other UniCredit Group companies in Austria. For this purpose we have developed the Austria Campus at Vienna's former Northern Railway Station, one of the city's key development areas. In addition to office space covering a gross area of about 200,000 square metres, the buildings which are under construction there will also accommodate infrastructure facilities and shops. SIGNA, an Austrian company specialising in real estate, acts as developer in respect of the relevant construction work, which is scheduled for completion in 2019. Two of the new buildings (construction sites 5 and 8) will be used by Bank Austria under a long-term rent agreement. Construction of the basement storeys of this office landscape for some 6,000 employees started at the end of 2015; the offices account for about 45 per cent of the Austria Campus and are due for completion in 2018. Bank Austria itself will be responsible for the interior of the buildings so that it can design the headquarters in line with its own plans.

More than a construction project: The new headquarters are intended to unlock synergies totalling an annual €25 million from 2020, through time savings and shorter distances, more efficient use of space and lower operating and maintenance costs. Besides strengthening the team spirit among employees, the new design of our headquarters will result in efficient and attractive working methods for head office banking functions. This modernisation project is being implemented hand in hand with the reorganisation of our branch network, which started in 2013.

● The new working world will be realised through office architecture which can be used on an individual basis, state-of-the-art technology and processes with low paper consumption. A **test office** opened in autumn 2015 – called "Campino" and set up in one of the bank's office buildings, with equipment reflecting the latest planning stage of the Austria Campus – provides all employees with an insight into the new working methods. More than 120 employees use about 1,250 square metres of office space and test the new workplace concept, including desk sharing and the clean desk principle. Users of Campino are also offered greater work flexibility in terms of time and location. There are plans to offer these flexible arrangements, which are referred to as "Remote Work", to all head office units and their employees after the test period.

Sustainability management

Sustainability, social responsibility and sparing use of natural resources guide our day-to-day activities. The balance between economic, ecological and social objectives has been a highly significant factor at Bank Austria for many years. Bank Austria's **stakeholder management** activities play a crucial role in our pursuit of sustainability. It is a question of identifying, within and outside the bank, the needs of important stakeholders and including them in the measures to improve corporate sustainability. This also requires open and transparent communication: Bank Austria's sustainability report, entitled "Unser Engagement" ("Our Commitment"), can be viewed in the "Sustainability" section at www.bankaustria.at; it provides an overview of our commitment to society and the environment.

Social commitment is an essential component of our sustainability strategy. "Acting together for a respectful society" (www.gemeinsam-miteinander.bankaustria.at) is an initiative which we have launched to make a broader public familiar with our social commitment and stimulate discussion on such important topics as tolerance, respect and social interaction.

● In our **social sponsoring** activities we pursue a clear strategy by primarily supporting initiatives which help children and young people in need, and which also focus on integration/migration. Every year, we present the Bank Austria Social Prize, with prize money of €10,000, in each of Austria's federal provinces to award outstanding initiatives in the social sphere. The €30,000 Bank Austria Social Innovation Award was presented for the first time in 2013. It focuses on innovations in the social sector, with a different target region selected every year. The region chosen in 2015 was Upper Austria, with plans and ideas for the successful integration of refugees; attention in the two preceding years had focused on the Tyrol and on Lower Austria. The two prizes were made possible by support provided by UniCredit Foundation.

Long-term partnerships which we have developed over many years with well-known **social care organisations** are a particularly important aspect of our activities in the social sector. Focusing on continuity, this strategy has been pursued in our cooperation with SOS Children's Villages, where we act as house sponsor in Children's Villages throughout Austria. Caritas is another partner with which we have maintained close cooperation in Vienna and throughout Austria for many years. This covers proven projects such as young Caritas Käfig League, the Bank Austria Volunteers Day and cooperation in disaster relief activities; in 2015, our long-standing cooperation with Caritas also concentrated on refugee aid. In view of current developments we saw the importance of providing quick help, without excessive bureaucracy, to those who arrived. A number of **refugee aid** activities were launched in cooperation with Caritas, the initial reception centre in eastern Austria, the Red Cross and many other institutions, with the involvement of active helpers.

Bank Austria's **"Gift Matching Programme"** is an annual initiative which promotes the social commitment of the bank's employees. Private donations made by employees are increased by funds held by UniCredit Foundation if the initiating employees succeed in inspiring at least 10 colleagues to donate to the same charity and exceed a threshold. The donor groups formed among employees ensure stimulating internal communication on social issues. The Gift Matching Programme 2015 raised over €300,000 for more than 70 projects, an amount which will now be significantly increased by the Foundation.

● **Financial education** is another important initiative, targeted mainly at young people. Our website www.finanz-bildung.at has been created to provide young people, students and teachers with information on various aspects of money. With a renowned partner, the Austrian Museum for Social and Economic Affairs, we offer free workshops to interested schools throughout Austria. The topics discussed range from the functions of money and banks to banking products and distributive justice. The objective is to give young people an overview of the various types of financial transactions, to draw their attention to opportunities and risks, and to inform them of their rights and duties as consumers of financial products. In addition to passing on knowledge, the workshops are aimed at encouraging young people to critically examine how they themselves handle money and the significance of money in their social environment. Some 10,000 schoolchildren attend the workshops every year.

● For an international and diverse company like Bank Austria, **diversity management** is an integral component of its corporate culture while also promoting productivity, creativity and innovation. Our employees differ from one another in their gender, the colour of their skin, in their language, ethnic, cultural and religious values, marital status, age, disabilities, social status and sexual orientation. We see the diversity of our employees as a major asset for the company. Numerous initiatives are being implemented to promote a work-life balance and equal opportunities for men and women. Looking at all levels of management is key to the success of these efforts. Qualitative objectives and quantitative targets in respect of gender are defined and measured with regard to (almost) any activity.

Bank Austria's **disability management** activities are seen as a model across borders. Two disability managers are responsible for planning and implementing numerous disability-related measures. They are supported by a network of about 60 disability employees, and awareness of this issue is raised by employee training programmes. In pilot projects we are testing various possibilities for helping disabled persons to settle their banking business. Measures that have already been implemented include a special bank card for visually impaired persons, sections of Bank Austria's website which enable customers to listen to spoken information and watch videos in sign language or read texts in simple language, and a shuttle service introduced in 2010 for customers with limited mobility, which is steadily being expanded to cover the whole of Austria. Most of our bank's buildings and branches already offer barrier-free access, and we plan to make all of them barrier-free by the end of 2016 as branches are redesigned. Since autumn 2015 our SmartBanking services have been available in sign language to deaf people. They can now use Bank Austria's advisory services via video calls, benefiting from simultaneous translation into sign language by interpreters employed by ServiceCenter ÖGS. barrierefrei.

Environmental management

● An **environmental management system** (EMS) has been in place at Bank Austria since 2009. In May 2011, Bank Austria's EMS was **certified in accordance with ISO 14001**, a standard that is widely recognised internationally. The EMS covers the head office buildings and all branches. By complying with this important standard, a company can prove that it operates in harmony with the environment. Environmental management benefits the community while also involving advantages for the company in the form of cost savings resulting from more efficient use of resources. The company thus makes an important contribution to reducing CO_2.

Over the past two years, "focus groups" composed of members of specialised units have been very successful in four strategic areas of environmental issues. They have drawn up concrete measures to reduce direct environmental impacts (consumption of natural resources, generation of waste) and indirect impacts (caused by the behaviour of third parties). The great importance given to ecological sustainability and a sparing use of resources is reflected in the organisational set-up of the EMS: the steering committee is headed by Willibald Cernko, the Chief Executive Officer of UniCredit Bank Austria AG.

In CEE we enhance environmental awareness through the cross-regional UniCredit sustainability network of central and local contacts. Specific CEE initiatives are described in the UniCredit Sustainability Report, which corresponds to the highest Global Reporting Initiative (GRI) standard.

● In regard to **operational climate protection** considerations, Bank Austria, as one of the six founding members, has since November 2011 been a partner of klima:aktiv pakt2020, which was created by the Austrian Ministry of Life. The participating companies undertake, through a voluntary agreement on objectives, to meet the Austrian climate-related targets for 2020. Bank Austria has additionally committed itself to reducing CO_2 emissions by 45 % and achieving a 51 % share of renewable energies. Bank Austria further reduced business travel through the use of video conferencing facilities and the trend towards digitalisation in the working world. A positive secondary effect of the gradual expansion of "remote work" is that it reduces environmental pollution, especially the pollution caused by commuters who use cars. Last but not least, Bank Austria is taking measures to enhance awareness among its employees: the most recent example is a training instrument for all employees in the form of an interactive film on energy efficiency.

Key environmental indicators 1)

	2015	2014
CO_2 emissions in t 2)	19,870	20,204
Electricity consumption in MWh	65,750	68,243 3)
Heating in MWh	44,500	43,954 3)
Business travel in thsd km	14,233	14,059
of which: air travel	*8,506*	*8,461*
by car 4)	*4,001*	*3,918*
by train 4)	*1,725*	*1,680*
Water consumption in m^3	246,810 5)	217,429
Waste in kg	2,514,074 6)	2,418,726
Paper consumption in kg	424,566	517,682
of which: copying paper	*278,179*	*317,225*

1) All branches, head office buildings and subsidiaries located therein. / 2) Since 2010, all electricity supplied to Bank Austria has come from renewable sources of energy. / 3) Projection. / 4) UniCredit Bank Austria AG only. / 5) Increased consumption due to repair and renewal of water pipes. / 6) Increase caused by waste disposal initiative.

In the past few years, our measures to improve **energy efficiency** focused on reducing consumption of electricity (which accounts for about 60 % of overall energy consumption); these include the areas of refrigeration and IT. All electricity supplied to Bank Austria comes from renewable sources of energy, which is guaranteed by a certificate issued by the bank's energy supplier confirming that 100 % of the electricity supplied is hydroelectric power. As a contribution to increasing the proportion of renewable energy, the bank has installed **photovoltaic systems** at branches in Innsbruck and Hirschstetten/Vienna and a solar power installation in Vienna's second district, on the roof of the Lassallestrasse 5 office building, which enables Bank Austria to save a CO2 equivalent of about 35 tonnes annually. The Austria Campus, where the new office building for our headquarters is under construction, is expected to result in a significant improvement in energy efficiency from 2019.

Report on research and development

Bank Austria's business purpose is to provide banking services. The production process of a bank does not involve research and development in an industrial sense. But day-to-day business operations continuously benefit from **development activities**. Generally, Bank Austria aims to meet the needs of different customer groups with simple products. In addition, there is an ongoing need for new developments and adjustments to meet **regulatory requirements**. Current expenses include those on **product development**, methodological progress in the areas of **risk management** and finance, and on support for **compliance**-related activities.

In the area of **information and communication technology (ICT)**, investment planning takes place at UniCredit level. It is based on local requests and considers synergies which may be unlocked by the cross-regional approach. Expenditure on information and communication technology (investment budgets) which can be capitalised represents cash outflows at UBIS. This is different to the current expenses which are charged to the bank and the individual business segments (via Global Banking Services, which is part of the Corporate Center).

In 2015 we invested about €70 million in **various strategic projects** (including Bank Austria's share of UniCredit projects managed on a cross-regional basis). These projects focus on several core areas:

▶ As in 2014, a number of **retail banking** initiatives and, to a lesser extent, preparations for the Campus accounted for a large proportion (about one-quarter) of total investments. Focal areas were the development of digital channels such as SmartBanking and the upgrading of OnlineBanking services. Moreover, significant investments were made in the expansion of self-service facilities (equipment in self-service zones, cash recyclers …).

▶ Development costs associated with **regulatory** requirements have increased strongly over the years. Such costs, including investments to enhance **risk instruments**, remained at a high level of about 20 % in 2015. Significant costs were associated with implementing regulatory requirements in the area of financial reporting and with providing IT support for **Compliance** (Anti Money Laundering & Fraud Detection). Including adjustments to the SEPA environment, investments to meet regulatory requirements accounted for about 45 % of the total amount.

Management Report (CONTINUED)

▶ **Software updates, process optimisation and various development activities**, including innovative solutions for advisory services and settlement in business with large customers and capital market activities of the CIB Division, accounted for about 30 %. Long-term strategic projects include initial **Big Data** initiatives.

Operations, ICT, Infrastructure

A cross-regional infrastructure for settlement, IT and internal services is a key component of UniCredit's operating model. The objective is to provide optimum support to the bank's customer service units with a view to creating value, bundling technical expertise, strengthening the bank's innovative power and improving cost efficiency. The need for such measures is underlined by the growing relevance of IT and back-office activities (taxation of securities, reporting requirements, regulatory requirements etc.). Moreover, the operating model is a major factor helping to achieve strategic objectives, including the reorientation of retail banking operations. A general cross-regional service model is consistent with the logic of an international banking group. This function is performed by UniCredit Business Integrated Solutions S. C. p. A. (UBIS S. C. p. A.), a wholly-owned company of UniCredit.

UBIS and UBIS Austria

● UniCredit Business Integrated Solutions S. C. p. A. (UBIS) offers the customer service units flexible and integrated banking services with an end-to-end logic. The company thus provides a timely response to changes in customer needs while assuring innovation, transparency, flexibility and time-to-market. With this unique service model UBIS is positioning itself among the most important service providers for the banking sector in Europe.

In Austria, UBIS is represented through its wholly-owned subsidiary **UniCredit Business Integrated Solutions Austria GmbH (UBIS Austria)**. The company's main customer is UniCredit Bank Austria AG (Bank Austria), which uses services in the areas of Information and Communication Technology (ICT), Back Office, Operations, Real Estate, Security and Procurement.

At the end of 2015, UniCredit Business Integrated Solutions Austria GmbH had about 2,000 employees, including branches in Poland and Romania. Overall, UniCredit Business Integrated Solutions has around 10,000 employees, who work in two legal entities and several branches in nine European countries and in New York and Singapore.

● In **2015** UBIS continued its activities, started in 2014, to **stabilise internet banking**; the company also further developed and expanded **direct banking** functions. UBIS was closely involved in modernising Bank Austria's sales network in line with the **multi-channel strategy** (SmartBanking initiative, new design of branches to support product sales and advisory services via video calls, digital marketplace, OnlineShop and online branch). The system currently used for **payment settlement** is fragmented and outdated; there are plans to replace it with a modern market solution featuring a high degree of automation and optimised processes. Among the other **projects**, attention continued to focus on the Austria Campus in 2015, specifically in connection with construction of the new buildings and activities to prepare employees for changes in working methods and processes ("New Work"). Moreover, in the area of **operations**, UBIS started to build global competence centres in nearshore countries, which will help to further reduce settlement costs relating to customer products.

Campino is a pilot project under which the Group's SmartWorking principles have been implemented in office space of about 1,250 square metres for about 120 employees located in Vienna's Lassallestrasse. UBIS was responsible for two key parts of the project: the Real Estate service line carried out structural alterations of the office space designated for the Campino project and it also designed and implemented the new office landscape (modules for office and communication zones) and the management concept. The ICT service line of UBIS arranged for all Campino employees to be provided with a notebook and a flexible new telephone solution to support the required mobility. The various office modules were equipped with advanced media technology. "Follow-me printing" was introduced on a pilot basis enabling all employees to collect printouts of their documents at any follow-me printer in a secure manner by using their Bank Austria identity cards. This helped to reduce the number of printers from previously 57 to 3 machines. Feedback from Campino employees provides valuable information to be used as input for the workplace of the future.

dIPS – for a paperless office: Under the dIPS project, a strategy was drawn up jointly with UniCredit Bank Austria to create a paperless working environment for employees of Bank Austria and UBIS Austria. The required technical components will be selected, and the functional requirements will be defined, in cooperation with UniCredit Group. Started in 2015, implementation of the project will continue in 2016 under the new project name "SmartOffice". Some of the technical implementation activities have been transferred to UniCredit's Digital Agenda project to unlock Group synergies.

EuroMIB, a global end-to-end trading platform set up by UBIS S.C.p.A. in 2014 for Bank Austria and banks in CEE countries, was completed in 2015 with the **Global Murex Support model** of the Markets and F&A AT business line. Serving as first point of contact for Bank Austria and the local banks in CEE countries (Bulgaria, Czech Republic, Hungary, Romania, Serbia, Slovakia, Slovenia, Bosnia and Herzegovina) the main objective of the support team was to build trust-based relationships with the local business units to provide coordinated IT solutions for the global platform.

● **Outlook:** UBIS is working intensively to further improve its services, despite the need to reduce its own costs. These efforts rely on the further development and stronger use of new technologies. From a customer perspective, i.e. from Bank Austria's point of view, business has changed substantially – as a result of the restrictive market environment (trends in interest rates and demand) and of tighter regulatory requirements, and also on account of new technologies (digitalisation, customer preferences). Bank Austria has decided to give its retail banking operations a completely new orientation and to streamline administrative activities performed by head office units within the Corporate Center. This means that UBIS, as a service provider maintaining close business relations with Bank Austria, is presented with new challenges and the need to provide new solutions. UBIS and UBIS Austria, especially the Real Estate, IT and Operations business lines, will strongly support Bank Austria in its restructuring projects by optimising settlement costs, especially through increased nearshoring and digitalisation.

1.5. Capital resources and capital requirement of UniCredit Bank Austria AG

Capital resources as at 31 December 2015 (€14,577 million) were calculated in accordance with Basel 3 rules [Regulation (EU) No 575/2013]. The bank's capital resources are composed of Common Equity Tier 1 capital (CET1) and Tier 2 capital (T2). The bank has not issued any AT1 instruments as at 31 December 2015.

The amounts of items which may be deducted from Additional Tier 1 capital (AT1) in accordance with transitional arrangements have been deducted from Common Equity Tier 1 capital as they exceeded Additional Tier 1 capital.

Tier 1 capital (Common Equity Tier 1 capital + Additional Tier 1 capital) is equal to 70.7 per cent of eligible capital. Tier 2 capital is equal to 29.3 per cent of eligible capital.

(Amounts in € million)

	AS AT 31 DEC. 2015	AS AT 31 DEC. 2014
Paid-up capital	1,681	1,681
Share premium (capital reserves)	6,366	6,366
Retained earnings	254	0
Other reserves	2,158	2,158
Gains and losses on derivative liabilities measured at fair value	–18	0
Value adjustments based on prudent valuation	0	–1
less intangible assets	–4	–7
less IRB shortfall	–179	–198
less amount which exceeds Additional Tier 1 capital	–56	–108
less securitisation positions with a risk weight of 1,250 %	–11	0
Other transitional adjustments to Common Equity Tier 1 capital	110	164
Common Equity Tier 1 capital (CET1)	**10,301**	**10,055**
Other transitional adjustments to Additional Tier 1 capital	–56	–108
Amount which exceeds Additional Tier 1 capital	56	108
Additional Tier 1 capital (AT1)	**0**	**0**
Paid-up capital instruments and subordinated loans	4,219	3,441
Transitional adjustments due to grandfathered instruments	185	212
less own Tier 2 instruments	–21	–26
less Tier 2 instruments of financial sector entities in which the institution has a significant investment	–53	–58
Other transitional adjustments to Tier 2 capital	–54	–56
Tier 2 capital (T2)	**4,276**	**3,513**
Eligible capital under Regulation (EU) No 575/2013	**14,577**	**13,568**

Capital requirements

(Amounts in € million)

	AS AT 31 DEC. 2015	AS AT 31 DEC. 2014
Capital requirement for credit risk, counterparty risk and dilution risk as well as free deliveries	4,776	5,105
Capital requirement for settlement and delivery risk	0	0
Capital requirement for position risk, foreign exchange risk and commodities risk under internal models	18	97
Capital requirement for operational risk (OpR)	273	293
Capital requirement for credit valuation adjustments (CVA)	6	11
Capital requirements pursuant to Article 92 of Regulation (EU) No 575/2013	**5,073**	**5,506**

Eligible capital composed of Tier 1 capital and Tier 2 capital (€14,577 million) exceeds the total capital requirement (€5,073 million) by 187.3 %. Common Equity Tier 1 capital (CET1) amounts to €10,301 million. It alone exceeds the total capital requirement (€5,073 million) by 103.1 %.

Management Report (CONTINUED)

1.6. Information on the share capital and the exercise of special rights

The subscribed capital of UniCredit Bank Austria AG as at 31 December 2015 amounted to €1,681,033,521.40 and consisted solely of registered ordinary shares.

As at 31 December 2015, UniCredit S.p.A. held a direct interest of 99.996% in UniCredit Bank Austria AG.

The registered shares with restricted transferability held by "Privatstiftung zur Verwaltung von Anteilsrechten" ("AVZ Stiftung", a private foundation under Austrian law) and by "Betriebsratsfonds des Betriebsrats der Angestellten der UniCredit Bank Austria AG Region Wien" ("Betriebsratsfonds") [the Employees' Council Fund of the Employees' Council of UniCredit Bank Austria AG for the Vienna area (the Employees' Council Fund)] have a long tradition and carry special rights for historical reasons: for specific important resolutions to be adopted at a general meeting of shareholders, the holders of registered shares with restricted transferability have to be present when the resolutions are adopted. The relevant resolutions are specified in Article 20 (13) and (14) of the bank's Articles of Association.

There is a syndicate agreement – the Restated Bank of the Regions Agreement (ReBORA) – between UniCredit, "AVZ Stiftung" and "Betriebsratsfonds".

In the Restated Bank of the Regions Agreement, "AVZ Stiftung" and "Betriebsratsfonds" have given an undertaking to UniCredit to the effect that if they want to sell UniCredit Bank Austria AG shares, they will first offer such shares held by them to UniCredit. If UniCredit does not accept the offer, the relevant contracting party could sell the UniCredit Bank Austria AG shares to a third party. In this case UniCredit has a right of preemption.

Under this agreement, which was made in 2006, "AVZ Stiftung" has a right, until 31 March 2016, to nominate two members of the Supervisory Board of UniCredit Bank Austria AG, and thereafter one member of the Supervisory Board for the duration of the guarantee issued by "AVZ Stiftung" and the Municipality of Vienna.

There are no agreements on compensation between UniCredit Bank Austria AG and the members of its Management Board and its Supervisory Board or its staff members in the event of a public takeover bid.

1.7. Proposal for the appropriation of profits for the 2015 financial year

After allocations to reserves amounting to €254,079,987.32 the profit or loss of UniCredit Bank Austria AG for the financial year beginning on 1 January 2015 and ending on 31 December 2015 was €0.00. This means that there is no accumulated profit which may be distributed.

1.8. Information on the squeeze-out pursuant to the Austrian Federal Act on the Squeeze-out of Minority Shareholders (Gesellschafterausschlussgesetz) of the holders of bearer shares in UniCredit Bank Austria AG

The company's Annual General Meeting on 3 May 2007 adopted a resolution concerning the planned squeeze-out. The legal actions for rescission and declaration of nullity brought against various resolutions adopted at the Annual General Meeting on 3 May 2007 were terminated in spring 2008. The squeeze-out was entered in the Register of Firms on 21 May 2008. After that date, former minority shareholders initiated proceedings for a review of the cash compensation offered by UniCredit. An expert was appointed in these proceedings to review the amount of the cash compensation paid; the expert report is now available and essentially confirms the adequacy of the cash compensation paid in connection with the squeeze-out. A decision by the court of first instance in this case is not yet available.

2. Report on risk management, risks and third-party guarantees

2.1. Risk management

UniCredit Bank Austria AG identifies, measures, monitors and manages all risks of the Bank Austria Group. In performing these tasks, the bank works closely with the risk control and risk management units of UniCredit. In this context, UniCredit Bank Austria AG supports UniCredit's ongoing projects which are aimed at establishing uniform group-wide risk controlling procedures.

UniCredit Bank Austria AG divides the monitoring and controlling processes associated with risk management into the following categories: market risk, liquidity risk, currency risk, counterparty risk, credit risk, operational risk, reputational risk, business risk, financial investment risk and real estate risk.

The Management Board and the Supervisory Board determine the risk policy and approve the principles of risk management, the establishment of limits for all relevant risks, and the risk control procedures. A key element of this is the annual definition of Bank Austria's Risk Appetite (RA), which is approved by the Supervisory Board. The RA describes the bank's risk orientation in terms of a verbal Statement (RAS) and a Framework (RAF) of key metrics (targets, triggers, limits). The RA defines risk types and the level of risk that the group is prepared to accept in pursuit of its strategic objectives and business plan. In this context the interests of relevant external and internal parties (customers, shareholders and regulators in particular) are taken into account. Important dimensions of the RA include capital and liquidity adequacy, business strategy and restructuring strategy. The defined bundle of key indicators comprises external and internal indicators, Pillar 1 and Pillar 2 indicators, risk and earnings indicators and EBA recovery plan indicators. RA is integrated in the budgeting process in the context of managing the objectives in defining and selecting the desired risk-return profile. In performing these tasks, the Management Board is supported by specific committees, independent risk management units and units of other Divisions. All risk management activities of UniCredit Bank Austria AG are combined within a management function at Management Board level directed by the Chief Risk Officer (CRO).

Lending decisions which exceed the limits of the relevant business units' approval authority are made for corporate customers in the CIB Credit Operations and CEE Credit Operations departments, and for private customers and business customers in the Private Individuals & SME Credit Operations department. The Special Credit Austria and CEE Credit Operations departments deal with problem loans. These organisational units are supported by the Strategic Risk Management & Control department. The unit for active credit portfolio management (Credit Treasury) reports to the Chief Financial Officer (CFO) indirectly via the Finance department.

Cross-divisional control

The Management Board of UniCredit Bank Austria AG defines the Bank Austria Group's risk appetite and risk strategy at least once a year, in coordination with UniCredit Group. In addition, decisions are made on detailed risk limits for market risk activities and liquidity positions. Risk Management, which is separate from the business divisions up to Management Board level, is in charge of preparing analyses and monitoring compliance with limits. Specialist risk committees are responsible for managing the major risks. The decisions and results of these committees are directly reported to the bank's full Management Board.

The Risk Committee (RICO) is responsible for the management of balance-sheet structure positions, it deals with cross-divisional risk management issues arising between sales units and overall bank management, and provides an overview of credit portfolio model results while also preparing reports on economic capital (Pillar 2). Liquidity risk control is performed by the Liquidity Committee (LICO) which meets once a week to deal with current liquidity-related topics. These include operational aspects of liquidity management including market monitoring; and compliance with the liquidity policy, with CEE banking subsidiaries also being covered in this context – Bank Austria acts as a regional liquidity centre of UniCredit Group. Control of market risk is ensured by the Market Risk Committee (MACO), which meets once a week. MACO deals with short-term business management issues relating to the presentation and discussion of the risk/earnings position of Markets & Corporate Treasury Sales and with limit adjustments, product approvals and positioning decisions in the area of market risk. Other topics discussed and decided include, for example, the replication portfolio and methods for funds transfer pricing. Credit risk is assessed by the Credit Committee. The Operational & Reputational Risk Committee (OpRRiCo) meets on a quarterly basis to deal with operational & reputational risk issues. Risk arising from derivative transactions is managed by the Derivative Committee (DECO). DECO deals with classic credit risk and counterparty risk issues and aspects of reputational risk in customer business.

The Credit Treasury Committee (CTC) holds meetings on a quarterly basis and is responsible for strategic coordination and decisions on transactions to reduce credit risk and on risk-adjusted pricing of loans.

Beyond compliance with the regulatory capital rules pursuant to Section 39a of the Austrian Banking Act, economic capital (Pillar 2) is intended to reflect the bank's specific risk profile in a comprehensive and more consistent way. These unexpected losses over a period of one year (the holding period applied in respect of market risk is four months) are calculated with a confidence level of 99.93 %.

Value-at-risk methodologies are used in UniCredit Bank Austria AG for calculating or planning economic capital for various specified types of risk (credit risk, market risk, operational risk, business risk, financial investment risk, real estate risk and structural FX risk). Under the risk-taking capacity concept, economic capital is compared with available financial resources and monitored on an ongoing basis. UniCredit Bank Austria AG is included in the risk monitoring and risk management system of the entire UniCredit Group. This ensures overall risk management across the Group.

Current status of the application of the internal ratings-based approach (IRB approach) to credit risk in UniCredit Bank Austria AG

UniCredit Bank Austria AG applies the internal ratings-based approach, using its own estimates of loss given default and of conversion factors for the major part of its loan portfolio (advanced IRB approach).

The bank is planning to further refine and develop local as well as Group-wide models while also introducing various other Group-wide models.

Implementation of the advanced IRB approach has been established as a Group-wide programme. Therefore UniCredit is responsible for Group-wide decisions and guidelines as well as for the development of Group-wide models. For example, Group-wide homogeneous portfolios have been defined for which uniform rating models are used across the Group, such as those for countries, banks and multinational companies.

Group standards have for the most part already been prepared and adopted by the UniCredit Group holding company in cooperation with the major IRB legal entities, and are used as an instrument for uniform Group-wide implementation, with a view to complying with local legal requirements – some of which differ from country to country – and safeguarding Group interests. These Group standards will continue to be gradually extended and complemented.

The Group standards continue to be integrated step by step in the processes and organisational set-up of all business areas and Group units, with account being taken of local features and legal requirements in ensuring Basel 3 compliance.

Current status of the application of the advanced measurement approach (AMA) to operational risk in UniCredit Bank Austria AG

UniCredit Bank Austria AG has used the AMA since the beginning of 2008. A revised AMA model for operational risk capital calculation, approved in July 2014 by Banca d'Italia and all local regulators of UniCredit Group subsidiaries using the AMA, has been used since the third quarter of 2014.

Implementation of disclosure requirements pursuant to the Capital Requirements Regulation (CRR)

Within UniCredit Group, comprehensive disclosure (under the Pillar 3 disclosure requirements pursuant to the CRR) is carried out by the parent company UniCredit on its website, based on the consolidated financial position in its function as EEA parent bank of Bank Austria. Bank Austria is a significant subsidiary pursuant to Article 13 of the CRR and, for the 2015 financial year, discloses information regarding its capital resources ("own funds", Article 437 of the CRR), capital requirements (Article 438 of the CRR), credit risk adjustments (Article 442 of the CRR), remuneration policy (Article 450 of the CRR), leverage ratio (Article 451 of the CRR) and use of credit risk mitigation techniques (Article 453 of the CRR). The disclosure by Bank Austria is available at its website www. bankaustria. at / Investor Relations / Disclosure according to Basel 2 and 3 (CRR).

Liquidity

Basel 3 sets liquidity standards under stressed conditions in the short-term maturity range (liquidity coverage ratio ≥ 100 %, phasing in ≥ 60 % from 2015) and in the medium-term and long-term range (net stable funding ratio, NSFR ≥ 100 %). Compliance with these rules will be mandatory from October 2015 and 2018, respectively. In a separate Basel 3 project, Bank Austria established the technical infrastructure to meet all reporting requirements for all relevant entities in the Bank Austria Group from 2014. New deposit products and CEE funding optimisation have improved the structure of assets and liabilities of UniCredit Bank Austria AG and of the Group so that the ratios required by law are comfortably met. Bank Austria participated in the Quantitative Impact Studies of the European Banking Authority (EBA) in 2015. The new liquidity requirements have been integrated in the planning and risk monitoring process to ensure compliance with the liquidity ratios at all times.

2.2. Risks

Market risk

Market risk management at Bank Austria encompasses all activities in connection with our Markets and Corporate Treasury Sales operations and management of the balance sheet structure in Vienna and at subsidiaries. Risk positions are aggregated at least daily, analysed by the independent risk management unit and compared with the risk limits set by the Management Board and the committees (including MACO) designated by the Management Board. At UniCredit Bank Austria AG, market risk management includes ongoing reporting on the risk position, limit utilisation, and the daily presentation of results of all positions associated with market risk. Most of the positions held in UniCredit Bank Austria AG are attributable to the banking book. Market risk of the banking book is an important factor also in other Divisions (the CEE banking subsidiaries, in particular). UniCredit Bank Austria uses uniform risk management procedures for all market risk positions throughout the Group. These procedures provide aggregate data and make available the major risk parameters for the various risk takers once a day. Besides Value at Risk (VaR), other factors of equal importance are stress-oriented sensitivity and position limits. Additional elements of the limit system are the loss-warning level (applied to accumulated results for a specific period), the stressed VaR (SVaR) limit (determined for the trading book with a separate observation period), incremental risk charge (IRC) limits, the stress test warning limit (limiting losses when a pre-defined stress event is applied) and granular market risk limits (GML).

As mentioned above, UniCredit Bank Austria AG uses a standard measurement procedure which is also applied in UniCredit Group. The model, approved in 2011, is used for internal risk management and for determining regulatory capital requirements for market risk. Bank Austria is embedded in the market risk governance framework of UniCredit Group and leverages on the group-wide risk management platform UGRM. The group-wide Front-to-Back Office platform “Murex” and UGRM form an integrated risk system.

The internal model (IMOD) is based on historical simulation with a 500-day market data time window for scenario generation. It is applied by Market and Liquidity Risk – Austria & CEE within Bank Austria and is being further developed in cooperation with the UniCredit holding company. Further development includes reviewing the model as part of back-testing procedures, integrating new products, implementing requirements specified by the Management Board and the Market Risk Committee, and executing the Model Maintenance Report on a quarterly basis. For internal risk management purposes, the calculation was adjusted to the negative interest rate environment and consequently an application was submitted for approval of a major change in the model, required for determining regulatory capital.

Risk governance

A new product process (NPP) has been established for the introduction of new products in the area of market risk in which risk managers play a decisive role in approving products. The risk model covers all major risk categories: interest rate risk and equity risk (both general and specific), credit spread risk, currency risk and commodity position risk. The IMOD Is subject to an annual review by Group Internal Validation (GIV) and internal audit. The structure of the risk performance report presented at MACO’s weekly meetings covers (stress) sensitivities in addition to VaR, and utilisation levels in the areas of IRC and SVaR (both for the regulatory trading books) as well as the presentation of results using the total return approach. Regular and specific stress tests complement the information provided to MACO and the Management Board.

Stress testing

Bank Austria conducts a rigorous programme of stress testing for market risk and IRC. The results are reviewed and discussed in the MACO at least quarterly or on an ad-hoc basis given unfavourable market developments. Macro scenarios show the potential adverse impacts of global developments with specific effects on the respective risk categories, while stress sensitivities of individual risk factors or groups of risk factors show the potential adverse impacts on partial market segments. Stress scenarios are based on assumptions of extreme movements in individual market risk parameters. The bank analyses the effect of such fluctuations and a liquidity disruption in specific products and risk factors on the bank’s results. These assumptions of extreme movements are dependent on currency, region, liquidity and the credit rating, and are set by Market Risk after consultation with experts in other areas of the bank (e. g. research, trading, and Market Risk UniCredit holding company). Bank Austria takes part in the UniCredit Group-wide Open Market Risk Forum (OMRF), which is the platform for CRO units to discuss stress test results and agree on further common group-wide scenario definitions. The ICAAP scenarios are updated at least annually and are used for stress test analyses, stress test limit monitoring and the regulatory stress report throughout UniCredit Group.

Prudent valuation

The regulatory approach to prudent valuation in the trading book is implemented primarily by Market Risk and further developed on an ongoing basis through cooperation within UniCredit Group. A Group-wide Independent Price Verification (IPV) process ensures the independence and reliability of valuation and risk measurement. In this context UniCredit Bank Austria AG is responsible as global “EEMEA” Center of Competence for generating the official UniCredit closing price for valuation of all fixed-income securities issued in Central and Eastern Europe including Austria. The front-end system “Murex” is supplied with the “golden copy” market data of UniCredit Group for daily valuation purposes. The Group-wide “golden copy” is drawn up by competence centres which are structured by asset class and independent of trading operations. Moreover, UniCredit Bank Austria AG takes part in meetings of the asset-class committees, which address and resolve valuation and market-data issues. In addition to the IPV process, the Intranet platform "MARCONIS" is established as the group-wide standard for market conformity surveillance to systematically review the market conformity of trading transactions. The regulatory principle of prudence is met by determining all relevant Additional Valuation Adjustments (AVA).

Based on a Group decision, the Funding Valuation Adjustment is recognised for the first time in profit or loss for 2015, not booked as an AVA.

Backtesting

The internal model was consistently used in 2015 for calculating capital requirements. The parameters used in this context are a 10-day holding period, a confidence level of 99% and a multiplier of 3.2 set in respect of the Value-at-Risk figures which is used in determining the capital requirement for market risk. Back-testing overshootings occurred as a result of losses on strategic FX hedging transactions to hedge the results of CEE banking subsidiaries.

As of 31 December 2015, the following capital requirements resulted for UniCredit Bank Austria AG in connection with value at risk (VaR), stressed VaR (SVaR) and incremental risk charge (IRC):

VaR	€9.5 million
SVaR	€7.5 million
IRC	€0.5 million

Management of balance sheet structure

The matched funds transfer pricing system applied throughout the Group and the principle of causation applied in attributing credit risk, market risk and liquidity risk enable the bank to determine contribution margins from customer transactions in the bank's business divisions. The risk committees of UniCredit Bank Austria AG ensure that UniCredit Bank Austria AG's overall liquidity and interest rate gap structure is optimised. Factors taken into account in this context include the costs of compensation for assuming interest rate risk, liquidity costs and country risk costs associated with foreign currency financing at CEE banking subsidiaries.

Products for which the material interest-rate and capital maturity is not defined, such as variable-rate sight and savings deposits, are modelled in respect of maturity and interest rate sensitivity by means of analyses of historical time series, and taken into account in the bank's overall risk position.

To assess the banks' balance-sheet and profit structure, the Value-at-Risk approach is used, complemented by a scenario analysis concerning the simulation of future net interest income under different interest rate scenarios ("earnings perspective").

The low and partly negative interest rates in the Group's main currencies had a negative impact on interest margins as deposit rates were at or close to zero in many cases. Taking into account the current pricing of loans, our simulation calculations show a significant deterioration of net interest if interest rates move into negative territory as a result of further reductions.

Legal provisions require the measurement at Group level of "interest rate risk in the banking book" in relation to the bank's capital by comparing a change in the market value of the banking book after a 2% interest rate shock with UniCredit Bank Austria AG's net capital resources. In the event that such an interest rate shock absorbs more than 20% of a bank's net capital resources, the bank supervisory authority could require the bank to take measures to reduce risk.

A 2% interest rate shock absorbs about 2.4% of the net capital resources. This means that the figure for UniCredit Bank Austria AG is far below the outlier level of 20%.

Liquidity risk

General information, processes and management model

In line with Group standards, UniCredit Bank Austria AG deals with liquidity risk as a central risk in banking business by introducing and monitoring short-term and long-term liquidity requirements. In this context the liquidity situation for the next few days and months and also for longer periods is analysed against a standard scenario and stress scenarios. Methods and procedures of liquidity analysis, analyses of the degree of liquidity of customer positions, management responsibilities and reporting lines in this area have been laid down in the liquidity policy, which is also applicable at Bank Austria's CEE units and includes a contingency plan in the event of a liquidity crisis.

Liquidity management in UniCredit Bank Austria AG is an integral part of UniCredit Group liquidity management. In line with the Group-wide distribution of tasks, UniCredit Bank Austria AG ensures the consolidation of liquidity flows and the funding for subsidiaries in Austria and CEE. The flow of funds is thereby optimised and external funding is reduced to the necessary extent. Under the self-sufficiency principle, the banks in CEE essentially have to use local funding for their business activities and manage stress situations without recourse to the parent company. This is ensured through the availability of sufficient liquidity buffers and emergency plans.

Liquidity management methods and control

In medium-term and long-term liquidity management, assets must be covered by liabilities to a minimum extent of 90 %/85 %/80 % over a period of 1/3/5 years. This limit must be observed at Group level and for each banking subsidiary. At individual currency level, absolute limits for cross-currency funding arrangements have been defined for each bank of the Group; these limits are largely geared to the above-mentioned liquidity ratios. For UniCredit Bank Austria AG, the liquidity ratio as at year-end 2015 was 1.05 for > 1 year, 0.98 for > 3 years and 0.98 for > 5 years. This means that in effect, long-term assets are fully funded at Group level.

For the purpose of short-term liquidity management, volume limits have been implemented in UniCredit Bank Austria AG and at the individual banks for maturities up to three months, which limit all Treasury transactions and the securities portfolio of the respective bank. Liquidity fluctuations resulting from customers' investment decisions have also been taken into account via a liquidity buffer. Volume limits are also established for open maturities in various currencies to keep down the risk of a need for follow-up funding in the event that foreign currency markets dry up.

These limits at UniCredit Bank Austria AG level were essentially observed at all levels. Sluggish credit demand, high deposit volume throughout 2015 and an increase in the liquidity bond portfolio holdings result in a comfortable liquidity position of the Group.

Liquidity stress test

UniCredit Bank Austria AG performs liquidity stress tests for the Group and for individual banks on a regular basis, using a standardised Group-wide instrument and standardised Group-wide scenarios. These scenarios describe the effects of market-driven or name-driven crisis signals on liquidity inflows and outflows, with assumptions also being made about the behaviour of non-banks.

The liquidity outflows expected to occur in stress situations are compared with available collateral (essentially, securities and credit instruments eligible as collateral at the central bank) to examine the banks' risk-taking capability in the maturity range of up to one year.

Liquidity indicators reached conservative levels as a result of successful efforts to win customer deposits, the continued buildup of the liquid securities position, new issues launched according to plan, and the optimisation of CEE funding.

A simulated name and market crisis, with stringent assumptions regarding deposit renewals by customers, currently gives a "time-to-wall horizon" of over one year in terms of liquidity; the required minimum period is one month.

Counterparty risk

UniCredit Bank Austria AG uses an internal counterparty risk model (IMM) for internally managing risk arising from derivatives, securities lending and repurchase agreements. The risk model is based on a Monte Carlo path simulation for portfolio management and risk limitation in the derivatives and security financing business with banks and customers to estimate the potential future exposure at portfolio level for each counterparty. The counterparty risk model now used on a Group-wide basis applies an expected shortfall of 87.5 % (equals a 95 % quantile) and 3,000 scenarios with 52 gridpoints for the purposes of regulatory capital requirements and internal risk management. Furthermore, the model is based on a margin period of risk harmonised on a Group-wide basis, and on the use of a default conditional metric.

The bank is taking account of the growing importance of counterparty risk by having a separate Counterparty Risk & Collateral Management unit for this purpose within the Market Risk & Liquidity Risk department since the beginning of 2010.
In addition to UniCredit Bank Austria AG the model also covers all relevant CEE countries for managerial risk management aspects. In this context the focus is on risk management and not on regulatory approval.

The Group-wide IT systems are used for calculating counterparty risk arising from derivatives business and for determining risk arising from other risk types. This ensures that exposures resulting from derivatives business as well as money-market risk, issuer risk and settlement risk are calculated centrally using the Group-wide IT systems (FRE – Full Revaluation Engine, AGE – Aggregation Engine). Moreover, country risk is calculated and reported separately for external and internal country risk.

In 2015, the counterparty credit risk exposure calculation for securities lending transactions and repurchase agreements for internal risk management of UniCredit Bank Austria AG and CEE banking subsidiaries was integrated in the Group-wide IT systems (FRE, AGE).

The simulation calculations are performed for all major types of transactions, e. g. forward foreign exchange transactions, currency options, interest rate instruments, equity/bond-related instruments, credit derivatives and commodity derivatives. Other transactions are taken into account with an add-on depending on factors such as maturity. The calculations are based on market volatility, correlations between specific risk factors, future cash flows and stress considerations. Netting agreements and collateral agreements are also taken into account for simulation purposes. The bank applies a confidence interval of 95 %.

Based on the calculation method for counterparty credit risk used in the Group-wide risk systems, the following exposures resulted from derivative transactions, repurchase agreements and securities lending transactions for UniCredit Bank Austria AG and for the CEE banking subsidiaries at the end of 2015:

Exposures (€ billion)

Austria	3.0
CEE	6.2
TOTAL	**9.2**

Separate reporting on counterparty credit risk is in place with a view to informing UniCredit Bank Austria AG's Market Risk Committee (MACO) and Derivative Committee (DECO) of current exposure trends, stress testing, collateral management and wrong way risk while also providing additional information relevant to risk management. Moreover, backtesting is performed at regular intervals, at the level of individual counterparties and at overall bank level, in order to check the quality of the model on an ongoing basis.

The Murex Limit Controller (MLC) treasury system is the central limit system used by UniCredit Bank Austria AG. In addition to current limit utilisation – at customer level – resulting from derivatives and security financing business, the system shows utilisation levels for money-market, issuer and settlement risk. Line utilisation is available online in the MLC limit system, largely on a Group-wide basis. For those smaller units which are not connected to the central system, lines are monitored locally. Group-wide compliance with lines approved in the credit process is thus ensured at any time.

In addition to determining the potential future exposure, the path simulation also enables the bank to calculate the average exposure and the modified average exposure (exposure at default) and the effective maturity of the exposure as well as the "stressed EPE" pursuant to Basel 3. While the regulatory exposure at default was previously determined at customer level, it has been calculated at netting-set level since 2015. A netting set is a group of transactions between the bank and a customer which is subject to a legally enforceable bilateral netting agreement. This change was made as part of the Group-wide PERDAR (Principle for Effective Risk Data Aggregation and Risk Reporting) project.

Country risk and sovereign risk

Risk associated with cross-border transactions with all customer groups is reflected in country risk ("transfer and convertibility risk"; country risk includes, for example, loans to foreign corporate customers or banks). Risk associated with the state itself (e. g. the purchase of government bonds) is reflected in sovereign risk, irrespective of whether such risk is cross-border or local risk. Both risks are assessed via a UniCredit Group-wide credit process. Country limits and sovereign limits are assessed by the responsible risk management team, approved by the relevant body having approval authority, and assigned to UniCredit subsidiaries according to business needs. In general, cross-border business is not limited for countries which are presumed less risky, e. g. the US, Japan, core EU countries; for all other countries, cross-border business is limited via the assigned country limit. Sovereign risk is in each case limited via counterparty limits. The overall bond exposure is monitored via nominal credit risk limits and market risk limits. Impairment losses are recognised, if necessary, according to international financial reporting standards.

Ukraine and Russia:

In this context we refer to the commentary in "4.34 Major risks in Central and Eastern Europe" in the notes to the financial statements.

Credit risk

The charge for loan loss provisions in UniCredit Bank Austria AG was €76.6 million, down on the previous year (€88.1 million). The CEE segment recorded a significant increase to €131.5 million (2014: €20.9 million), driven by an allocation to provisions for Ukraine-related volume. This increase was more than offset by gratifying developments in other business segments: the segment comprising retail and corporate customers benefited from a net release of loan loss provisions of €12.5 million, mainly in business with corporate customers. Following the release of a provision for a major customer in the Corporate & Investment Banking (CIB) segment, CIB recorded a net release of €24.4 million. The net release in the Corporate Center reached €17.7 million.

The mapping to the internal rating masterscale considers the PD ranges mentioned below:

INTERNAL RATING CLASSES	PD MINIMUM	PD MAXIMUM
1	0.00 %	0.00 %
2	0.00 %	0.02 %
3	0.02 %	0.12 %
4	0.12 %	0.58 %
5	0.58 %	1.37 %
6	1.37 %	3.22 %
7	3.22 %	7.57 %
8	7.57 %	17.80 %
9	17.80 %	100.00 %
10	non-performing	

Information on forborne exposures

The new requirements for reporting on forbearance were defined by Commission Implementing Regulation (EU) 2015/1278 amending Implementation Regulation (EU) No 680/2014. Under the definition, forbearance measures are concessions made by a bank to a debtor facing or about to face difficulties in meeting its financial commitments. These may take the form of a modification of the terms and conditions of a contract that would not have been agreed if the debtor had not been in financial difficulties, or the form of total or partial refinancing. Debtors that are classified as "forborne" are subject to special monitoring requirements and are to be clearly marked as such. Forbearance measures include, for example, a rescheduling agreement, renegotiated pricing at interest rates below the market level, the conversion of a partial amount of the loan into shares, or a reduction of the principal amount.

If a forbearance measure does not result in the loan becoming non-performing, a probation period of at least 2 years must be observed. If a forbearance measure results in the loan becoming non-performing, a minimum 1-year holding period in the non-performing portfolio must be observed – a probation period of 2 years will again be applicable from the date of reclassification as "performing". Upon expiry of the probation period the exposure will cease to be classified as "forborne".

In respect of loans with forbearance measures, required concessions and restrictive management measures are initiated under an effective monitoring and reporting process to reduce the amount of any potential loss.

When assessing and making provisions for loans with forbearance measures, the bank must ascertain whether there is objective evidence that an impairment loss on loans or held-to-maturity investments (measured at amortised cost) has been incurred. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in the profit and loss account under "Impairment losses" and the carrying amount of the asset is reduced.

In more detail, if the terms of a loan, receivable or held-to-maturity investment are renegotiated or otherwise modified because of the borrower's financial difficulties, this is considered to be objective evidence of impairment.

Apart from the impairment test, an examination must be performed to see if the modification of the contract results in a partial or full disposal of the financial instrument. In the case of financial assets, there is a disposal if a material change in contractual conditions leads to a situation in which the modified financial instrument, in substance, no longer corresponds to the instrument before the modification. In such a case the previously recognised financial instrument is to be derecognised and a new financial instrument is to be recognised, even if – in legal terms – the same contract continues to exist in an adjusted form. Derecognition in such cases also relates to any provision made in connection with the financial instrument.

Realisation of mortgage collateral

Mortgages are the main type of collateral accepted by UniCredit Bank Austria AG for real estate finance.

UniCredit Bank Austria AG has established subsidiaries in Vienna and in major CEE countries (the Czech Republic, Russia, Bulgaria, Romania, …) which concentrate on active workout management and optimum realisation of real estate. These companies act as potential buyers of real estate mortgaged to UniCredit Group when such real estate is sold at auction or on the basis of voluntary arrangements with borrowers.

A potential purchase of real estate mortgaged to UniCredit Group is preceded by intensive evaluation to ensure that the purchase of such real estate – as compared with immediate realisation – will lead to a significant reduction of the loss to the Group. Such transactions are considered especially for real estate which is run effectively or may be developed, and in respect of promising projects, which are to be liquidated because the owners are insolvent.

Via its subsidiaries established for this purpose, UniCredit Bank Austria AG can purchase and temporarily hold real estate or assume control of projects, complete or continue developing such projects if necessary, and subsequently sell the real estate through an orderly process.

Credit risk mitigation techniques

UniCredit Bank Austria uses various credit risk mitigation techniques to reduce potential credit losses in case of obligor default.

With specific reference to credit risk mitigation, general guidelines issued by the parent company of UniCredit Bank Austria AG as well as by UniCredit Bank Austria in its sub-holding function are in force, to lay down Group-wide rules and principles that should guide, govern and standardise credit risk mitigation management, in line with Group principles and best practice, as well as in accordance with the relevant regulatory requirements. Following the General Group and Subgroup Credit Risk Mitigation Guidelines all legal entities are developing internal regulations that specify processes, strategies and procedures for collateral management. In particular such internal regulations detail collateral eligibility, valuation and monitoring rules and ensure the soundness, legal enforceability and timely liquidation of valuable collateral according to each country's local legal system.

Collateral management assessments and credit risk mitigation compliance verifications have been performed by the legal entities, specifically as part of internal rating system applications, in order to assess the presence of adequate documentation and procedures concerning the credit risk mitigation instruments used for supervisory capital.

According to the credit policies, collateral or guarantees can be accepted only to support loans and they cannot serve as a substitute for the borrower's ability to meet obligations. For this reason, in addition to the overall analysis of the creditworthiness and of the repayment capacity of the borrower, they are subject to specific evaluation and analysis of the support role for the repayment of the exposure.

Collateral accepted in support of credit lines granted by the Group's legal entities, primarily includes real estate, both residential and commercial, guarantees and financial collateral (including cash deposits, debt securities, equities, and units of undertakings for collective investment in transferable securities (UCITS)). Further types of collateral comprise pledged goods, receivables and insurance contracts as well as other types of funded protection. The Group also makes use of bilateral netting agreements for OTC derivatives (by means of ISDA and CSA agreements), repos and securities lending.

The management systems of credit risk mitigation techniques are targeted to be embedded in the credit approval process and in the credit risk monitoring process, and widely support the evaluation and data quality checks of collateral/guarantees and their appropriate linking to the categories defined for LGD estimation purposes. Controls and related responsibilities are duly formalised and documented in internal rules and job descriptions. Furthermore, processes are implemented to control that all the relevant information regarding the identification and evaluation of the credit protection is correctly registered in the system.

When accepting a credit risk mitigation technique, the Group and the sub-group emphasise the importance of processes and controls of the legal certainty requirements of the protection, as well as the assessment of the suitability of the collateral or guarantee. In case of personal guarantees, the protection provider (or the protection seller in case of credit default swaps) has to be assessed in order to measure his/her solvency and risk profile.

In case of collateral, the process of valuation is based on precautionary principles, with reference to the use of "market values" and to the application of adequate haircuts to take account of potentially lower proceeds and realisation costs in case of realisation.

Monitoring processes of credit risk mitigation techniques ensure that general and specific requirements established by credit policies, internal and regulatory rules are met at all times.

Credit risk methods and instruments

Very important factors in the credit approval process are a detailed assessment of risk associated with each loan exposure, and the customer's credit rating in particular. Every lending decision is based on a thorough analysis of the loan exposure, including an evaluation of all relevant factors. Following the initial loan application, the bank's loan exposures are reviewed at least once a year. If the borrower's creditworthiness deteriorates substantially, shorter review intervals are applied.

For internal credit assessment in Austria and by Bank Austria's banking subsidiaries in CEE, the bank uses various rating and scoring models – for calculating the parameters PD (probability of default), LGD (loss given default) and EAD (exposure at default) – on the basis of models specifically developed for these purposes for the customer/business segments to be assessed, in line with the various asset classes pursuant to Article 147 of the CRR, Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions. There are country-specific or region-specific models (e.g. for corporate customers, private and business customers) and Group-wide models (e.g. for sovereigns, banks, multinational corporates). The assessment of a loan exposure is based on data from the respective company's financial statements and on qualitative business factors.

The various rating and scoring models provide the basis for efficient risk management of the Bank Austria Group and are embedded in all decision-making processes relating to risk management. They are also a key factor for capital required to be held against risk-weighted assets.

Great attention is given to consistency in the presentation for supervisory purposes and the requirements of internal control.

All internal rating and scoring systems are monitored on an ongoing basis. The systems are also subject to regular validation on an annual basis, including a review to verify if the rating/scoring system provides a correct representation of the risks to be measured. All model assumptions are based on multi-year statistical averages for historical defaults and losses, with appropriate attention being given to the potential impact of turbulence in international financial markets.

In this context, credit risk stress tests, which are required by banking supervisory authorities and are carried out on a regular basis, are an essential instrument for assessing future risks in an unfavourable economic environment. Such tests enable the Management Board to assess the adequacy of regulatory capital and economic capital on the basis of different stress scenarios. Credit risk stress calculations for the entire Group are based on a credit portfolio model developed in-house and are analysed for their impact on regulatory and economic capital.

Risk-adjusted pricing and proactive risk management constantly improve the diversification and the risk/earnings ratio of the portfolio.

For real estate customers, the customer-related rating is complemented by a transaction rating.

Bank Austria uses a retail scoring system. The automated rating tool is used for assessing, monitoring and managing the large number of loan exposures to private customers, small businesses, independent professionals and small non-profit organisations. Retail scoring comprises an application scoring procedure based on effective and recognised mathematical and statistical methods, and a behaviour scoring procedure taking into account such factors as amounts received in the account and customers' payment practices. The retail scoring system provides information that is updated on a monthly basis. This gives the bank a tool for lending decisions and early recognition of risk. Automated data processing helps Bank Austria to reduce costs required for credit control while accelerating lending decisions.

Credit Treasury

Credit Treasury has two main tasks: preparing and monitoring the risk-adequate pricing of loans; and executing risk-transfer and capital-generating measures and transactions.

To ensure uniform pricing within UniCredit Group, the risk-adjusted spread is determined on the basis of multi-year probabilities of default (depending on the term of the loan), added as a price component and monitored on an ongoing basis. Such pricing rationale follows the approach defined in the Group Risk Adjusted Pricing Discipline, which was approved as a Policy in UniCredit Bank Austria AG in July 2014. The framework envisages the usage of a discounted cash flow model leveraging on multi-year probability of default as the target approach to be gradually extended across Bank Austria sub-group in accordance with the availability of multi-year risk figures and appropriate IT systems. The calculation of the risk-adjusted spread on the basis of 1 year risk figures has been approved as a valid interim approach under the supervision of UniCredit Bank Austria Credit Treasury.

Moreover, Credit Treasury is also responsible for Bank Austria as a whole for transactions to reduce credit risk and increase liquidity. The instruments available for these purposes include securitisations, CLNs and CDSs.

The Credit Treasury Committee, which holds quarterly meetings, is responsible for strategic coordination and decisions on measures and transactions.

Provisioning process

Loans/bonds:

Special Credit managers have to review all exposures at regular intervals to see if there is a requirement for recognising an impairment loss. 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. In cases where there is a low probability of restructuring, future cash flows are calculated using the liquidation scenario. The workout unit calculates any provisioning requirement on the basis of the estimated present value of the liquidation proceeds / recovery percentage.

ABS:

As part of a structured watchlist and impairment process for ABSs, positions are identified which are reviewed for any provisioning requirement at regular intervals. This is usually done by applying specific models, especially cash flow models. These models map the individual transaction structure and calculate a present value of estimated future cash flows. The amount of the impairment loss is the difference between the carrying amount of the ABS position and the present value of estimated future cash flows.

Portfolio-based provisioning method
UniCredit Bank Austria AG applies a portfolio-based provisioning method ("Pauschale Einzelwertberichtigung" – PEWB) for defaulted assets grouped by similar credit risk characteristics and with no significant exposure (lower than €2 million) at counterparty level.

The PEWB provisioning requirement declined in 2015, reflecting a decrease in the underlying volume to €816.4 million (2014: €907.6 million).

Securitisation transactions

Qualitative information

The Group's main objectives in its securitisation transactions (whether traditional or synthetic) are the optimisation of the loan portfolio by freeing up regulatory and economic capital and obtaining fresh liquidity together with greater diversification of its sources of funding.

The difficult economic environment of the last years suggested also the opportunity to improve, where possible, the usage of securitisation schemes as a tool to support the origination of new loans by leveraging on specialised investors, like supranationals, able to provide protection for newly originated portfolios complying with certain pre-agreed eligibility criteria.

Analysis and realisation of securitisation transactions are carried out within the parent in close cooperation with the legal entities involved and with UniCredit Bank Austria AG as Arranger and Investment Bank. This process requires an economic feasibility study to assess the impact of transactions (according to their nature and aims), on regulatory and economic capital, on risk-adjusted profitability measures and on the level of the Group's liquidity. If this initial phase produces a positive result, a technical and operational feasibility study is carried out to identify the assets to be securitised and design the structure of the transaction. Once technical feasibility has been established, the transaction is realised.

In 2015 a new synthetic securitisation ("AMADEUS 2015") was implemented in UniCredit Bank Austria AG for RWA relief and risk transfer purposes. It covers an existing portfolio of loans and guarantees granted to corporate clients.

In particular, in its role as sponsor the Group purchased Asset-Backed Commercial Paper issued by sponsored conduits. This meant that these vehicles were consolidated as from 2007. With regard to investment in other parties' securitisations, i.e. structured credit products, these instruments were ring-fenced in a separate portfolio managed with a view to maximising future cash flow.

Given the asset quality of the underlyings, the best business strategy was considered to be retention in the bank's books.

In line with the above management principles, risk monitoring and maximising profit on securitisation transactions is achieved by:

- analysing the monthly or quarterly investor reports produced by the Trustee, paying special attention to the performance of the collateral;
- monitoring similar transactions' collateral performance and issues of similar paper;
- watching the market fundamentals of the underlying credit and
- staying in constant contact with the investors and, where collateral is managed, with the managers and analysts of the Collateral Manager.

Furthermore each portfolio is assigned a market VaR limit by Risk Management. This is monitored bearing in mind the correlations. The Group has spread curves for each rating and product (asset-backed securities, mortgage-backed securities, etc.) and uses them to calculate risk, in the same way as other instruments in its portfolio. The method used is in line with other sources of market risk, and enables us to estimate the possible effects of diversification and to aggregate the VaR with other sections of the portfolio.

Operational risk

Operational risk (OpRisk) is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events (including legal risks). For example, compensation paid to customers for incorrect/inadequate product-related advice, IT system failures, damage to property, processing errors or fraud are subject to accurate and consolidated risk measurement and management (collection of loss data, external data, scenarios, indicators), on which the calculation of capital to be held for operational risk is based.

Loss data are collected, and processes are optimised, in close coordination and cooperation with other departments and units including Internal Audit, the Compliance Office, Legal Affairs, ICT & Security Management and the insurance sector. Over the years, UniCredit Bank Austria AG has taken numerous measures in the various divisions to manage and reduce operational risk. Thus data security measures, measures to ensure the confidentiality and integrity of stored data, access authorisation systems, the two-signatures principle, and a large number of monitoring and control processes as well as staff training programmes have been implemented among other measures.

In line with other types of risk, UniCredit Bank Austria AG – like UniCredit – has built up a decentralised operational risk management framework based on representatives within divisions and at banking subsidiaries – Divisional OpRisk Managers (DORM) and OpRisk Managers – in addition to central operational risk management. While the main task of central risk management is to define the methods used and to perform risk measurement and analysis, decentralised risk managers are responsible for taking measures to reduce, prevent, or take out insurance against, risks.

- The following areas were a focus of activities in 2015: extended scenario process with detailed documentation of underlying risks and the potential impact of losses and risk-mitigating measures as a basis for the adapted AMA approach, which has been used in UniCredit Group since it was approved in 2014; preparing and acceptance regarding a risk-sensitive approach to apportioning the operational risk capital requirement within the UniCredit Bank Austria sub-group; implementing the "OpRisk Assessments for Relevant Transactions" to assess operational risk in quantitative and qualitative terms with regard to relevant transactions in connection with outsourcing, insourcing, mergers and acquisitions, business expansion and organisational changes in the Bank Austria sub-group; implementing the OpRisk ICT Risk Assessment Framework to assess critical ICT bank processes in UniCredit Bank Austria AG; reviewing the Operational Risk Appetite Framework: a pilot project was carried out to convert operational risk net loss limit monitoring to "simplified ELOR (Expected Loss on Revenues)"; analysing, collecting and classifying operational risk events relating to credit risk, and reporting them at meetings of the Bank Austria Operational & Reputational Risk Committee.

Overall, the organisation of operational risk management at UniCredit Bank Austria AG is well established at a high level of quality. A network of independent functions and teams are involved in managing and controlling risks, providing the Management Board with sufficient information on the risk situation and enabling the Management Board to manage risk.

The task of dealing with operational risk issues is performed by a separate Operational & Reputational Risk Committee (OpRRiCo), whose meetings are held on a quarterly basis and are attended by the Chief Risk Officer, the Head of Strategic Risk Management & Control, the Head of Operational Risk Management, Compliance, Internal Audit, the Divisional Operational Risk Managers and OpRisk representatives of CEE banking subsidiaries. The Committee is a major step towards integrating operational risk in the bank's processes; its main tasks are to report on current operational risk issues and developments, to approve operational risk-relevant documents, to report losses and serve as a body to which unresolved issues are referred.

In 2016 activities with regard to operational risk will focus on:

- integrating OpRisk risk strategy issues for 2016 and monitoring by reference to key performance indicators in the Permanent Work Group;
- further developing the new approach to monitoring OpRisk exposures on the basis of Expected Loss on Revenues (ELOR), a key indicator which will replace the OpRisk "Simplified ELOR" from 2016;
- supporting the units in preparing and carrying out regulatory reviews in cooperation with UniCredit Group;
- supporting the implementation of the OpRisk ICT Risk Assessment Framework for assessing critical ICT bank processes at large and medium-sized CEE legal entities of the Bank Austria sub-group; analysing the collection and classification of operational risk events relating to credit risk.

Reputational risk

UniCredit Group has identified reputational risk as the current or future risk of a decline in profits as a result of a negative perception of the Bank's image by customers, counterparties, shareholders, investors, employees or regulators.

Operational & Reputational Risk, a separate unit within the CRO management function, has been entrusted with strategic management and monitoring of reputational risk since 2012.

Reputational risk activities in 2015 focused mainly on the continuation of providing support to CEE legal entities in further implementing and expanding structures, policies and training, on monitoring and reporting cases of reputational risk and trends with regard to relevant topics, and on enhancing awareness of reputational risk management through training activities within UniCredit Bank Austria AG and in CEE. Three additional reputational risk policies for specific industries were implemented within UniCredit Bank Austria AG and rolled out at CEE banking subsidiaries.

Business risk

Business risk is defined as unexpected adverse changes in business volume and /or margins which cannot be attributed to other types of risk. Adverse impacts of such changes on profitability result mainly from a significant deterioration in market conditions, changes in the competitive position or customer behaviour, and from changes in the legal environment.

Business risk measurement thus measures the influence of external factors on a decline in profits and the effect on the market value.

As part of general income and cost management, operational management of business risk is the responsibility of the individual business units.

Management Report (CONTINUED)

Financial investment risk and real estate risk

In dealing with risks arising from the bank's shareholdings and equity interests, the bank takes into account potential market price fluctuations in its equity holdings in listed and unlisted companies.

Not included are equity interests in consolidated subsidiaries of the Group because risks associated with such companies are determined and recorded under the various other risk types. The portfolio includes various strategic investments; real estate holding companies are taken into account in real estate risk.

Financial investment risk and real estate risk are covered by a value-at-risk approach under the ICAAP.

Legal risks

We generally do not make provisions to the extent it is not possible to reliably predict the outcome of proceedings or to quantify possible losses. In cases where it is possible to estimate in a reliable manner the amount of the possible loss and such loss is deemed probable, we have made provisions in amounts we deem appropriate in light of the particular circumstances and in accordance with applicable accounting principles.

Termination of the internal service regulation concerning "BA-CA-ASVG" pension benefits equivalent to those under mandatory insurance pursuant to the Austrian General Social Insurance Act (Allgemeines Sozialversicherungsgesetz – ASVG)

In this context we refer to the commentary in 2.2.11 of the notes to the financial statements and in section 4 of the management report.

Legal risks for which provisions have been made

In line with the above policy, provisions have been made in the amount of the estimated risk for the following pending legal proceedings:

Madoff

Background

In March 2009 Bernard L. Madoff ("Madoff"), former chairman of the NASDAQ Exchange and owner of Bernard L. Madoff Investment Securities LLC ("BLMIS"), pled guilty to operating what has been described as a Ponzi scheme, for which he was sentenced to 150 years in prison. In December of 2008, a bankruptcy administrator (the "SIPA Trustee") for the liquidation of BLMIS was appointed in accordance with the U.S. Securities Investor Protection Act of 1970.

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

- UniCredit Bank Austria AG was, from inception until mid-2007, the owner of founder shares of the Primeo Fund Ltd., a Cayman fund now in Official Liquidation ("Primeo"), which had an account at BLMIS.
- BA Worldwide Fund Management Ltd ("BAWFM"), an indirect subsidiary of UniCredit Bank Austria AG, had been Primeo's investment advisor. BAWFM also performed for some time investment advisory functions for Thema International Fund plc ("Thema"), and Alpha Prime Fund Ltd. ("Alpha Prime"), both non-U. S. funds that had accounts at BLMIS.
- Some UniCredit Bank Austria AG customers purchased shares in Primeo funds that were held in their accounts at UniCredit Bank Austria AG.
- UniCredit Bank Austria AG owned a 25 percent stake in Bank Medici AG ("Bank Medici"), a defendant in certain proceedings described below.
- UniCredit Bank Austria AG acted in Austria as the "prospectus controller" under Austrian law in respect of Primeo and the Herald Fund SPC ("Herald"), a non-U.S. fund that had an account at BLMIS.
- UniCredit Bank AG (then Hypo- und Vereinsbank AG ("HVB")) issued notes whose return was to be calculated by reference to the performance of a synthetic hypothetical investment in Primeo.

Austrian civil proceedings

Investors in the Primeo and Herald Madoff feeder funds have brought numerous civil proceedings, of which 128 with a claimed amount totaling €40 million plus interest remain. The claims in these proceedings are either that UniCredit Bank Austria AG breached certain duties regarding its function as prospectus controller, or that UniCredit Bank Austria AG improperly advised certain investors (directly or indirectly) to invest in those funds or a combination of these claims. The Austrian Supreme Court has issued 13 final decisions with respect to prospectus liability claims asserted in the legal proceedings. With respect to claims related to the Primeo feeder funds, all 9 final Austrian Supreme Court decisions have been in favour of UniCredit Bank Austria AG. With respect to the Herald feeder funds, the Austrian Supreme Court has ruled three times with respect to prospectus liability, once in favour of UniCredit Bank Austria AG and twice in favour of the claimant. In a prospectus liability case with Primeo and Herald investments the Austrian Supreme Court recently ruled in favour of UniCredit Bank Austria AG. The Austrian Supreme Court issued one further Herald decision in favour of UniCredit Bank Austria AG and remanded the case to the Court of Appeal. While we cannot predict with certainty the impact of these decisions on the remaining Herald cases, future rulings may be adverse to UniCredit Bank Austria AG.

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

Austrian criminal proceedings
UniCredit Bank Austria AG has been named as a defendant in criminal proceedings in Austria which concern the Madoff case. These complaints allege, amongst other things, that UniCredit Bank Austria AG breached provisions of the Austrian Investment Fund Act as prospectus controller of the Primeo fund and certain tax issues. On the tax issues the tax authorities confirmed in a final report in April 2015 that all taxes had been correctly paid. The criminal proceedings are still at the pre-trial stage. In August 2015 the Public Prosecutor sent a questionnaire, asking for a list of documents. The requested documents have been submitted.

Proceedings in the United States:
Purported Class Actions
UniCredit Bank Austria AG, UniCredit S.p.A., PAI and Pioneer Global Asset Management S.p.A. ("PGAM"), a UniCredit S.p.A. subsidiary, were named among some 70 defendants in three putative class action lawsuits filed in the United States District Court for the Southern District of New York (the "Southern District") between January and March 2009 by purported representatives of investors in the Herald fund, the Primeo funds and the Thema fund, which were invested, directly or indirectly, in BLMIS. Plaintiffs principally alleged that the defendants should have discovered Madoff's fraud, and the Herald case asserted violations of the United States Racketeer Influenced and Corrupt Organizations Act ("RICO"), demanding some $2 billion in damages, which plaintiffs sought to treble under RICO. Plaintiffs in the three class actions also sought damages in unspecified amounts and other relief.

On November 29, 2011, the Southern District dismissed all three putative class actions on grounds, with respect to UniCredit S.p.A., PGAM, PAI and UniCredit Bank Austria AG, that the United States was not a convenient forum for resolution of plaintiffs' claims. That decision was upheld on appeal by the United States Court of Appeals for the Second Circuit (the "Second Circuit") and then was further appealed to the United States Supreme Court (the "Supreme Court"). On March 30, 2015, the Supreme Court denied the appeal. After denial by the Supreme Court, Thema and Herald moved to have the Second Circuit recall its mandate in this matter. The Second Circuit denied those motions by order dated June 19, 2015. All dismissals in the class actions are now final.

Claims by the SIPA Trustee
In December 2008, a bankruptcy administrator (the "SIPA Trustee") for the liquidation of BLMIS was appointed in accordance with the U.S. Securities Investor Protection Act of 1970 (SIPA). In December 2010, the SIPA Trustee filed two cases (the "HSBC" and the "Kohn" case) in the United States Bankruptcy Court in the Southern District of New York (the "Bankruptcy Court") against several dozen defendants, including UniCredit Bank Austria AG, UniCredit S.p.A., PAI, PGAM, BAWFM, Bank Austria Cayman Islands, and certain currently or formerly affiliated persons, as well as Bank Medici. Both cases were later removed to the non-bankruptcy federal trial court, i.e., the Southern District.

Kohn Case
In the Kohn case, the SIPA Trustee made claims against more than 70 defendants, including UniCredit Bank Austria AG, UniCredit S. p. A., PGAM, BAWFM, Bank Austria Cayman Islands, certain current or formerly affiliated persons and Bank Medici. Three categories of claims were advanced: "claw-back" or avoidance claims, common law claims and RICO violations. On November 26, 2014, the SIPA Trustee voluntarily dismissed without prejudice and effective immediately certain defendants (and all claims against them) from the Kohn case, including UniCredit S.p.A., UniCredit Bank Austria AG, PGAM, BAWFM, Bank Austria Cayman Islands and the current or formerly affiliated persons. The case remains pending against certain other defendants not affiliated with UniCredit S.p.A. or its affiliated entities.

HSBC Case
In the HSBC case, the SIPA Trustee made claims against some 60 defendants, including UniCredit Bank Austria AG, UniCredit S. p. A., BAWFM, PAI, certain current or formerly affiliated persons and Bank Medici. Two categories of claims were advanced: "claw-back" or avoidance claims against certain defendants on a joint and several basis, including the abovementioned, alleged to be in excess of $2 billion; and common law claims in unspecified amounts (said to exceed several billion dollars), including aiding and abetting BLMIS's breach of fiduciary duty and BLMIS's fraud.

The common law claims were dismissed by the Southern District on July 28, 2011. That decision was upheld on appeal by the Second Circuit, a further request for review by the Supreme Court was also rejected, and no further appeals are pending.

The SIPA Trustee voluntarily dismissed the avoidance claims against UniCredit Bank Austria AG without prejudice, and the dismissal was approved by the court on July 22, 2015.

The SIPA Trustee, however, continues to assert avoidance claims against BAWFM, which is therefore participating in a request to dismiss made by defendants in the Madoff proceedings on grounds that the relevant avoidance provisions of the United States Bankruptcy Code do not have extraterritorial application.

That request is being briefed and remains pending.

The current or formerly affiliated persons named as defendants in the HSBC case, who had not been previously served, have now been served. The current or formerly affiliated persons may have similar defenses to the claims as UniCredit Bank Austria AG and its affiliated entities, and may have rights to indemnification from those parties.

Claims by SPV Optimal SUS Ltd. and by SPV OSUS Ltd.
UniCredit Bank Austria AG and certain of its affiliates – UniCredit S.p.A., BAWFM, PAI – have been named as defendants, together with approximately 40 other defendants, in a lawsuit filed in the Supreme Court of the State of New York, County of New York, on December 12, 2014, by SPV OSUS Ltd. The complaint asserts common law based claims in connection with the Madoff Ponzi scheme, principally that defendants aided and abetted and/or knowingly participated in Madoff's scheme. The case is brought on behalf of investors in BLMIS and claims damages in an unspecified amount. The action filed by SPV OSUS Ltd. is in the initial stages.

Alpine Holding GmbH
Alpine Holding GmbH (a limited liability company) issued a bond in every year from 2010 to 2012. In the years 2010 and 2011, UniCredit Bank Austria AG acted as Joint Lead Manager, each year together with another bank. In June/July 2013, Alpine Holding GmbH and Alpine Bau GmbH became insolvent and bankruptcy proceedings began. Numerous bondholders then started to send letters to the banks involved in the issuance of the bonds, specifying their demands. At least as far as UniCredit Bank Austria AG is concerned, bondholders substantiated their claims mainly by referring to prospectus liability of the Joint Lead Managers and only in a minority of cases also to bad investment advice by the banks which sold the bonds to their customers. At this time, civil proceedings including three class actions filed by the Federal Chamber of Labour (with the claimed amount totalling about €21 million) have been initiated by investors in which UniCredit Bank Austria AG, among other banks, has been named as defendant. The key aspect is prospectus liability. These civil proceedings are mainly pending in the first instance. No judgments have been issued so far against UniCredit Bank Austria AG. In three first-instance proceedings on the prospectus liability of the Joint Lead Managers the court dismissed the claim for want of prospectus causality, the first of these judgments became final, the second was confirmed by the court of appeal and the third was appealed. In addition to the foregoing proceedings against UniCredit Bank Austria AG stemming from the Alpine insolvency, additional Alpine-related actions have been threatened and may be filed in the future by investors and/or a consumer protection agency / the Chamber of Labour. The pending or future actions may have negative consequences for UniCredit Bank Austria AG. UniCredit Bank Austria AG intends to defend itself vigorously against these claims. At this stage, it is not possible to estimate reliably the timing and results of the various actions, nor determine the level of responsibility, if any responsibility exists.

Initiative of administrative penalty proceedings referring to Anti Money Laundering
The Austrian Financial Market Authority (Finanzmarktaufsicht, "FMA") suspects UniCredit Bank Austria AG to have infringed the regulations on combating money laundering and financing of terrorism in connection with two customers. If the FMA concludes that UniCredit Bank Austria AG has violated these regulations, UniCredit Bank Austria AG would have to pay a fine according to Section 99d of the Austrian Banking Act (Bankwesengesetz, "BWG"). From a current perspective, it cannot be predicted whether UniCredit Bank Austria AG will be sanctioned by the FMA in this case and if a sanction is imposed, how high the fine will be. Also, UniCredit Bank Austria AG could take legal action if such a fine is imposed.

Legal risks for which provisions have not yet been made

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

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

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

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

Negative interest rates

After the Swiss National Bank (SNB) surprisingly discontinued the Swiss franc's link to the euro in the middle of January 2015, the variable indicator (e.g. CHF Libor 1M) in some existing loan agreements became negative. As long as the negative indicator does not exceed the margin, the method used by UniCredit Bank Austria AG for charging interest for loan agreements with no other specific stipulation will not change. This means that the rate of interest payable by the customer may be lower than the margin in such cases (example: indicator minus 0.5% and margin 1.2 % = debit interest rate 0.7 %). If the calculated debit interest rate becomes negative, however, UniCredit Bank Austria AG will not apply that rate but a debit interest rate of 0.00001 % – in line with UniCredit Bank Austria AG's legal view that the borrower is in each case required to pay interest at a minimum rate. The borrower will therefore pay interest at the above-mentioned minimum rate even if the negative indicator exceeds the margin (example: indicator minus 1.3% and margin 1.2 % = debit interest rate applied is 0.00001%, not minus 0.1 %). The Austrian Association for Consumer Information (Verein für Konsumenteninformation – VKI) has filed a class action against this practice. On 30 September 2015 a negative decision was rendered by the Commercial Court in Vienna against UniCredit Bank Austria AG. According to this decision UniCredit Bank Austria AG would have to pay out negative interest (in FX loans) to consumers. UniCredit Bank Austria AG has appealed against this decision. On 23 December 2015, a positive decision was rendered by the Regional Appeal Court of Vienna in favour of UniCredit Bank Austria AG, dismissing the suit of VKI for lack of standing without addressing the merits of the case. This decision is not legally binding and a ruling of the Austrian Supreme Court (Oberster Gerichtshof) on the merits of the case is to be expected.

Loan processing fees

The Austrian Association for Consumer Information (Verein für Konsumenteninformation) has filed two class actions against two other banks in Austria in connection with loan processing fees. First-instance courts have handed down decisions against the two banks; the decisions are not final. The two courts have stated different reasons for their rulings: the Regional Court of Innsbruck referred to one of the parties being put at a serious disadvantage as defined in Section 879 (3) of the Austrian Civil Code (Allgemeines Bürgerliches Gesetzbuch – ABGB), and the Regional Court of St. Pölten referred to intransparency pursuant to Section 6 (3) of the Austrian Consumer Protection Act (Konsumentenschutzgesetz – KSchG). The reasoning used by the Higher Regional Appeal Court of Innsbruck (one of the parties being put at a serious disadvantage basically because of this fee) was taken over by the Higher Regional Appeal Court of Vienna without any reflections of its own. As these cases involve a point of law, the matter will be decided by the Austrian Supreme Court, to which both banks will appeal. An initial assessment of whether borrowers have a right to reclaim loan processing fees, and if so, to what extent this might be the case or what objections the banks can raise against this, will only be possible when the Supreme Court has clarified the question of whether the relevant clause is effective. The Supreme Court's decision is expected for 2016. The matter could then be finally clarified only in the course of further legal individual proceedings with customers because class actions do not deal with questions of reclaim.

Other proceedings

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

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

Financial derivatives

Derivatives shown in the relevant tables are classified as financial derivatives and credit derivatives, according to the underlying financial instrument. In these categories, a distinction is made between trading book and banking book and between different counterparties. UniCredit Bank Austria AG's business volume in derivatives focuses on interest rate contracts.

Over-the-counter transactions are individual agreements concerning volume, maturities and underlying instrument. In large-volume interbank trading, these agreements reflect international practice, while in customer business they are usually adjusted to specific needs. Exchange-traded contracts are always standardised in respect of volume and maturity date.

Derivatives are mainly used by the bank itself for hedging market risk and credit spread risk arising from new issue activities. In customer business, market participants include banks, securities houses, mutual funds, pension funds and corporate customers.

Information on the use of derivatives is given in item 2.2.9 Derivatives of the notes to the financial statements.

Trading in derivatives at UniCredit Bank Austria AG is primarily related to the hedging of positions entered into vis-à-vis customers.

For the purposes of portfolio and risk management, contracts are valued at current prices using recognised and tested models. Market values show the contract values as at the balance sheet date, positive market values indicate the potential default risk arising from the relevant activity.

For the purposes of portfolio management and risk limitation in the derivatives business with banks and customers, UniCredit Bank Austria AG uses an internal model used in the entire UniCredit Group (IMM), with a Monte Carlo path simulation to estimate the potential future exposure at portfolio level for each counterparty. The calculations are based on market volatility, correlations between specific risk factors, future cash flows and stress considerations. Netting agreements and collateral agreements are also taken into account for simulation purposes.

The simulation calculations are performed for all major types of transactions, e. g. forward foreign exchange transactions, commodity futures transactions, interest rate instruments, securities lending transactions and repurchase agreements, equity-related, commodity-related or inflation-related instruments and credit derivatives. Other (exotic) products are taken into account with an add-on factor (depending on volatility and maturity). The bank applies an expected shortfall method corresponding to a confidence interval of 95 %.

In addition to determining the potential future exposure for the purpose of internal risk management, the path simulation also enables the bank to calculate the mean exposure and the Basel 3-modified mean exposure as well as the effective term of the exposure for each counterparty. In this way, counterparty risk can be taken into account in a Basel 3-compliant internal model for the calculation of capital requirements.

Line utilisation for derivatives business is available online in the central treasury system MLC ("Murex Limit Controller") for the so-called EUROMIB countries. For those units which are not connected to the central system, separate lines are allocated and monitored in the local limit systems using a standardised method. Group-wide compliance with lines approved in the credit process is thus ensured at any time.

UniCredit Bank Austria AG additionally limits the credit risk arising from its derivatives business through strict use of master agreements, through collateral agreements and break clauses. In combination with the very good average credit rating of our business partners in the derivatives business, management takes proper account of default risk.

2.3. Third-party guarantees

Under Section 92 (9) of the Austrian Banking Act, "Privatstiftung zur Verwaltung von Anteilsrechten" ("AV-Z Stiftung", a private foundation under Austrian law) serves as deficiency guarantor for all liabilities of UniCredit Bank Austria AG in the event of the company's insolvency.

After the change in the legal form of Anteilsverwaltung Zentralsparkasse into a private foundation ("AV-Z Stiftung") in 2001, the Municipality of Vienna serves as deficiency guarantor for all outstanding liabilities, and obligations to pay future benefits, of UniCredit Bank Austria AG (then Bank Austria Aktiengesellschaft) which were entered into prior to and including 31 December 2001.

3. Outlook for 2016

Economic scenario

Concerns over economic developments in the emerging economies, which had adversely impacted the global economy in the second half of 2015, were more accentuated at the beginning of the current year. The growth prospects for China, in particular, and the renewed sharp fall in crude oil prices have created further uncertainty among investors, resulting in turmoil on financial markets. This was mainly reflected in stock market prices. In the first few weeks of the year until 11 February 2016 the world share index fell by 12 %; within this figure the EuroStoxx Index declined by 17 %. This development primarily affected European banks: their share prices fell substantially, by 30 %, and credit spreads and interest rate spreads for these banks rose sharply.

However, the real economic performance of **industrial countries** has **hardly deteriorated** and the volatile market developments do not reflect the fundamentals. But there is a growing risk that the turmoil, if it persists, may permanently harm economic sentiment in terms of business and consumer confidence and trigger a self-fulfilling downward spiral. We are confident that the trend towards recovery in 2015 will return in 2016 and our economic forecast for 2016/17 is slightly more favourable compared with the previous year.

● In 2016/17, the **global economy** will grow by about 3½% p.a., slightly faster than in the previous year. However, the outlook has clouded over in the past few months on account of growing risks. The main risk is a massive slowdown in economic growth in the emerging economies on account of external factors known as three Cs: China, commodities and capital.

- **China**, the engine of growth, especially for the emerging economies in Asia, is losing momentum on account of structural challenges and existing imbalances. Although a hard landing of the Chinese economy is unlikely, the current phase of the country's restructuring process will probably result in permanently lower growth rates and therefore in less support for the global economy.

- In addition, the sharp fall in prices for many **commodities**, industrial metals and especially oil, has revealed structural problems in many emerging economies which export raw materials. The current oil glut will only start to slowly ease in the second half of 2016, when growth in demand increases as economic activity picks up and, on the supply side, as production by market suppliers with higher production costs declines. Our forecast assumes that the **oil price** will remain at an average 37 US dollars per barrel in 2016 even if it rises again as the year progresses.

- In 2015, uncertainty over a **turnaround in interest rates** in the US significantly influenced investors' risk appetite and occasionally contributed to a massive withdrawal of capital from highly exposed emerging economies. The interest rate turnaround finally came at the end of 2015. The US is expected to further tighten monetary policy in 2016, especially as the US economy will in the current year continue to pursue a sound growth path of about 2 %, driven by domestic demand. It is not yet clear whether the tightening of monetary policy will be a steady, continuous process or a process characterised by speculative fluctuations. Renewed risk aversion with consequent capital outflows would in particular affect **emerging economies with high external financing requirements** (current account deficits), making it difficult for these countries to finance further growth. A further adverse factor are the divergent monetary policies of industrial countries, which create uncertainty among financial markets. General preference for a tighter monetary policy, advocated by the US, compares with a further easing of monetary policy in Europe (and Japan).

● There are **no signs** that the economic slowdown in the emerging economies has affected the **euro area**, and we expect moderate recovery in the euro area to continue. Following the slow growth in the final quarter of 2015 we have lowered our **GDP forecast** for 2016 from +1.9 % to **+1.7 %** in response to the statistical overhang. In view of the significantly lower inflationary outlook (medium-term inflation expectations have fallen to a new low of less than 1.5 % for the 5yr/5yr forward swap rate) the **ECB** could further lower the negative interest rate for deposits in spring and extend the current **bond purchase programme**.

It is questionable whether another reduction that will push interest rates further into negative territory would actually help to stimulate economic growth; the costs and uncertainty created by negative interest rates may offset the positive effects.

● In the **Austrian economy** the moderate improvement in business sentiment continued into 2016. In January 2016, the Bank Austria Business Indicator rose slightly to 0.1 points, returning to positive territory for the first time since September 2015. Austria's industrial sector also seems to have got off to a good start in the current year. The Bank Austria Purchasing Managers' Index advanced to 51.2 points in January 2016. While the recent turmoil in financial markets and the concerns over the global economy did not impact the Austrian economy, economic growth in Austria is still stagnating. The weak growth in the second half of 2015 is now followed by signs of more buoyant economic activity in Austria.

Austria's **stronger economic growth in 2016** compared with the previous year is driven by three factors: the (underestimated) tax reform (firstly) and the persistently low oil prices (secondly) strengthen domestic demand. The undervalued euro (thirdly) continues to support exports.

The impetus from these factors will probably feed through to the economy in the first half of 2016; the tailwind from external factors will subside to the extent that the three factors translate into stronger economic momentum. The improvement of the European economy will for example result in a slight strengthening of the euro against the US dollar, and the oil price is likely to rise in the second half of the year in response to a new pattern in supply and demand. In 2016, the Austrian economy will probably experience its most buoyant growth in the first half of the year and growth will subsequently weaken over the turn of 2016/17. **Economic growth** could amount to **1.5% in each of these years** and will therefore exceed that of 2015 (+0.9%). This means that Austria will in 2016 and 2017 close the growth gap to the euro area and Germany, supported by the tax reform, a special factor.

In the first half of 2016, inflation will still be dampened by the low oil price before subsequently rising slightly, partly driven by the stronger momentum of the domestic economy. Consumer prices will rise by an average 1.4% in 2016, faster than in the previous year (2015: (+0.9%). Austria's labour market will remain tight despite more buoyant growth. We expect unemployment to climb to 6% in 2016 due to the unabated rise in the labour supply. Disposable nominal income will increase faster than in the previous year as employment picks up, rising by just over 1%, and especially as a result of the easing of the income tax burden.

While this scenario indicates a slight recovery of **volume trends in the banking sector**, it does not invalidate previous trends. At the beginning of 2016, growth in housing finance was still the most important component of credit expansion whereas corporate loans were stagnant and loans to consumers and SMEs declined slightly. After weak growth of lending volume in 2015 (adjusted for the effect of appreciation of the Swiss franc: +2.1%), a slightly accelerating economic momentum, in combination with the low level of interest rates, should lead to somewhat stronger credit demand in 2016. We expect growth in 2016 to reach almost 2%, supported by housing finance and slightly stronger demand for corporate loans. Deposits continued to increase at a rapid pace throughout 2015, growing by 4% overall, with deposits from private households up by 2.8%. In view of low interest rates, however, deposit growth should weaken somewhat as soon as private households start to invest more in mutual funds; but this will depend on how financial markets develop. Additions to financial assets held by private households in 2016 should more or less match the total amount of about €10 billion seen in 2015. This means that monetary wealth formation in 2016, too, will be lagging behind the strong increases experienced before the financial crisis. The reasons are a weaker income trend, the currently still lower savings ratio and the fact that investment income, which is traditionally reinvested, is also lower. The reduction of foreign currency loans with a bullet maturity is an additional factor to be taken into account: repayment vehicles are terminated upon loan repayment, and this leads to a reduction of both debt and financial assets. Continued strong interest in tangible assets, primarily real estate, also affects monetary wealth formation and this trend will continue in 2016. Fixed-rate investments, including traditional bank bonds, will be further reduced.

● For **Central and Eastern Europe (CEE)** our economists expect significant growth to continue, with strong domestic economic activity supported by a favourable external environment, i.e. by stronger growth in the euro area, the expected expansion of the ECB's purchase programme, and consequently further convergence to ultra-low interest rates, and monetary expansion accompanied by continued low inflation and ample liquidity. All these factors will probably offset the burdens originating from the interest rate turnaround in the US and the economic slowdown in emerging markets, primarily China.

Expansion in the EU member states in the CEE region (without Croatia) will continue, with trends hardly varying from country to country. Bulgaria, Romania and Poland are expected to achieve further strong growth while economic performance in the Czech Republic, Slovakia, Hungary and Slovenia will be somewhat weaker. These trends are to be seen mainly in the context of declining EU transfer payments during the transition from the programme which has expired to the new programme, and of the lower growth contribution from net exports. Imports will probably rise more strongly than exports as domestic demand has accelerated and will remain the principal growth driver. Unlike public investment, private consumption (supported by the labour market, stronger wage growth and a renewed increase in consumer loans) and corporate investment should pick up. Stronger consumer confidence and companies' higher profitability as well as a higher level of new lending by banks will support private investment. Stronger lending activity by banks would mean that debt reduction in CEE countries within the EU, which has been going on for years, will be coming to an end.

Croatia and Serbia will probably follow a similar growth path, though at a significantly slower pace of about +1.5%. Both countries are facing major challenges: the unfavourable investment climate hampers FDI flows and thus export potential, while the precarious budget situation and high levels of public debt are calling for cuts. There is limited scope for independent monetary policy decisions in view of the (de facto) currency boards. Serbia enjoys a somewhat better outlook as the IMF standby arrangement has a stabilising effect. On the other hand, Serbia has a large current account deficit, weakening its external position. Croatia has achieved a current account surplus, but the country recorded a significantly larger budget deficit and higher public debt with a rising interest burden.

Management Report (CONTINUED)

As far as Turkey is concerned, the economic outlook for 2016 has brightened while geopolitical risks have increased significantly. We expect economic growth to rise gradually to an annual rate of 4% to 4.5% in the second half of 2016, supported by stronger confidence, a renewed inflow of capital and moderate tax reductions of 1% of GDP. Sanctions imposed by Russia will probably increase the current account deficit in 2016 by 0.6% of GDP and reduce growth by 0.3%. But this gap will more or less be closed with the €3 billion in financial assistance promised by the EU to support the country in dealing with the refugee crisis. For 2016 we therefore continue to expect strong average growth of 3.4%, with inflation slowly declining to 6% in 2016. A current account deficit of 6% makes Turkey vulnerable to a sudden turn in capital market sentiment. In our base scenario we nevertheless assume that funds from abroad will be sufficient to prevent pressure on finance.

Oil price movements seen in the year to date and expected for the rest of 2016 will translate into a GDP decline in Russia compared with 2015 (–3.0% after –3.7%). Domestic demand is being adjusted through fiscal measures (despite a larger deficit) totalling between 2% and 2½% of GDP, including further cuts in wages and social transfers. In combination with higher inflation of 10%, which reflects currency depreciation, these developments mean significant real income losses for the population, leading to a further decline in consumption of 7% in real terms (previous year: –9%). A gradual increase in oil prices in the latter part of the year could help to stabilise the situation. But the supply side cannot support a sustained turnaround.

Economic performance in Ukraine has stabilised thanks to the mining industry in the Donbass regions which are not occupied, and also supported by the agricultural sector, hyperinflation has eased somewhat and a slow recovery is underway, with growth of 2%. However, the political situation is unstable in view of a government crisis and because reforms are faltering. There is also a delay in cooperation with the IMF. This is partly reflected in currency depreciation after the turn of the year (–10% by the middle of February 2016). Political infighting between powerful economic interests has led to a further deterioration in the overall framework for foreign investment.

● A further escalation of geopolitical conflicts, primarily through involvement in the armed conflicts in the Middle East, is the most significant risk, which is very difficult to assess or quantify. Domestic political uncertainty (e.g. in Croatia after the ambiguous outcome of the election) and recourse to populist measures ahead of elections (e.g. in Romania in 2016) could cause uncertainty or the abandonment of budget discipline, especially after the success of stabilisation efforts in the past years. A concrete risk is “Brexit”, a potential negative outcome of the referendum on 23 June 2016 on Britain’s membership of the European Union. The refugee crisis could strengthen national policies of isolation, undermining the single European market and the EU project as a whole. In view of Greece’s geographical location, difficulties in that country in combination with the latent debt crisis could have a renewed negative impact.

From a macroeconomic perspective there is a risk that the economic slowdown in China could spread to neighbouring emerging economies, with a multiplier effect impacting the global economy. Given the geographical focus of CEE countries’ foreign trade, this is less of a problem for CEE than for core Europe and the US. The interest rate turnaround initiated by the Fed has not had any major effects as yet. But a renewed flight of portfolio capital to safe havens could temporarily put a strain on external financing for Croatia, Serbia and Turkey.

Outlook for Bank Austria’s performance

● The general environment for Bank Austria’s commercial banking activities in Austria and in Central and Eastern Europe in 2016 will resemble the conditions which prevailed in 2015: we expect interest margins in Austrian customer business to remain under pressure and we will respond to this pressure by aiming for slightly stronger credit expansion; growth on the deposit side will slow down after the substantial accrual of funds seen in the past year. Our objective is to carry over to 2016 the strong momentum of fee-based business in commercial services and in asset management. The restructuring measures already reflected in the 2015 financial statements will have a positive effect on cost trends. We expect net write-downs of loans to return to normal; it will hardly be possible to benefit from a net release of loan loss provisions as in the previous years. We therefore expect a stable operating performance in Austria. Business in Central and Eastern Europe (CEE) will continue to reflect mixed regional developments in 2016, which we aim to balance out with our broadly-based presence to maintain the high level of operating income. Our banking subsidiary in Russia showed a strong performance in the past two years, and 2016 could become the first year in which the strain on the operating environment eases. In CESEE, lending volume should expand more rapidly in 2016 after the strong deposit growth in the previous year. All these factors suggest that under the base scenario, net operating profit will rise.

● Major structural changes will make 2016 a key year in Bank Austria’s long history.

▶ With the intended transfer of the banking network in Central and Eastern Europe to the parent company UniCredit SpA, UniCredit Bank Austria AG – based on its position as one of Austria’s leading banks – will become a local bank within UniCredit Group’s cross-regional network, like the banks in all other countries, including Italy, Poland, Hungary, Croatia or

Germany. The shareholding interests in CEE companies are to be transferred to the Group's Milan-based holding company by the end of 2016. With Bank Austria no longer performing sub-holding company functions, the cross-regional organisation can be made leaner, eliminating duplication. In the current regulatory environment, this move will enhance UniCredit's ability to manage liquidity and capital. Regardless of where the equity investments in the CEE banking subsidiaries are held, our internationally active corporate customers will benefit from service continuity. The full expertise and customary high advisory service quality will continue to be available to them.

After the transfer of CEE business, UniCredit Bank Austria AG would have total assets of about €100 billion and 1.6 million customers, thus remaining the largest individual institution in the Austrian banking market, with all the advantages offered to customers by an international, global systemically important banking group. The concentration on the home market, where business volume is comparable to that in CEE, would significantly improve Bank Austria's risk profile: risk intensity, capital absorption, the cost of capital, liquidity and funding costs will then be those of a mature universal bank operating in core Europe.

▶ Under the current multi-year plan, return on allocated capital in Austria is to be increased to about 13% by 2018, and the cost/income ratio is to be improved to 60%. With the Bank Austria Reloaded project we are accelerating the transformation, launched two years ago, into a modern universal bank taking advantage of digitalisation in banking business. In densely populated areas, this will involve a further adjustment of the branch network serving retail customers, offering fewer but larger branches while extending their opening hours. The service offering for small businesses will be significantly expanded; in the future it will be available in 55 locations (currently 29 units). In addition to initiatives on the income side, annual payroll costs and other administrative expenses will be reduced by a total of about €300 million by 2018 (–18% compared with 2014). Cost savings will be achieved through a reduction of IT and settlement costs, a higher degree of standardisation, and streamlining of the product range. A further cost reduction will result from the full switch from a defined-benefit provision-based pension scheme to a defined-contribution pension scheme.

In the first few months of 2016 we set about the restructuring programme, for which provisions were made in the 2015 financial statements. A project structure has been set up to calibrate and implement the restructuring process. The process of operationalising the objectives and detailed planning for all areas will be completed by the middle of 2016 and followed by the implementation phase.

We aim to firmly establish Bank Austria as a universal bank with sustainable profitability in the Austrian market, with lean sales operations geared to the needs of our private customers, a well-balanced mix of online and offline services and fast transaction settlement, further expansion of our successful Private Banking activities, and with an initiative for internationalisation and growth aimed at the companies and large customers we serve within the UniCredit network.

4. Events after the balance sheet date

Robert Zadrazil was appointed Chief Executive Officer of Bank Austria with effect from 1 March 2016 and will at the same time assume direct responsibility for the entire Austrian customer business (Retail & Corporates and Private Banking).

Helmut Bernkopf will leave the bank on 31 March 2016 by mutual agreement and transfer his responsibilities as Management Board member for the Retail & Corporates Division to Robert Zadrazil.

Romeo Collina was appointed Chief Operating Officer (COO) of Bank Austria with effect from 1 March 2016.

Given the current public and political discussion on the possibility of amending an Austrian law, there is specific uncertainty about the determination of the payments to be made to the state pension scheme under the Austrian General Social Insurance Act in connection with the plan curtailment for active employees. It is currently not possible to reliably determine or estimate whether and to what extent this will ultimately result in a change in such payments. Any effects resulting from potential future amendments to the law would have to be taken into consideration in the reporting period of such amendment.

5. Report on key features of the internal control and risk management systems in relation to the financial reporting process

The Management Board is responsible for establishing and designing internal control and risk management systems which meet the company's requirements in relation to the financial reporting process.

The objective of the internal control system is to assist management in assuring internal controls in relation to financial reporting which are effective and are improved on an ongoing basis. The system is geared to complying with rules and regulations and creating conditions which are conducive to performing specific controls in key accounting processes.

Following the integration of the Bank Austria Group in UniCredit Group, the Italian Savings Law, Section 262 (detailed descriptions of processes, risk and control for minimising risk in preparing financial statements) in particular, must be complied with in addition to the existing internal control system.

Pursuant to the "262 Savings Law", the CEO and the CFO delegated by UniCredit S.p.A. are liable, under civil and criminal law, for any violation of the legal provisions. They are also responsible for subsidiaries defined by UniCredit S.p.A. within the group of consolidated companies.

Internal Audit performs independent and regular reviews of compliance with internal rules also in the area of accounting. The Head of Internal Audit reports directly to the Management Board and provides the Chairman of the Supervisory Board with quarterly reports.

Control environment

The basic aspect of the control environment is the corporate culture in which management and all employees operate.

UniCredit S.p.A., the parent company of UniCredit Bank Austria AG, works to maintain effective communication and convey the corporate values defined in the Integrity Charter. The Integrity Charter embodies the UniCredit Group's identity and is based on the following shared values: fairness, transparency, respect, reciprocity, freedom to act, and trust.

The implementation of the internal control system in relation to the financial reporting process is also set out in the internal rules and regulations.

All accounting entries are made within the guidelines established in the Accounting Policy, and release follows defined instruction and control criteria. For each general ledger account there is a responsible person who reconciles the general ledger accounts in accordance with existing rules. This internal reconciliation process is interrogated by Financial Accounting and reviewed by Internal Audit.

Risk assessment

In the course of the "262 Savings Law" project, the persons having process responsibility identified risks in relation to the financial reporting process and described them in detail using the method defined by UniCredit S.p.A. These risks are monitored on an ongoing basis and checked for up-todateness at least on a half-yearly basis. The focus is on those risks which are typically considered to be material.

To meet the "262 Savings Law" requirements, controls pursuant to the methodology used by UniCredit S.p.A. are required to be performed at least on a half-yearly basis (for full-year and half-year reporting). Such control evidence must be kept on file for 10 years by the person having process responsibility. Any controls that do not meet the relevant criteria are identified under this method and reported to management together with a proposal for a solution.

Controls

All controls are applied in the current business process to ensure that potential errors or deviations in financial reporting are prevented or detected and corrected. Controls range from a management review of results for the various periods to specific reconciliation of accounts and the analysis of continuous accounting processes. The levels of hierarchy are designed so that an activity and the control of that activity is not performed by the same person (four-eyes principle). In the course of the preparation of financial reports, the general ledger accounts are reconciled with business and front-end systems. IT security controls are a cornerstone of the internal control system. Defined IT controls are documented under "262 Savings Law" and audited by external auditors pursuant to "International Standards for Assurance Engagements" (ISAE) No. 3402.

Information and communication

Management regularly updates rules and regulations for financial reporting and communicates them to all employees concerned.

Moreover, regular discussions on financial reporting and on the rules and regulations applicable in this context take place in various bodies and are repeatedly communicated to UniCredit Bank Austria AG. Employees in Financial Accounting receive regular training in new methods of international financial reporting in order to identify risks of unintended misreporting at an early stage.

To perform monitoring and control functions with a view to proper financial accounting and reporting, extensive financial information is made available at key levels of the bank. Relevant information is not only provided to the Supervisory Board and the Management Board, middle management levels also receive detailed reports.

Monitoring

As part of the implementation of the internal control system pursuant to the "262 Savings Law", instruments were introduced to monitor the effectiveness of controls. In connection with the compulsory half-yearly certification process for the preparation of the management report, the persons having process responsibility are required to carry out tests to check the up-to-dateness of descriptions and the effectiveness of controls. It must be ascertained whether the controls work according to their design and

Management Report (CONTINUED)

whether the persons who perform controls have the competence/authority and qualifications required to perform the controls effectively.

All persons having process responsibility confirm by means of certification that their processes are adequately documented, risks have been identified and controls have been evaluated with a view to deriving measures to minimise risk.

The Management Board of UniCredit Bank Austria AG receives the certifications of UniCredit Bank Austria AG and of the subsidiaries defined by UniCredit S.p.A. within the group of consolidated companies, in the form of a consolidated management report on a half-yearly basis, and provides UniCredit S.p.A. and the public with confirmation of the reliability and effectiveness of the internal control system pursuant to the "262 Savings Law" in the context of the financial statements for the first six months and the annual financial statements.

Vienna, 29 February 2016

The Management Board:

Willibald Cernko (Chairman)	Carlo Vivaldi (Deputy Chairman)
Helmut Bernkopf	Mirko Bianchi
Dieter Hengl	Jürgen Kullnigg
Doris Tomanek	Robert Zadrazil

Management Report (CONTINUED)

Wien, den 29. Februar 2016

Der Vorstand:

Willibald Cernko
(Vorsitzender)

Dr. Carlo Vivaldi
(Vorsitzender Stellvertreter)

Mag. Helmut Bernkopf

Mirko Bianchi, Dipl.Ing. ETH, MBA

Mag. Dieter Hengl

Dr. Jürgen Kullnigg

Mag. Doris Tomanek

Robert Zadrazil

Financial Statements of UniCredit Bank Austria AG

Balance Sheet at 31 December 2015

Assets

(€ thousand)

				CHANGE	
		31 DEC. 2015	31 DEC. 2014	IN € 1,000	IN %
1.	**Cash in hand, balances with central banks and postal giro offices**	**1,577,730**	**2,153,506**	**−575,776**	**−26.7**
2.	**Treasury bills and other bills eligible for refinancing at central banks**	**11,135,023**	**9,589,278**	**1,545,745**	**16.1**
	a) treasury bills and similar securities	11,135,023	9,589,278	1,545,745	16.1
	b) other bills eligible for refinancing at central banks	–	–	–	–
3.	**Loans and advances to credit institutions**	**21,888,557**	**23,048,133**	**−1,159,576**	**−5.0**
	a) repayable on demand	4,945,235	5,673,515	−728,280	−12.8
	b) other loans and advances	16,943,322	17,374,618	−431,296	−2.5
4.	**Loans and advances to customers**	**66,917,150**	**64,142,312**	**2,774,838**	**4.3**
5.	**Bonds and other fixed-income securities**	**5,478,438**	**9,608,270**	**−4,129,832**	**−43.0**
	a) issued by public borrowers	446,947	483,909	−36,962	−7.6
	b) issued by other borrowers	5,031,491	9,124,361	−4,092,870	−44.9
	of which: own bonds	37,574	2,188,400	−2,150,826	−98.3
6.	**Shares and other variable-yield securities**	**117,242**	**124,985**	**−7,743**	**−6.2**
7.	**Equity interests**	**2,956,220**	**2,987,299**	**−31,079**	**−1.0**
	of which: in credit institutions	159,005	153,984	5,021	3.3
8.	**Shares in group companies**	**10,121,297**	**9,914,810**	**206,487**	**2.1**
	of which: in credit institutions	8,174,064	7,566,836	607,228	8.0
9.	**Intangible fixed assets**	**4,354**	**7,040**	**−2,686**	**−38.2**
10.	**Tangible fixed assets**	**209,419**	**199,888**	**9,531**	**4.8**
	of which: land and buildings used by the credit institution for its own business operations	51,807	51,696	111	0.2
11.	**Own shares and shares in a controlling company or a company holding a majority interest**	**–**	**–**	**–**	**–**
	of which: par value	–	–	–	–
12.	**Other assets**	**2,798,746**	**2,721,215**	**77,531**	**2.8**
13.	**Subscribed capital called but not paid**	**–**	**–**	**–**	**–**
14.	**Prepaid expenses**	**389,739**	**466,620**	**−76,881**	**−16.5**
TOTAL ASSETS		123,593,915	124,963,356	−1,369,441	−1.1

Financial Statements (CONTINUED)

Liabilities and Shareholders' Equity

(€ thousand)

			CHANGE	
	31 DEC. 2015	31 DEC. 2014	IN € 1,000	IN %
1. Amounts owed to credit institutions	**26,627,398**	**25,076,093**	**1,551,305**	**6.2**
a) repayable on demand	3,811,164	4,158,282	−347,118	−8.3
b) with agreed maturity dates or periods of notice	22,816,234	20,917,811	1,898,423	9.1
2. Amounts owed to customers	**53,808,028**	**51,908,660**	**1,899,368**	**3.7**
a) savings deposits	16,475,809	16,316,694	159,115	1.0
aa) repayable on demand	7,084,024	5,630,100	1,453,924	25.8
bb) with agreed maturity dates or periods of notice	9,391,785	10,686,594	−1,294,809	−12.1
b) other liabilities	37,332,219	35,591,966	1,740,253	4.9
aa) repayable on demand	24,976,693	21,640,877	3,335,816	15.4
bb) with agreed maturity dates or periods of notice	12,355,526	13,951,089	−1,595,563	−11.4
3. Debts evidenced by certificates	**19,764,251**	**24,556,951**	**−4,792,700**	**−19.5**
a) bonds issued	16,392,797	21,125,352	−4,732,555	−22.4
b) other debts evidenced by certificates	3,371,454	3,431,599	−60,145	−1.8
4. Other liabilities	**3,134,245**	**2,570,477**	**563,768**	**21.9**
5. Deferred income	**48,341**	**62,845**	**−14,504**	**−23.1**
6. Provisions	**4,844,337**	**6,517,959**	**−1,673,622**	**−25.7**
a) provisions for severance payments	359,236	343,956	15,280	4.4
b) pension provisions	2,912,772	4,423,135	−1,510,363	−34.1
c) provisions for taxes	1,049	13,214	−12,165	−92.1
d) other	1,571,280	1,737,654	−166,374	−9.6
6a. Special fund for general banking risks	**–**	**–**	**–**	**–**
7. Tier 2 capital pursuant to Chapter 4 of Title I of Part Two of Regulation (EU) No 575/2013	**4,908,060**	**4,065,196**	**842,864**	**20.7**
8. Additional Tier 1 capital pursuant to Chapter 3 of Title I of Part Two of Regulation (EU) No 575/2013	**–**	**–**	**–**	**–**
8a. Contingent convertible bonds pursuant to Section 26 of the Austrian Banking Act	**–**	**–**	**–**	**–**
8b. Instruments without voting right pursuant to Section 26a of the Austrian Banking Act	**–**	**–**	**–**	**–**
9. Subscribed capital	**1,681,034**	**1,681,034**	**–**	**–**
10. Capital reserves	**6,366,354**	**6,366,354**	**–**	**–**
a) subject to legal restrictions	6,366,354	6,366,354	–	–
b) other	–	–	–	–
11. Revenue reserves	**254,080**	**–**	**254,080**	**100.0**
a) for own shares and shares in a controlling company	–	–	–	–
b) statutory reserve	–	–	–	–
c) reserves provided for by the bye-laws	–	–	–	–
d) other reserves	254,080	–	254,080	100.0
12. Reserve pursuant to Section 57 (5) of the Austrian Banking Act (BWG)	**2,129,748**	**2,129,748**	**–**	**–**
13. Accumulated profit/loss	**–**	**–**	**–**	**–**
14. Untaxed reserves	**28,039**	**28,039**	**–**	**–**
a) valuation reserve resulting from special depreciation	28,039	28,039	–	–
b) other untaxed reserves	–	–	–	–
aa) investment reserve pursuant to Section 9 of the Austrian Income Tax Act (EStG) 1988	–	–	–	–
bb) investment allowance pursuant to Section 10 of the Austrian Income Tax Act (EStG) 1988	–	–	–	–
cc) rent reserve pursuant to Section 11 of the Austrian Income Tax Act (EStG) 1988	–	–	–	–
dd) reserve transferred pursuant to Sec. 12 of the Austrian Income Tax Act (EStG) 1988	–	–	–	–
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**123,593,915**	**124,963,356**	**−1,369,441**	**−1.1**

Financial Statements (CONTINUED)

Items shown below the Balance Sheet

Assets

(€ thousand)

			CHANGE	
	31 DEC. 2015	31 DEC. 2014	IN € 1,000	IN %
1. Foreign assets	**57,565,360**	**58,382,412**	**−817,052**	**−1.4**

Liabilities and Shareholders' Equity

(€ thousand)

			CHANGE	
	31 DEC. 2015	31 DEC. 2014	IN € 1,000	IN %
1. Contingent liabilities	**12,802,945**	**12,063,565**	**739,380**	**6.1**
of which:				
a) acceptances and endorsements	–	–	–	–
b) guarantees and assets pledged as collateral security	12,802,945	12,063,565	739,380	6.1
2. Commitments	**13,158,559**	**11,729,048**	**1,429,511**	**12.2**
of which: commitments arising from repurchase agreements	–	–	–	–
3. Liabilities arising from transactions on a trust basis	**–**	**–**	**–**	**–**
4. Eligible capital pursuant to Part Two of Regulation (EU) No 575/2013	**14,576,798**	**13,567,771**	**1,009,027**	**7.4**
of which: Tier 2 capital pursuant to Chapter 4 of Title I of Part Two of Regulation (EU) No 575/2013	4,276,160	3,513,094	763,066	21.7
5. Capital requirements pursuant to Article 92 of Regulation (EU) No 575/2013	**5,072,596**	**5,506,168**	**−433,572**	**−7.9**
of which: capital requirements pursuant to points (a) to (c) of Article 92 (1) of Regulation (EU) No 575/2013				
a) a Common Equity Tier 1 capital ratio of 16.25% (2014: 14.61%)	10,300,638	10,054,677	245,961	2.4
b) a Tier 1 capital ratio of 16.25% (2014: 14.61%)	10,300,638	10,054,677	245,961	2.4
c) a total capital ratio of 22.99% (2014: 19.71%)	14,576,798	13,567,771	1,009,027	7.4
6. Foreign liabilities	**22,958,237**	**24,854,123**	**−1,895,886**	**−7.6**

Financial Statements (CONTINUED)

Profit and Loss Account for the year ended 31 December 2015

(€ thousand)

				CHANGE	
		2015	2014	IN € 1,000	IN %
1.	**Interest and similar income**	**2,308,152**	**2,452,615**	**−144,463**	**−5.9**
	of which: from fixed-income securities	310,634	332,291	−21,657	−6.5
2.	**Interest and similar expenses**	**−1,242,474**	**−1,300,298**	**57,824**	**−4.4**
I.	**NET INTEREST INCOME**	**1,065,678**	**1,152,317**	**−86,639**	**−7.5**
3.	**Income from securities and equity interests**	**926,905**	**645,668**	**281,237**	**43.6**
	a) income from shares, other ownership interests and variable-yield securities	301	881	−580	−65.8
	b) income from equity interests	69,484	71,520	−2,036	−2.8
	c) income from shares in group companies	857,120	573,267	283,853	49.5
	Net fee and commission income (sub-total of items 4 and 5)	**538,411**	**448,956**	**89,455**	**19.9**
4.	**Fee and commission income**	**739,167**	**655,652**	**83,515**	**12.7**
5.	**Fee and commission expenses**	**−200,756**	**−206,696**	**5,940**	**−2.9**
6.	**Net profit/loss on trading activities**	**81,810**	**133,205**	**−51,395**	**−38.6**
7.	**Other operating income**	**872,756**	**79,136**	**793,620**	**>100.0**
II.	**OPERATING INCOME**	**3,485,560**	**2,459,282**	**1,026,278**	**41.7**
8.	**General administrative expenses**	**−2,387,389**	**−2,860,936**	**473,547**	**−16.6**
	a) staff costs	−1,634,571	−2,136,549	501,978	−23.5
	wages and salaries	−1,277,229	−499,228	−778,001	>100.0
	expenses for statutory social-security contributions and compulsory contributions related to wages and salaries	−99,034	−100,609	1,575	−1.6
	other employee benefits	−12,560	−12,860	300	−2.3
	expenses for retirement benefits	−207,573	−216,240	8,667	−4.0
	allocation to the pension provision	–	−1,228,150	1,228,150	−100.0
	expenses for severance payments and payments to severance-payment funds	−38,175	−79,462	41,287	−52.0
	b) other administrative expenses	−752,818	−724,387	−28,431	3.9
9.	**Depreciation and amortisation of asset items 9 and 10**	**−33,808**	**−30,789**	**−3,019**	**9.8**
10.	**Other operating expenses**	**−194,471**	**−63,499**	**−130,972**	**>100.0**
III.	**OPERATING EXPENSES**	**−2,615,668**	**−2,955,224**	**339,556**	**−11.5**
IV.	**OPERATING RESULTS**	**869,892**	**−495,942**	**1,365,834**	**>100.0**

Financial Statements (CONTINUED)

(€ thousand)

				CHANGE	
		2015	2014	IN € 1,000	IN %
11./12.	**Net income/expenses from the disposal and valuation of loans and advances, securities as well as contingent liabilities and commitments**	–41,734	–47,871	6,137	–12.8
13./14.	**Net income/expenses from the disposal and valuation of securities valued as financial fixed assets, and of shares in group companies and equity interests**	–509,918	–1,304,990	795,072	–60.9
V.	**RESULTS FROM ORDINARY BUSINESS ACTIVITIES**	318,240	–1,848,803	2,167,043	>100.0
15.	**Extraordinary income**	–	–	–	–
	of which: releases from the special fund for general banking risks	–	–	–	–
16.	**Extraordinary expenses**	–	–	–	–
	of which: allocations to the special fund for general banking risks	–	–	–	–
17.	**Extraordinary results** (sub-total of items 15 and 16)	–	–	–	–
18.	**Taxes on income**	66,794	4,676	62,118	>100.0
19.	**Other taxes not included under item 18**	–130,954	–119,775	–11,179	9.3
VI.	**ANNUAL SURPLUS/ANNUAL DEFICIT**	254,080	–1,963,902	2,217,982	>100.0
20.	**Movements in reserves**	–254,080	1,963,902	–2,217,982	>–100.0
VII.	**PROFIT/LOSS FOR THE YEAR**	–	–	–	–
21.	**Profit/loss brought forward from previous year**	–	–	–	–
VIII.	**ACCUMULATED PROFIT/LOSS**	–	–	–	–

Notes to the Financial Statements

of UniCredit Bank Austria AG

1. General information

The financial statements of UniCredit Bank Austria AG for the 2015 financial year were prepared pursuant to the provisions of the Austrian Business Code (Unternehmensgesetzbuch – UGB) in its currently applicable version and in compliance with the rules of the Austrian Banking Act (Bankwesengesetz – BWG) and the Austrian Joint Stock Companies Act (Aktiengesetz – AktG) that are applicable to credit institutions. The formats of the balance sheet and of the profit and loss account comply with the forms in Annex 2 to Section 43 of the Austrian Banking Act.

As securities issued by UniCredit Bank Austria AG are admitted to trading on a regulated exchange in the European Union, UniCredit Bank Austria AG prepares its consolidated financial statements as a credit institution in accordance with International Financial Reporting Standards (IFRSs). The consolidated financial statements are published on the Internet (www. bankaustria. at).

UniCredit Bank Austria AG is a subsidiary included in the consolidated financial statements of UniCredit S. p. A.

The consolidated financial statements prepared by the Group's parent company are published at the following address: UniCredit S. p. A., registered office: Via Alessandro Specchi 16, 00186 Rome, Italy. They are published on the Internet at www. unicreditgroup. eu.

Disclosure ("Pillar 3") according to Regulation (EU) No 575/2013 ("CRR")

UniCredit Bank Austria AG is a part of UniCredit Group. The EU parent credit institution of UniCredit Group is UniCredit S. p. A. Within UniCredit Group, a comprehensive disclosure is carried out by UniCredit S. p. A. on its website, based on the consolidated financial position (www. unicreditgroup. eu).

The Austrian Financial Market Authority ("FMA") classified UniCredit Bank Austria AG as a significant subsidiary within the meaning of Article 13 of the CRR and UniCredit Bank Austria AG fulfils its disclosure requirements on a sub-consolidated basis.

Disclosure is made at least semi-annually with data as of 30 June and 31 December on the website of UniCredit Bank Austria AG (www. bankaustria. at).

Size classification pursuant to Section 221 of the Austrian Business Code

According to the size classification pursuant to Section 221 of the Austrian Business Code, UniCredit Bank Austria AG is classified as a large company.

2. Accounting and valuation methods

2.1. General rule

The financial statements were prepared on the basis of generally accepted accounting principles and in compliance with the general requirement of giving a true and fair view of the company's assets and liabilities, its financial position and results. Assets and liabilities were valued in accordance with the principle of individual valuation on a going concern basis. The principle of prudence was observed with due regard to the special characteristics of banking business operations.

2.2. Accounting and valuation methods

2.2.1. Foreign currency translation

Assets and liabilities denominated in foreign currencies were stated in the balance sheet at the European Central Bank's reference rates as at 31 December 2015. Expenses and income in foreign currencies were translated at the ECB's end-of-month reference rates. Forward transactions that had not been settled at the balance sheet date were translated at the forward rate.

2.2.2. Fair value

In UniCredit Bank Austria AG, financial instruments measured at fair value and stated at their fair values in the balance sheet are classified according to a three-level fair value hierarchy based on the significance and liquidity of input parameters used for valuation purposes:

- Level 1: the fair value of instruments classified in this level is determined based on quotation prices observed in active markets.

- Level 2: the fair value of instruments classified in this level is determined based on valuation models that use inputs that can be observed in active markets.

- Level 3: the fair value of instruments classified in this level is determined based on valuation models that also use significant inputs that cannot be observed in active markets.

The best evidence of fair value is a quoted price in an actively traded market. The judgement as to whether a market is active may include the consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads.

If the market for a financial instrument is not active, fair value is calculated by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the bank uses that technique.

2.2.3. Loans and advances

Provisions were made for identifiable lending risks. In respect of loans and advances that are not material individually, provisions were made on a portfolio basis.

2.2.4. Securities

Securities intended to be held as long-term investments were valued at cost. Use was made of the optional rule contained in Section 56 (2) and (3) of the Austrian Banking Act (spreading premiums/discounts in the profit and loss account over the period to maturity). The relevant amounts of premiums and discounts are indicated in item 4 of the notes to the balance sheet (4.7. Differences between cost and repayable amount of bonds and other fixed-income securities).

Securities held in the trading book were stated at fair value. Other securities held as current assets were valued at cost or market, whichever was lower. Own issues that were repurchased were stated in the balance sheet at average cost. Details are given in item 4 of the notes to the balance sheet (4.8. Differences between cost and market value of securities admitted to trading on an exchange which are not held as financial fixed assets).

2.2.5. Equity interests and shares in group companies

Equity interests and shares in group companies were stated at cost.

In the case of a permanent decline in value, write-downs were made in respect of listed and unlisted companies. If the reasons for previous write-downs are no longer applicable, a write-up is made in the amount of the increase in value, taking historical cost into account.

Impairment test

The impairment test in respect of **CEE subsidiaries** was based on the Standard UniCredit Group Discounted Cash Flow Valuation Model (3-phase model):

- Phase 1 – planning period (2016–2018):
  The 2016 budget figures for net profit and risk-weighted assets were used for 2016 and multi-year plan figures updated in 2015 were used for subsequent years.

- Phase 2 (2019–2023): In this phase the growth rates of net profit and risk-weighted assets converge towards 2 %. The discount rate in the form of cost of equity (Ke) declines to the corresponding terminal value level.

- Phase 3 – perpetual annuity: Calculation of the present value of a perpetual annuity on the assumption of a long-term growth rate which takes the sustained long-term economic growth expected by UniCredit Bank Austria AG for the euro area into account (2 %). The required CET1 ratios were set on a country-specific basis, at levels between 11.5 % and 14 %.

Calculation of cost of equity:
The expected cash flows are discounted at the country-specific rate of cost of capital, which is determined on the basis of the long-term risk-free interest rate of the local currency, the debt risk premium and the UniCredit equity risk premium. The discount rate is a nominal rate, net of taxes.

- Risk-free rate: Calculation is based on the historical average (6 years) of the 5-year swap rate in local currency. If no swap rate is available, the most liquid and comparable interbank rate (with a 3-month tenor) is used.

- Risk premium for debt: This is the country risk premium calculated as the historical average (6 years) of the 5-year credit default swap (CDS) paid by the country (if no time series is available, the calculation was based on a CDS for a similar risk).

- Risk premium for equity: This is calculated using the option pricing model and is based on the historical volatility of the UniCredit share price over the last six years.

- Terminal value cost of equity: The cost of capital used in discounting cash flows converges to a specific value for each company in which an equity interest is held. This value is determined taking into account the market's risk perception concerning the ability of the banking sector to generate returns in the long-term and the level of capitalisation that UniCredit Bank Austria AG hopes to achieve in the long term. The terminal value cost of capital used differs depending on whether a company in which an equity interest is held is located in the euro area (9.05 %), in an Eastern European country that would in the medium term enter the euro area (9.55 %) or in another country (10.90 %).

Valuation models used for **equity interests in other companies** are adapted to the business purpose.

It should also be noted that the parameters and the information used to test the carrying amounts for impairment are significantly influenced by the macroeconomic environment and market conditions, which can be subject to rapid unforeseeable changes, possibly leading to very different results as compared to those used for the 2015 financial statements.

2.2.6. Intangible assets

Intangible assets were valued at cost. The rate of amortisation applied to computer software was between 16.67 % p.a. and 25 % p.a., in line with its ordinary useful life.

2.2.7. Tangible fixed assets

Land, buildings and office furniture and equipment were stated at cost. The rate of depreciation applied to buildings was between 2 % p.a. and 5 % p.a. and for furniture and equipment between 10 % p.a. and 25 % p.a., in line with their ordinary useful lives.

2.2.8. Low-value assets

Low-value assets were fully depreciated in the year of acquisition.

2.2.9. Derivatives

UniCredit Bank Austria AG uses derivatives for interest rate management in the banking book to hedge securities held as assets, loans and advances as well as securitised and unsecuritised liabilities against interest rate risk and currency risk. The bank uses primarily interest rate swaps, caps and floors as hedges.

The bank forms micro and macro valuation units, with non-linear derivatives always being documented as micro valuation units.

The market values indicated below include the interest-related market value components taken into account in the hedging relationship for both macro and micro valuation units. The hedging period starts at the inception of the hedging relationship and ends with the final maturity of the hedged item.

Derivatives used for interest rate management in macro valuation units

In line with the relevant FMA circular of December 2012, functional units were formed, on the basis of the relevant currencies, for derivatives used for interest rate risk management in the banking book. The derivatives are allocated according to the fixed-leg currency. Positive and negative market values are offset within these functional units. UniCredit Bank Austria AG also includes cross-currency swaps in derivatives used for interest rate risk management.

As a matter of principle, UniCredit Bank Austria AG may enter into open interest rate risk positions in the banking book only within narrow limits. Most of the derivatives for interest rate risk management are therefore used as part of a macro hedge.

An excess of negative market values per functional unit is therefore compared with the items hedged by these derivatives and is offset against unrecognised reserves from interest rate risk assessment. Hedge effectiveness is tested retrospectively.

	CLEAN MARKET VALUES OF DERIVATIVES, NET AMOUNTS	CLEAN MARKET VALUES OF DERIVATIVES, NET AMOUNTS	UNRECOGNISED RESERVES FROM HEDGED ITEMS OFFSET UNDER A MACRO HEDGE	PROVISION REQUIRED FOR PENDING LOSSES	PROVISION MADE FOR PENDING LOSSES	PROVISION MADE FOR PENDING LOSSES	LONGEST TERM OF DERIVATIVES
	2015	2014	2015	2015	FROM 2014	2015	2015
EUR	334.5	624.6	not relevant	0.0	0.0	0.0	25 March 2046
CHF	–45.8	–68.8	0.0	–45.8	–68.8	23.0	15 June 2031
CZK	–3.5	–4.6	0.0	–3.5	–4.6	1.1	31 March 2026
GBP	–0.5	–1.8	0.0	–0.5	–1.8	1.3	31 March 2016
HRK	0.0	0.0	not relevant	0.0	0.0	0.0	–
HUF	0.0	0.0	not relevant	0.0	0.0	0.0	25 Nov. 2016
JPY	–2.6	–2.9	0.0	–2.6	–2.9	0.3	31 May 2020
PLN	0.0	0.0	not relevant	0.0	0.0	0.0	20 Jan. 2017
RON	–0.7	–1.0	0.0	–0.7	–1.0	0.3	30 June 2019
RUB	0.4	1.3	not relevant	0.0	0.0	0.0	08 Sep. 2018
TRY	0.0	1.3	not relevant	0.0	0.0	0.0	31 Dec. 2018
USD	–67.3	–75.8	554.6	0.0	0.0	0.0	15 Dec. 2032
	214.5	**472.3**		**–53.1**	**–79.1**	**26.0**	
Other	–6.4	–9.8		–6.4	–9.8	3.4	01 July 2055
	208.1	**462.5**		**–59.5**	**–88.9**	**29.4**	

The negative net amounts of market values compare with unrecognised reserves from the hedged items. As there is no excess of negative market values for the functional units of EUR, HRK, HUF, PLN, RUB and TRY, unrecognised reserves were not allocated/presented.

Unrecognised reserves in CHF, CZK, GBP, JPY and RON do not reach the required amount. For this reason a provision for pending losses was made in the amount of the difference. In all currencies concerned, the existing provision from 2014 is higher than the excess of negative market values, which led to a release of provisions in 2015. After taking into account the effects of any other ineffectiveness from micro valuation units, the release of the provision for pending losses (included in the item “Other provisions”) totalled €29.4 million in 2015.

Effectiveness is regularly tested as part of interest rate risk management on the basis of interest rate sensitivities (present value-based, basis point value). Moreover, regular stress tests are performed for the banking book as part of interest rate management; in addition to parallel shifts in the yield curve, yield curve turns (clockwise and counter-clockwise) and money market shocks are also simulated.

Regardless of whether a provision is to be made for pending losses, accrued interest on derivatives for interest rate management in the banking book continues to be recognised and the result is included in net interest income.

Derivatives used for interest rate management in micro valuation units

As critical business terms in the micro valuation units largely match, UniCredit Bank Austria AG uses critical-term matches in prospective tests of effectiveness while retrospective measurements of effectiveness are reviewed using the dollar offset method on a monthly basis.

For hedges at individual transaction level (micro valuation units), the fair values of the derivatives used as at the balance sheet date, which are of relevance for the review of the provision for pending losses, were €606,693,504.54 (31 December 2014: €427,205 thousand). Of this total, €610,947,391.38 (31 December 2014: €432,168 thousand) was accounted for by hedging instruments for the above-mentioned hedged items on the liabilities side. Net values of hedging instruments for the above-mentioned hedged items on the assets side were –€4,253,886.85 (31 December 2014: –€4,962 thousand).

TYPE OF MICRO VALUATION UNIT	SIDE OF THE BALANCE SHEET	TYPE OF UNDERLYING	VALUE IN €	LONGEST TERM OF DERIVATIVES
Cash flow	Assets	Securities	–4,228,116.28	31 July 2033
Cash flow	Liabilities	Securities	–143,188.06	11 Dec. 2020
Fair value	Assets	Loans	–25,770.57	30 June 2016
Fair value	Liabilities	Money market	64,019,951.17	1 July 2055
Fair value	Liabilities	Securities	547,070,628.28	3 Jan. 2042
Total			**606,693,504.54**	

2.2.10. Liabilities

Liabilities were stated in the balance sheet at the repayable amount. Premiums and discounts in connection with own issues are spread over the period to maturity. Capital savings accounts were stated at the relevant pro-rata value.

2.2.11. Provisions

Provisions were recognised in the amount required pursuant to reasonable business judgment.

Provisions for severance payments and pensions

Under a commitment to provide defined benefits, UniCredit Bank Austria AG continues to recognise a pension provision for the entitlements of employees who retired before the pension reform as at 31 December 1999 became effective, and – as a special feature of UniCredit Bank Austria AG's staff regulations – for the future benefits, equivalent to those under mandatory insurance, earned by active employees and pensioners for whom UniCredit Bank Austria AG has assumed the obligations of the mandatory pension insurance scheme pursuant to Section 5 of the Austrian General Social Insurance Act (ASVG) if these persons signed a pension agreement and if they leave the company to take retirement by 31 December 2016.

In the past, UniCredit Bank Austria AG assumed the obligations of the mandatory social insurance scheme for a number of its employees, especially with regard to pension obligations.

In December 2015, UniCredit Bank Austria AG and the Employees' Council made an agreement to the effect that for almost all of the employees who have rights to future benefits (essentially the active employees covered by the bank's own pension scheme) the bank's own pension system is terminated and the rights to future pension benefits will consequently be transferred to the state scheme under the Austrian General Social Insurance Act. The employees concerned will receive compensation, in the form of one-off lump-sum payments, for any disadvantages resulting from this transfer. In addition, UniCredit Bank Austria AG has to make a payment, defined by law, to the state scheme under the Austrian General Social Insurance Act for the transfer of the rights to future pension benefits.

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

Given the current public and political discussion on the possibility of amending an Austrian law, there is specific uncertainty about the determination of the payments to be made to the state pension scheme under the Austrian General Social Insurance Act in connection with the plan curtailment for active employees. It is currently not possible to reliably determine or estimate whether and to what extent this will ultimately result in a change in such payments. Any effects resulting from potential future amendments to the law would have to be taken into consideration in the reporting period of such amendment.

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

- Discount rate/Austria: 2.05 % p.a. (2014: 2.10 % p.a.)
  This percentage is the rounded percentage according to the Mercer Yield Curve (MYC) as at 31 December 2015 based on the cash flows determined for the pension plan for active employees and pensioners. The duration applicable to the pension plan is 12.55 years (2014: 17.84 years); the weighted duration for the pension, severance payment and anniversary bonus plans is 12 years (2014: 17 years).

- Increases under collective bargaining agreements: 2.05 % p.a. (2014: 2.05 % p.a.)
  (Assumption of increases for employees and non-Bank Austria ASVG pensioners; the percentage rate applied for Bank Austria ASVG was 1.4 %, unchanged compared with the previous year.)

- Career trends include regular salary increases under the current collective bargaining agreement for employees of Austrian banks and the effects of the transitional rules under the 2005 reform of Bank Austria's staff regulations. The rate applied in calculating non-regular salary increases was 0.25 % p.a. (2014: 0.25 % p.a.) (assumption of increases for active employees).

- For the purpose of calculating the provision for anniversary bonuses, additional wage-related costs of 7.9 % were taken into account. For employees who joined the bank from 1 January 2003, an additional amount of 1.53 % (2014: 0 %) was taken into account for the first time, following changes in the Austrian Tax Reform Act 2015/2016.

- No discount for staff turnover.

- Retirement age: as a basis for calculation in respect of employees enjoying "permanent tenure" status in accordance with the internal agreement dated 30 December 1999 (as amended on 1 May 2007) on the payment of a Bank Austria ASVG pension equivalent, the age of 60 for men and 55 for women, with a transition to the retirement age of 65, has been taken into account. For all other employees, the new retirement age of 65 for men and women has been taken into account in accordance with the applicable rules (2003 pension reform including transitional rules). If the corridor pension rule results in a lower retirement age, the lower age was used as retirement age.

- 2008-P statistical tables of Aktuarverein Österreich (life-expectancy tables for salaried staff).

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

(Amounts in € thousand)

	2015		2014	
	PENSION	SEVERANCE PAYMENT	PENSION	SEVERANCE PAYMENT
Discount rate	2.05 %	2.05 %	2.10 %	2.10 %
Salary increase incl. career trends	2.30 %	2.30 %	2.30 %	2.30 %
Pension increase (Bank Austria ASVG)	1.40 %	0.00 %	1.40 %	0.00 %
Pension increase (others)	2.05 %	0.00 %	2.05 %	0.00 %
Present value of the obligation as at 31 December 2015	3,227,068	390,552	5,193,390	390,930
Expected present value as at 31 December 2016	3,104,763	383,264	5,184,979	384,105
Sensitivity *) – discount rate +/–	0.25 %	0.25 %	0.25 %	0.25 %
Discount rate –	3,328,683	399,145	5,425,290	399,836
Discount rate +	3,130,569	382,256	4,976,724	382,338
Sensitivity *) – salary increase +/–	0.25 %	0.25 %	0.25 %	0.25 %
Salary increase rate –	3,226,033	382,269	5,141,436	382,332
Salary increase rate +	3,228,118	399,090	5,247,002	399,799
Sensitivity *) – pension increase +/–	0.25 %	–	0.25 %	–
Pension increase rate –	3,130,993	–	5,025,071	–
Pension increase rate +	3,327,761	–	5,370,354	–
Duration	12.55	8.82	17.84	9.20
Active employees	234	8,189	3,602	8,404
Average age	56.90	46.57	48.62	46.08
Retired employees	6,698	–	6,821	–
Average age	71.57	–	71.07	–

*) Sensitivity data reflect the total amount of the obligation upon a change in the parameter.

3. Changes in accounting and valuation methods, reclassifications

In the past UniCredit Bank Austria AG issued funded bonds and mortgage bonds (covered bonds) which were added to the bank's own holdings (current assets) and subsequently deposited with Oesterreichische Nationalbank (OeNB, Austria's central bank) or with the European Central Bank (ECB) as collateral for funding. These issues, with a volume of €2,550,576,905.56 as at 31 December 2015, were not sold to third parties and were thus not placed in the market.

Until the 2014 financial statements, these issues were stated on the assets side and on the liabilities side of UniCredit Bank Austria AG's balance sheet prepared pursuant to the Austrian Business Code / Austrian Banking Act. Ahead of the preparation of the 2015 financial statements, talks were held to discuss the previously different forms of presentation of these issues by Austrian banks. The objective was to arrive at a uniform presentation of the above-mentioned covered bonds to enhance comparability of local financial statements. As a result of these talks, the method of presentation at UniCredit Bank Austria AG was adjusted. Starting with the 2015 financial statements, such issues are no longer reflected on the assets and liabilities sides of the balance sheet.

The adjustment of the method of presentation has the following effects:
Balance sheet item 5 on the assets side ("bonds and other fixed-income securities") and balance sheet item 3.a) on the liabilities side ("bonds issued") are reduced by €2,550,576,905.56. The sub-item "of which: own bonds" declines by the same amount. With regard to the profit and loss account, the change in the form of presentation has no effect on net interest income.

4. Notes to the balance sheet

4.1. Breakdown by maturity – not repayable on demand

Breakdown by maturity

	31 DEC. 2015 (IN €)	31 DEC. 2014 (IN € THOUSAND)
Loans and advances to credit institutions		
up to three months	6,712,631,021.37	5,801,983
over three months and up to one year	3,250,791,182.17	3,150,051
over one year and up to five years	4,063,367,332.06	5,313,027
over five years	2,916,532,905.45	3,109,557
Loans and advances to customers		
up to three months	6,801,972,874.92	7,253,773
over three months and up to one year	3,322,104,158.15	4,562,245
over one year and up to five years	17,034,447,427.25	15,311,283
over five years	38,225,583,190.63	35,725,292
Amounts owed to credit institutions		
up to three months	4,235,372,828.59	2,444,725
over three months and up to one year	2,751,539,934.50	2,510,089
over one year and up to five years	9,117,532,484.37	9,851,566
over five years	6,711,788,678.96	6,111,431
Amounts owed to customers		
a) Savings deposits *)		
up to three months	2,054,223,391.36	963,399
over three months and up to one year	4,015,769,622.58	2,406,404
over one year and up to five years	1,283,154,096.80	5,189,838
over five years	2,038,638,180.98	2,126,953
b) Other amounts owed to customers		
up to three months	5,159,449,714.22	5,874,854
over three months and up to one year	3,222,267,085.99	4,600,344
over one year and up to five years	2,948,294,979.41	2,566,670
over five years	1,025,513,532.40	909,221
Other debts evidenced by certificates		
up to three months	49,363,883.10	125,335
over three months and up to one year	1,249,135,488.97	147,649
over one year and up to five years	636,363,485.86	1,680,138
over five years	1,436,591,183.61	1,478,477

*) For savings deposits, the expected deposit period was used as the remaining period pursuant to Section 25 of the Austrian Banking Act. Recognised statistical methods were used for the calculation.

4.2. Assets and liabilities denominated in foreign currencies

As at 31 December 2015, foreign currency assets amounted to €21,997,700,761.99 or 17.80% of total assets (31 December 2014: €26,253,966 thousand or 21.01% of total assets). Foreign currency liabilities amounted to €22,073,343,589.82 or 17.86% of the balance sheet total (31 December 2014: €26,329,609 thousand or 21.07 of the balance sheet total).

4.3. Loans and advances to, and amounts owed to, group companies and companies in which an equity interest is held

	GROUP COMPANIES		COMPANIES IN WHICH AN EQUITY INTEREST IS HELD		KEY MANAGEMENT PERSONNEL	
	31 DEC. 2015 (IN €)	31 DEC. 2014 (IN € THOUSAND)	31 DEC. 2015 (IN €)	31 DEC. 2014 (IN € THOUSAND)	31 DEC. 2015 (IN €)	31 DEC. 2014 (IN € THOUSAND)
Loans and advances						
Loans and advances to credit institutions	10,107,808,058.00	12,769,300	2,298,755,206.00	2,226,477	0.00	0
Loans and advances to customers	7,441,213,602.00	7,658,804	1,614,720,415.00	1,700,983	3,104,247.80	3,646
Bonds and other fixed-income securities	2,840,921,675.29	6,753,216	3,135,513.03	3,136	0.00	0
Amounts owed						
Amounts owed to credit institutions	11,759,738,379.00	11,041,734	10,025,554,861.00	8,764,277	0.00	0
Amounts owed to customers	1,786,220,317.00	1,624,673	289,810,283.00	290,100	8,620,223.94	8,616
Debts evidenced by certificates	5,125,223,532.55	7,227,310	0.00	0	0.00	0
Tier 2 capital	3,062,729,003.34	2,127,658	0.00	0	0.00	0

4.4. Group companies and companies in which an equity interest is held

Those companies in which UniCredit Bank Austria AG holds at least 20% of the share capital – directly or through group companies – are listed at the end of the notes to the financial statements pursuant to Section 238, item 2, of the Austrian Business Code.

Most of the business relations with group companies were customary banking relationships. Equity capital substitutes were used for some financings.

At the balance sheet date, UniCredit Bank Austria AG maintained single entity agreements for tax purposes with the following companies:
- BA Immobilien Entwicklungs- und Verwertungs GmbH
- BA-CA Markets & Investment Beteiligung GmbH
- Bank Austria Real Invest Immobilien-Management GmbH
- Bank Austria Wohnbaubank AG
- CABET Holding GmbH
- card complete Service Bank AG
- Human Resources Service and Development GmbH
- Nordbahnhof Projekte Holding GmbH
- RE St. Marx Holding GmbH
- UniCredit Turn-Around Management GmbH
- ZETA Fünf Handels GmbH

4.5. Related party transactions

Cooperation agreement

UniCredit Bank AG has been assigned the role of centre of competence for markets and investment banking in UniCredit Group. Among other things, UniCredit Bank AG acts in this role as counterparty for derivative transactions conducted by UniCredit companies. For the most part, this involves hedge derivatives that are externalised on the market via UniCredit Bank AG. UniCredit Bank Austria AG and UniCredit Bank AG signed a corresponding cooperation agreement for 10 years in 2010.

Guarantee to the banking subsidiary AO UniCredit Bank, Russia

UniCredit Bank Austria AG has assumed an intra-group guarantee in the amount of €1,263,172,103.97 (31 December 2014: €1,322,342 thousand) in favour of its Russian banking subsidiary for a portfolio of corporate loans to enable the subsidiary to meet local regulatory requirements.

4.6. Securities

Of UniCredit Bank Austria AG's total holdings of securities as at 31 December 2015, financial fixed assets accounted for €14,443,726,072.37 (31 December 2014: €15,073,428 thousand) and current assets including the trading portfolio accounted for €2,648,118,929.02 (31 December 2014: €4,671,178 thousand).

4.6.1. The following breakdown shows securities admitted to trading on an exchange:

	LISTED		NOT LISTED	
	31 DEC. 2015 (IN €)	31 DEC. 2014 (IN € THOUSAND)	31 DEC. 2015 (IN €)	31 DEC. 2014 (IN € THOUSAND)
Bonds and other fixed-income securities	3,940,600,425.49	4,366,101	1,537,837,845.98	5,242,169
Shares and other variable-yield securities	37,333,109.16	30,515	919,296.33	566
Equity interests	99,098,910.44	94,077	0.00	0
Shares in group companies	1,841,294,912.23	1,916,572	0.00	0
TOTAL	**5,918,327,357.32**	**6,407,265**	**1,538,757,142.31**	**5,242,735**

4.6.2. The following table shows securities admitted to trading on an exchange, broken down into fixed (long-term) and current assets:

	FIXED ASSETS		CURRENT ASSETS	
	31 DEC. 2015 (IN €)	31 DEC. 2014 (IN € THOUSAND)	31 DEC. 2015 (IN €)	31 DEC. 2014 (IN € THOUSAND)
Bonds and other fixed-income securities	4,732,432,882.17	6,463,268	746,005,389.30	3,145,002
Shares and other variable-yield securities	0.00	0	38,252,405.49	31,081
TOTAL	**4,732,432,882.17**	**6,463,268**	**784,257,794.79**	**3,176,083**

The classification pursuant to Section 64 (1) 11 of the Austrian Banking Act is based on resolutions adopted by the Management Board.

4.6.3. Financial instruments carried as financial fixed assets for which the carrying amounts are higher than their fair values (Section 237a (1) 2 of the Austrian Business Code):

	BOOK VALUE 31 DEC. 2015 (IN €)	UNRECOGNISED LOSSES 31 DEC. 2015 (IN €)	BOOK VALUE 31 DEC. 2014 (IN € THOUSAND)	UNRECOGNISED LOSSES 31 DEC. 2014 (IN € THOUSAND)
Treasury bills and similar securities	673,477,733.88	–11,538,411.02	0	0
Bonds and other fixed-income securities	1,032,667,721.20	–27,259,093.33	959,159	–25,468
Shares and other variable-yield securities	0.00	0.00	0	0
Equity interests	30,395,407.88	–1,379,105.08	25,337	–1,646
Shares in group companies	0.00	0.00	0	0

A regular impairment test was performed for these financial instruments. Within the items "Bonds and other fixed-income securities" and "Shares and other variable-yield securities", write-downs of €19,052,540.13 were made in the reporting year. Analyses performed in respect of the other holdings did not provide any indication of impairment and therefore no further write-downs were required for 2015.

4.7. Differences between cost and repayable amount of bonds and other fixed-income securities

In the case of bonds and other fixed-income securities which are held as financial fixed assets and for which cost exceeds the amount repayable, the difference is amortised over the period to maturity pursuant to Section 56 (2) of the Austrian Banking Act. At year-end, the difference to be amortised over the remaining maturity amounted to €634,515,116.01 (31 December 2014: €388,767 thousand).

In the case of bonds and other fixed-income securities which are held as financial fixed assets and for which cost is lower than the amount repayable, a write-up is made for the difference over the period to maturity pursuant to Section 56 (3) of the Austrian Banking Act. Until the balance sheet date, write-ups made in respect of such differences amounted to €97,026,044.83 (31 December 2014: €121,252 thousand). As at 31 December 2015, the difference between cost and repayable amount was €202,285,706.36 (31 December 2014: €247,455 thousand).

4.8. Differences between cost and market value of securities admitted to trading on an exchange which are not held as financial fixed assets

As at 31 December 2015, the market value of securities held in the trading portfolio pursuant to Section 56 (5) of the Austrian Banking Act was €2,057.78 (31 December 2014: €4 thousand) higher than cost.

At the balance sheet date, the market value of listed securities held to comply with liquidity requirements pursuant to Section 56 (4) of the Austrian Banking Act was €54,601,805.98 (31 December 2014: €78,518 thousand) higher than the carrying amount.

4.9. Bonds becoming due in the subsequent year

Assets held in the form of bonds and other fixed-income securities in the amount of €2,147,015,500.04 (31 December 2014: €3,690,021 thousand) will become due in 2016. Of the bonds issued, securities in the amount of €5,108,727,424.26 (31 December 2014: €6,111,460 thousand) will become due in 2016.

4.10. Trading book

In the 2015 financial year, UniCredit Bank Austria AG maintained a trading book pursuant to Section 64 (1) 15 of the Austrian Banking Act. Within the trading book, securities carried in the balance sheet accounted for €2,089,627.84 (31 December 2014: €2,546 thousand), money market instruments were €11,478,836.00 (31 December 2014: €8,692 thousand) and the notional amount of derivatives totalled €46,989,890,439.00 (31 December 2014: €45,579,916 thousand).

4.11. Own shares

There were no sales or purchases of UniCredit Bank Austria AG ordinary shares in 2015 (2014: no sales or purchases). As at 31 December 2015, UniCredit Bank Austria AG did not hold any of its own shares (31 December 2014: 0).

4.12. Shares in a controlling company

In the reporting year, sales or purchases of UniCredit S.p.A. ordinary shares as part of customer business involved 3,791,026 shares (2014: 7,787 thousand shares).

At the balance sheet date, UniCredit Bank Austria AG did not hold any UniCredit S.p.A. shares (31 December 2014: 0).

4.13. Repurchased own subordinated bonds and Tier 2 capital

As at 31 December 2015, UniCredit Bank Austria AG's own portfolio included subordinated bonds issued by the bank itself with a total carrying amount of €33,787,892.56 (31 December 2014: €32,890 thousand) and no Tier 2 capital (31 December 2014: €0 thousand). UniCredit Bank Austria AG holds issues of hybrid instruments of two subsidiaries with a total nominal value of €254,711,000.00 (31 December 2014: €254,711 thousand).

4.14. Trust transactions

The book values of the following assets items and liabilities items include trust transactions pursuant to Section 48 (1) of the Austrian Banking Act

	31 DEC. 2015 (IN €)	31 DEC. 2014 (IN € THOUSAND)
Loans and advances to customers	372,085,077.49	408,984
Total assets items	**372,085,077.49**	**408,984**
Amounts owed to credit institutions	131,635,600.00	146,899
Amounts owed to customers	240,449,477.49	262,085
Total liabilities items	**372,085,077.49**	**408,984**

4.15. Assets sold under repurchase agreements and securities lending transactions

As at the balance sheet date, the book value of assets transferred under repurchase agreements was €480,052,086.84 (31 December 2014: €11,842 thousand). The assets continue to be recognised as assets in the balance sheet, the consideration received is included in liabilities. As at 31 December 2015, UniCredit Bank Austria AG did not borrow any securities (31 December 2014: €0 thousand) and the bank lent securities in the total amount of €536,349,760.00 (31 December 2014: €122,048 thousand).

4.16. Subordinated assets

	31 DEC. 2015 (IN €)		31 DEC. 2014 (IN € THOUSAND)	
Loans and advances to credit institutions		**1,944,662,951.56**		**1,438,107**
of which: equity interests	15,000,000.00		15,000	
of which: group companies	1,929,662,951.56		1,423,107	
Loans and advances to customers		**277,328,420.62**		**272,177**
of which: equity interests	0.00		0	
of which: group companies	275,939,114.64		272,177	
Bonds and other fixed-income securities		**170,227,306.52**		**170,220**
of which: equity interests	0.00		0	
of which: group companies	161,944,802.50		162,150	

4.17. Intangible fixed assets and tangible fixed assets

The item "Intangible fixed assets" does not include any software (2014: €0) that was acquired from a group company.

At the balance sheet date, the land value of property was €14,695,052.66 (31 December 2014: €14,875 thousand).

4.18. Movements in fixed assets

Movements in fixed assets of UniCredit Bank Austria AG

(in €)

	31 DEC. 2014	ADDITIONS	DISPOSALS	TRANSFERS	31 DEC. 2015
Cost					
Treasury bills and similar securities	8,563,230,097.01	2,349,943,655.05	1,099,262,635.82	0.00	9,813,911,116.24
Loans and advances to credit institutions	61,661,130.50	0.00	61,661,130.50	0.00	0.00
Loans and advances to customers	135,413,811.64	33,994,617.53	48,918,427.90	0.00	120,490,001.27
Bonds and other fixed-income securities	6,375,541,822.50	531,677,229.43	2,237,443,230.58	0.00	4,669,775,821.35
Shares and other variable-yield securities	0.00	0.00	0.00	0.00	0.00
Equity interests	3,088,306,673.66	5,607,168.69	2,742,619.22	0.00	3,091,171,223.13
Shares in group companies	20,674,355,301.87	1,315,420,299.29	2,246,781,201.78	0.00	19,742,994,399.38
Intangible fixed assets	486,299,653.07	0.00	379,381.57	0.00	485,920,271.50
Tangible fixed assets					
a) Land and buildings	110,742,324.19	4,223,625.94	4,203,601.09	22,791.26	110,785,140.30
b) Other tangible fixed assets	494,985,929.96	38,676,574.17	31,371,400.75	−22,791.26	502,268,312.12
TOTALS	**39,990,536,744.40**	**4,279,543,170.10**	**5,732,763,629.21**	**0.00**	**38,537,316,285.29**

	WRITE-UPS	ACCUMULATED WRITE-DOWNS/ DEPRECIATION	CARRYING VALUE 31 DEC. 2015	CARRYING VALUE 31 DEC. 2014	WRITE-DOWNS/ DEPRECIATION IN YEAR UNDER REVIEW
Carrying value and write-downs/depreciation					
Treasury bills and similar securities	−223,107,927.35	0.00	9,590,803,188.89	8,413,107,340.32	0.00
Loans and advances to credit institutions	0.00	0.00	0.00	61,636,520.50	0.00
Loans and advances to customers	0.00	0.00	120,490,001.27	135,416,889.78	0.00
Bonds and other fixed-income securities	71,754,382.72	9,097,321.88	4,732,432,882.19	6,463,267,723.82	6,705,000.04
Shares and other variable-yield securities	0.00	0.00	0.00	0.00	0.00
Equity interests	10,834,617.18	145,785,752.53	2,956,220,087.78	2,987,298,834.65	46,821,658.00
Shares in group companies	507,118,974.27	10,128,815,836.06	10,121,297,537.59	9,914,809,906.48	1,422,487,212.60
Intangible fixed assets	0.00	481,566,430.50	4,353,841.00	7,040,402.00	2,686,561.00
Tangible fixed assets					
a) Land and buildings	0.00	49,768,791.29	61,016,349.01	61,143,652.46	2,627,759.60
b) Other tangible fixed assets	3,640.09	353,868,922.14	148,403,030.07	138,744,500.96	28,493,453.01
TOTALS	**366,603,686.91**	**11,168,903,054.40**	**27,735,016,917.80**	**28,182,465,770.97**	**1,509,821,644.25**

4.19. Leasing activities

While UniCredit Bank Austria AG was not directly active as lessor in the leasing business in 2015, its activities included the extension of loans to leasing companies.

4.20. Total expenses for the use of tangible fixed assets not carried as assets

Obligations arising from the use of tangible fixed assets not carried as assets in the balance sheet (under leasing and rent agreements) which will become due in the subsequent period and in the subsequent five years are indicated in the table below:

Obligations under leasing and rent agreements

	31 DEC. 2015 (IN €)	31 DEC. 2014 (IN € THOUSAND)
for the subsequent business year	62,250,937.21	64,254
for the subsequent five business years	319,070,794.57	330,964

4.21. Other assets

4.21.1. Other assets

This item includes valuation components, both reflected and not reflected in income, of €2,031,233,013.49 (31 December 2014: €2,219,038 thousand) from derivative products.

Dividends receivable from group companies with which there are profit pooling arrangements totalled €517,796,730.53 (31 December 2014: €301,482 thousand).

Claims against the Austrian tax office for companies (Finanzamt für Körperschaften) totalled €44,083,524.30 (31 December 2014: €42,801 thousand). Other assets also include accrued interest and fee and commission income in the amount of €19,481,957.50 (31 December 2014: €20,925 thousand).

4.21.2. Prepaid expenses

This item includes an advance rent payment of €25,042,361.68 (31 December 2014: €26,944 thousand) for the property in Lassallestrasse 5, 1020 Vienna, and advance rent payments of €3,531,662.23 (31 December 2014: €4,316 thousand) for various properties.
This balance sheet item also includes discounts of €355,567,628.98 (31 December 2014: €425,379 thousand) in respect of the bank's own issues.

4.22. Other liabilities

This item includes valuation components, both reflected and not reflected in income, in the amount of €2,230,430,783.47 (31 December 2014: €2,446,513 thousand) from derivative products.

Also included in this item are liabilities of €725,000,000.00 in connection with the transfer of rights to future pension benefits of active employees to the state pension scheme under the Austrian General Social Insurance Act (Allgemeines Sozialversicherungsgesetz – ASVG) (including compensation which employees will receive for any disadvantages resulting from the transfer).

Liabilities resulting from the settlement of Austrian capital yields tax (Kapitalertragsteuer – KESt) totalled €24,311,258.23 (31 December 2014: €11,380 thousand).

Other liabilities also include accrued expenses in the amount of €11,221,788.00 (31 December 2014: €4,363 thousand).

The item also comprises liabilities of €1,450,666.29 (31 December 2014: €1,059 thousand) from the assumption of losses.

4.23. Deferred income

This balance sheet item includes premiums of €20,365,354.30 (31 December 2014: €30,190 thousand) in respect of the bank's own issues.

4.24. Provisions

4.24.1. Provisions for pensions and severance payments

The discount rate applied in 2015 was 2.05%. The valuation of provisions results in a deficit of €314,296,000.00 (31 December 2014: €770,255 thousand) compared with the amount of pension provisions stated in the balance sheet, and a deficit of €31,315,000.00 (31 December 2014: €46,974 thousand) compared with the amount of provisions for severance payments stated in the balance sheet.

The deficit resulting from the discontinuation of the corridor method, which was calculated as at 31 December 2012, has been spread over five years starting on 1 January 2013 and is recognised as an expense on this basis [2016: €157,147,000.00 (pensions) and €15,657,800.00 (severance payments)]. The amounts recognised as expenses in 2015 were €256,751,200.00 (pensions) and €15,657,800.00 (severance payments).

In the financial year, pension provisions declined by €1,510,363,000.00 (31 December 2014: an increase of €1,243,955 thousand). In the balance sheet at 31 December 2015, pension provisions were stated at €2,912,771,607.19 (31 December 2014: €4,423,135 thousand).

In the financial year, provisions for severance payments rose by €15,280,160.14 (31 December 2014: €55,387 thousand). In the balance sheet at 31 December 2015, provisions for severance payments were stated at €359,236,227.54 (31 December 2014: €343,956 thousand).

4.24.2. Other provisions

	31 DEC. 2015 (IN €)	31 DEC. 2014 (IN € THOUSAND)
Provisions for credit risks	143,011,620.89	661,014
Provisions for pending losses	225,902,044.37	679,437
Provisions for indeterminate liabilities	322,017,227.94	331,698
Restructuring provisions	880,349,096.81	65,505
TOTAL	**1,571,279,990.01**	**1,737,654**

Provisions for indeterminate liabilities include provisions related to payroll accounting and provisions for legal costs and experts' fees.

Restructuring provisions include compensation for entitlements of employees and IT costs.

4.25. Tier 2 capital

Tier 2 capital pursuant to Chapter 4 of Title I of Part Two of Regulation (EU) No 575 / 2013, including accrued interest payable and interest allocated to zero coupon bonds, stated in the balance sheet at 31 December 2015 amounts to €4,908,060,237.83 (31 December 2014: €4,065,196 thousand).

Three subordinated bond issues with a total volume of €930,000,000.00 were launched in the year under review. Each of these bond issues has a term of ten years.

As at 31 December 2015, subordinated liabilities included 36 bonds (31 December 2014: 38 bonds) and 4 time deposits (31 December 2014: 4 time deposits), most of which have maturities exceeding five years. The bonds and time deposits are denominated in US$, JPY and €.

4.26. Equity

4.26.1. Subscribed share capital

The share capital of UniCredit Bank Austria AG as at 31 December 2015 was €1,681,033,521.40, unchanged compared with the previous year. The share capital is divided into 10,115 registered no-par value shares with voting rights and restricted transferability and 231,218,705 registered no-par value shares with voting rights, and each no-par value share participates in the share capital to the same extent.

4.26.2. Capital reserves

As at 31 December 2015, capital reserves were stated at €6,366,354,199.40, unchanged compared with the previous year.

4.26.3. Revenue reserves

As at 31 December 2015, revenue reserves were stated at €254,079,987.32 (31 December 2014: €0 thousand).

4.26.4. Reserve pursuant to Section 57 (5) of the Austrian Banking Act

As at 31 December 2015, the reserve pursuant to Section 57 (5) of the Austrian Banking Act (BWG) was €2,129,748,409.45, unchanged compared with the previous year.

4.26.5. Untaxed reserves

As at 31 December 2015, the valuation reserve resulting from special depreciation was €28,039,207.30 (31 December 2014: €28,039 thousand).

Movements in valuation reserve and other untaxed reserves as at 31 December 2015

(in €)

	31 DEC. 2014	TRANSFERS	ALLOCATIONS	RELEASES	31 DEC. 2015
1. Valuation reserve resulting from special depreciation					
Reserve pursuant to Section 12 of the Austrian Income Tax Act (EStG)					
Securities	0.00	0.00	0.00	0.00	0.00
Equity interests	83,153.22	0.00	0.00	0.00	83,153.22
Shares in group companies	27,872,730.61	0.00	0.00	0.00	27,872,730.61
Land and buildings	7,114.67	0.00	0.00	0.00	7,114.67
Other tangible fixed assets	76,208.80	0.00	0.00	0.00	76,208.80
	28,039,207.30	0.00	0.00	0.00	28,039,207.30
Valuation reserve pursuant to					
Sections 8 and 122 of the Austrian Income Tax Act (EStG)					
Land and buildings	0.00	0.00	0.00	0.00	0.00
Other tangible fixed assets	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00
Total 1	**28,039,207.30**	**0.00**	**0.00**	**0.00**	**28,039,207.30**
2. Untaxed reserves					
Untaxed reserves	0.00	0.00	0.00	0.00	0.00
Total 2	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
AGGREGATE TOTAL	**28,039,207.30**	**0.00**	**0.00**	**0.00**	**28,039,207.30**

4.27. Tier 1 capital and Tier 2 capital

The following table includes the qualifying profit for 2015. It should be noted that the financial statements have not yet been adopted by the Supervisory Board and that the resolution concerning the appropriation of profits has not yet been passed by the general meeting.

Item 4 shown below the balance sheet on the liabilities side

(in €)

Eligible capital pursuant to Part Two of Regulation (EU) No 575/2013		31 Dec. 2015	14,576,797,693.54
		31 Dec. 2014	13,567,770,994.08
UNICREDIT BANK AUSTRIA AG			
1	**CAPITAL**		**14,576,797,693.54**
1.1	**TIER 1 CAPITAL (T1)**		**10,300,637,784.17**
1.1.1	**COMMON EQUITY TIER 1 CAPITAL (CET1)**		**10,300,637,784.17**
1.1.1.1	Capital instruments qualifying as Common Equity Tier 1 capital	8,047,387,720.80	
1.1.1.1.1	Paid-up capital instruments	1,681,033,521.40	
1.1.1.1.3	Share premium	6,366,354,199.40	
1.1.1.2	Retained earnings	254,079,987.32	
1.1.1.4	Other reserves	2,157,787,616.75	
1.1.1.9	Deductions due to adjustments to Common Equity Tier 1 capital (prudential filters)	– 18,599,665.44	
1.1.1.9.4	*Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities*	*– 18,386,072.00*	
1.1.1.9.5	*(–) Write-downs resulting from requirements for prudent valuation*	*– 213,593.44*	
1.1.1.11	(–) Other intangible assets	– 4,353,841.00	
1.1.1.11.1	*(–) Gross amount of other intangible assets*	*– 4,353,841.00*	
1.1.1.13	(–) IRB shortfall arising from credit risk adjustments to expected losses	– 178,597,347.85	
1.1.1.16	(–) Items to be deducted from Additional Tier 1 items that exceed Additional Tier 1 capital	– 56,191,508.95	
1.1.1.18	(–) Securitisation positions to which a risk weight of 1250 % may be assigned as an alternative	– 10,644,585.29	
1.1.1.19	(–) Free deliveries to which a risk weight of 1250% may be assigned as an alternative	– 1,305.48	
1.1.1.26	Other transitional adjustments to Common Equity Tier 1 capital	109,770,713.31	
1.1.2	**ADDITIONAL TIER 1 CAPITAL (AT1)**		**0.00**
1.1.2.9	Other transitional adjustments to Additional Tier 1 capital	– 56,191,508.95	
1.1.2.10	Items to be deducted from Additional Tier 1 items that exceed Additional Tier 1 capital (deduction from Common Equity Tier 1 capital)	56,191,508.95	
1.2	**TIER 2 CAPITAL (T2)**		**4,276,159,909.37**
1.2.1	**Capital instruments and subordinated loans qualifying as Tier 2 capital**		**4,197,685,596.89**
1.2.1.1	Paid-up capital instruments and subordinated loans	4,219,083,588.36	
1.2.1.2*	Additional information: capital instruments and subordinated loans that do not qualify	646,498,294.59	
1.2.1.4	(–) Own Tier 2 instruments	– 21,397,991.47	
1.2.1.4.1	*(–) Direct positions in Tier 2 capital instruments*	*– 21,397,991.47*	
1.2.2	**Transitional adjustments to Tier 2 capital instruments and subordinated loans (grandfathering)**		**185,251,150.00**
1.2.9	**(–) Tier 2 capital instruments of financial sector entities in which the institution has a significant investment**		**– 53,197,633.17**
1.2.10	**Other transitional adjustments to Tier 2 capital**		**– 53,579,204.35**

Item 5 shown below the balance sheet on the liabilities side

(in €)

Capital requirements pursuant to Article 92 of Regulation (EU) No 575/2013		31 Dec. 2015	5,072,596,411.94
		31 Dec. 2014	5,506,167,674.25
UNICREDIT BANK AUSTRIA AG			
1	**TOTAL RISK EXPOSURE AMOUNT**		**63,407,455,149.27**
1.1	**RISK-WEIGHTED EXPOSURE AMOUNTS FOR CREDIT RISK, COUNTERPARTY RISK AND DILUTION RISK AND FOR FREE DELIVERIES**		**59,699,954,401.52**
1.1.1	**Standardised approach**		**20,944,277,523.19**
1.1.1.1	Exposure classes under the standardised approach excluding securitisation positions	20,944,277,523.19	
1.1.1.1.01	*Central governments or central banks*	*7,973,715.57*	
1.1.1.1.02	*Regional governments or local authorities*	*22,154,718.74*	
1.1.1.1.03	*Public sector entities*	*51,341,941.98*	
1.1.1.1.06	*Institutions*	*1,241,670,943.52*	
1.1.1.1.07	*Corporates*	*4,847,929,911.38*	
1.1.1.1.08	*Retail exposures*	*110,817,387.46*	
1.1.1.1.09	*Exposures secured by mortgages on immovable property*	*2,503,775.35*	
1.1.1.1.10	*Exposures in default*	*388,704,735.26*	
1.1.1.1.11	*Exposures associated with particularly high risk*	*51,602,353.41*	
1.1.1.1.15	*Equity exposures*	*12,975,794,590.35*	
1.1.1.1.16	*Other items*	*1,243,783,450.17*	
1.1.2	**Internal ratings-based (IRB) approach**		**38,752,383,883.19**
1.1.2.2	IRB approaches if the institution uses its own estimates of LGD and conversion factors	32,903,551,615.13	
1.1.2.2.01	*Central governments and central banks*	*66,486,512.26*	
1.1.2.2.02	*Institutions*	*7,064,868,275.67*	
1.1.2.2.03	*Corporates – SMEs*	*3,076,968,193.95*	
1.1.2.2.04	*Corporates – specialised lending exposures*	*417,323,421.38*	
1.1.2.2.05	*Corporates – other*	*16,162,200,936.97*	
1.1.2.2.06	*Retail exposures – secured by mortgages on immovable property, SMEs*	*203,653,289.90*	
1.1.2.2.07	*Retail exposures – secured by mortgages on immovable property, non-SME*	*2,459,078,675.02*	
1.1.2.2.08	*Retail exposures – qualifying revolving*	*375,405,999.86*	
1.1.2.2.09	*Retail exposures – other, SMEs*	*355,170,352.42*	
1.1.2.2.10	*Retail exposures – other, non-SME*	*2,722,395,957.70*	
1.1.2.3	Equity exposures under the IRB approach	5,430,789,249.77	
1.1.2.4	Securitisation positions under the IRB approach	418,043,018.29	
1.1.2.4*	Of which: re-securitisation	6,046,300.43	
1.1.3	**Risk exposure amount for contributions to the default fund of a central counterparty**		**3,292,995.14**
1.2	**RISK EXPOSURE AMOUNT FOR SETTLEMENT AND DELIVERY RISKS**		**962.86**
1.2.1	**Settlement and delivery risk in the non-trading book**		**452.42**
1.2.2	**Settlement and delivery risk in the trading book**		**510.44**
1.3	**TOTAL RISK EXPOSURE AMOUNT FOR POSITION RISK, FOREIGN EXCHANGE RISK AND COMMODITIES RISK**		**219,027,420.38**
1.3.2	**Risk exposure amount for position risk, foreign exchange risk and commodities risk under internal models**		**219,027,420.38**
1.4	**TOTAL RISK EXPOSURE AMOUNT OF EXPOSURES FOR OPERATIONAL RISK**		**3,410,140,480.63**
1.4.3	**Advanced measurement approaches (AMA) for operational risk**		**3,410,140,480.63**
1.6	**TOTAL RISK EXPOSURE AMOUNT DUE TO CREDIT VALUATION ADJUSTMENTS (CVA)**		**78,331,883.88**
1.6.1	**Advanced method**		**78,331,883.88**
Capital requirements pursuant to Article 92 of Regulation (EU) No 575/2013			**5,072,596,411.94**
of which: capital requirements pursuant to Article 92 (1) points (a) to (c) and to the transitional arrangement pursuant to Article 465 of Regulation (EU) No 575/2013 in conjunction with Section 1 of the Austrian CRR Supplementary Regulation			
	a) a Common Equity Tier 1 capital ratio of		**16.25%**
	b) a Tier 1 capital ratio of		**16.25%**
	c) a total capital ratio of		**22.99%**

Notes (CONTINUED)

The following table includes the qualifying profit for 2015. Inclusion of the profit for the year is permitted pursuant to Article 26 (2) of Regulation (EU) No 575/2013 (CRR).

Item 4 shown below the balance sheet on the liabilities side

(in €)

Eligible capital pursuant to Part Two of Regulation (EU) No 575/2013	31 Dec. 2015	19,070,295,489.31
	31 Dec. 2014	17,527,096,854.66

UNICREDIT BANK AUSTRIA SUB-GROUP			
1	**CAPITAL**		**19,070,295,489.31**
1.1	**TIER 1 CAPITAL (T1)**		**14,161,592,300.58**
1.1.1	**COMMON EQUITY TIER 1 CAPITAL (CET1)**		**14,161,592,300.58**
1.1.1.1	Capital instruments qualifying as Common Equity Tier 1 capital	7,747,830,914.43	
1.1.1.1.1	Paid-up capital instruments	1,681,033,521.40	
1.1.1.1.3	Share premium	6,067,410,000.00	
1.1.1.1.4	(–) Own Common Equity Tier 1 capital instruments	– 134,000.00	
1.1.1.1.4.1	*(–) Direct positions in Common Equity Tier 1 capital instruments*	*– 134,000.00*	
1.1.1.1.5	(–) Actual or contingent obligations to purchase own Common Equity Tier 1 instruments	– 478,606.97	
1.1.1.2	Retained earnings	3,112,098,000.00	
1.1.1.2.1	Retained earnings of previous years	1,787,404,000.00	
1.1.1.2.2	Qualifying profit or loss	1,324,694,000.00	
1.1.1.2.2.1	*Profit or loss attributable to the owners of the parent company*	*1,324,694,000.00*	
1.1.1.3	Accumulated other comprehensive income	– 2,418,530,000.00	
1.1.1.4	Other reserves	6,713,360,000.00	
1.1.1.7	Minority interests that qualify as Common Equity Tier 1 capital	127,625,620.52	
1.1.1.8	Transitional arrangements concerning additional minority interests	48,363,827.69	
1.1.1.9	Deductions and filters due to adjustments to Common Equity Tier 1 capital (prudential filters)	– 473,107,560.53	
1.1.1.9.2	*Cash flow hedge reserves*	*– 339,945,000.00*	
1.1.1.9.3	*Gains or losses on own liabilities valued at fair value that result from changes in the institution's own credit standing*	*– 8,284,522.05*	
1.1.1.9.4	*Gains and losses arising from the institution's own credit risk related to derivative liabilities*	*– 79,828,753.00*	
1.1.1.9.5	*(–) Write-downs resulting from requirements for prudent valuation*	*– 45,049,285.48*	
1.1.1.10	(–) Goodwill	– 1,000.00	
1.1.1.10.1	*(–) Goodwill recognised as an intangible asset*	*– 1,000.00*	
1.1.1.11	(–) Other intangible assets	– 297,590,000.00	
1.1.1.11.1	*(–) Gross amount of other intangible assets*	*– 323,080,000.00*	
1.1.1.11.2	*Deferred tax liabilities associated with other intangible assets*	*25,490,000.00*	
1.1.1.12	(–) Deferred tax assets that rely on future profitability and do not arise from temporary differences, less associated deferred tax liabilities	– 22,356,000.00	
1.1.1.13	(–) IRB shortfall arising from credit risk adjustments to expected losses	– 2,147,005.35	
1.1.1.16	(–) Items to be deducted from Additional Tier 1 items that exceed Additional Tier 1 capital	– 69,479,631.50	
1.1.1.18	(–) Securitisation positions to which a risk weight of 1250 % may be assigned as an alternative	– 12,284,962.41	
1.1.1.19	(–) Free deliveries to which a risk weight of 1250% may be assigned as an alternative	– 1,305.48	
1.1.1.26	Other transitional adjustments to Common Equity Tier 1 capital	– 292,188,596.79	
1.1.2	**ADDITIONAL TIER 1 CAPITAL (AT1)**		**0.00**
1.1.2.2	Transitional adjustments to Additional Tier 1 capital instruments (grandfathering)	101,702,300.00	
1.1.2.3	Instruments issued by subsidiaries that qualify as Additional Tier 1 capital	20,040,425.28	
1.1.2.4	Transitional arrangements concerning instruments issued by subsidiaries that are additionally recognised as Additional Tier 1 capital	– 12,024,255.17	
1.1.2.9	Other transitional adjustments to Additional Tier 1 capital	– 179,198,101.61	
1.1.2.10	Items to be deducted from Additional Tier 1 items that exceed Additional Tier 1 capital (deduction from Common Equity Tier 1 capital)	69,479,631.50	
1.2	**TIER 2 CAPITAL (T2)**		**4,908,703,188.73**
1.2.1	**Capital instruments and subordinated loans qualifying as Tier 2 capital**		**4,718,838,702.04**
1.2.1.1	Paid-up capital instruments and subordinated loans	4,718,838,702.04	
1.2.1.2*	Additional information: capital instruments and subordinated loans that do not qualify for inclusion	640,366,363.01	

1.2.2	**Transitional adjustments to Tier 2 capital instruments and subordinated loans (grandfathering)**	**– 38,834,703.16**
1.2.3	**Instruments issued by subsidiaries which qualify as Tier 2 capital**	**177,882,550.50**
1.2.4	**Transitional arrangements concerning instruments issued by subsidiaries that are additionally recognised as Tier 2 capital**	**– 106,729,530.30**
1.2.5	**Qualifying provisions under the IRB approach that exceed the expected losses (IRB excess)**	**211,392,491.90**
1.2.9	**(–) Tier 2 capital instruments of financial sector entities in which the institution has a significant investment**	**– 53,202,220.64**
1.2.10	**Other transitional adjustments to Tier 2 capital**	**– 644,101.61**

Item 5 shown below the balance sheet on the liabilities side

(in €)

Capital requirements pursuant to Article 92 of Regulation (EU) No 575/2013		31 Dec. 2015	10,260,709,712.07
		31 Dec. 2014	10,428,061,330.06
UNICREDIT BANK AUSTRIA SUB-GROUP			
1	**TOTAL RISK EXPOSURE AMOUNT**		**128,258,871,400.93**
1.1	**RISK-WEIGHTED EXPOSURES FOR CREDIT RISK, COUNTERPARTY RISK AND DILUTION RISK, AND FOR FREE DELIVERIES**		**113,163,567,332.69**
1.1.1	**Standardised approach**		**69,240,515,345.33**
1.1.1.1	Exposure classes under the standardised approach excluding securitisation positions	69,224,302,520.50	
1.1.1.1.01	*Central governments or central banks*	*7,178,957,463.51*	
1.1.1.1.02	*Regional governments or local authorities*	*548,518,210.79*	
1.1.1.1.03	*Public sector entities*	*215,114,959.84*	
1.1.1.1.04	*Multilateral development banks*	*179,887.08*	
1.1.1.1.06	*Institutions*	*1,361,095,934.16*	
1.1.1.1.07	*Corporates*	*32,306,515,050.37*	
1.1.1.1.08	*Retail exposures*	*13,029,116,276.11*	
1.1.1.1.09	*Exposures secured by mortgages on immovable property*	*2,351,396,845.41*	
1.1.1.1.10	*Exposures in default*	*4,253,141,838.19*	
1.1.1.1.11	*Exposures associated with particularly high risk*	*90,059,327.87*	
1.1.1.1.12	*Covered bonds*	*10,652.28*	
1.1.1.1.13	*Exposures to institutions and corporates with a short-term credit assessment*	*1,136,001,065.10*	
1.1.1.1.14	*Units or shares in collective investment undertakings (CIUs)*	*16,602,145.46*	
1.1.1.1.15	*Equity exposures*	*3,175,222,175.68*	
1.1.1.1.16	*Other items*	*3,562,370,688.65*	
1.1.1.2	Securitisation positions under the standardised approach	16,212,824.83	
1.1.2	**Internal ratings-based approach (IRB)**		**43,919,758,992.22**
1.1.2.1	IRB approaches if the institution does not use its own estimates of LGD or conversion factors	13,522,017,929.85	
1.1.2.1.01	*Central governments or central banks*	*103,712,968.16*	
1.1.2.1.02	*Institutions*	*317,171,288.02*	
1.1.2.1.03	*Corporates – SMEs*	*4,007,666,983.40*	
1.1.2.1.04	*Corporates – specialised lending exposures*	*1,087,979,174.37*	
1.1.2.1.05	*Corporates – other*	*8,005,487,515.90*	
1.1.2.2	IRB approaches if the institution uses its own estimates of LGD and conversion factors	29,356,441,332.55	
1.1.2.2.01	*Central governments and central banks*	*419,100,734.32*	
1.1.2.2.02	*Institutions*	*3,224,098,031.97*	
1.1.2.2.03	*Corporates – SMEs*	*4,006,936,412.92*	
1.1.2.2.04	*Corporates – specialised lending exposures*	*1,691,460,122.49*	
1.1.2.2.05	*Corporates – other*	*13,167,014,720.06*	
1.1.2.2.06	*Retail exposures – secured by mortgages on immovable property, SMEs*	*210,836,368.54*	
1.1.2.2.07	*Retail exposures – secured by mortgages on immovable property, non-SME*	*2,609,551,369.92*	
1.1.2.2.08	*Retail exposures – qualifying revolving*	*390,873,821.20*	
1.1.2.2.09	*Retail exposures – other, SMEs*	*403,236,213.62*	
1.1.2.2.10	*Retail exposures – other, non-SME*	*3,233,333,537.51*	
1.1.2.3	Equity exposures under the IRB approach	605,612,918.51	
1.1.2.4	Securitisation positions under the IRB approach	435,686,811.31	
1.1.2.4*	of which: re-securitisation	6,533,943.68	

1.1.3	Risk exposure amount for contributions to the default fund of a central counterparty		3,292,995.14
1.2	RISK EXPOSURE AMOUNT FOR SETTLEMENT AND DELIVERY RISKS		962.86
1.2.1	Settlement and delivery risk in the non-trading book		452.42
1.2.2	Settlement and delivery risk in the trading book		510.44
1.3	TOTAL RISK EXPOSURE AMOUNT FOR POSITION RISK, FOREIGN-EXCHANGE RISK AND COMMODITIES RISK		3,974,057,998.63
1.3.1	Risk exposure amount for position risk, foreign exchange risk and commodities risk under standardised approaches		153,012,972.38
1.3.1.3	Foreign exchange	153,012,972.38	
1.3.2	Risk exposure amount for position risk, foreign exchange risk and commodities risk under internal models		3,821,045,026.25
1.4	TOTAL RISK EXPOSURE AMOUNT OF EXPOSURES FOR OPERATIONAL RISK		10,716,149,423.12
1.4.1	Basic indicator approach for operational risk		2,064,225,790.37
1.4.2	Standardised approach or alternative standardised approach (ASA) for operational risk		2,514,164,744.63
1.4.3	Advanced measurement approach (AMA) for operational risk		6,137,758,888.12
1.6	TOTAL RISK EXPOSURE AMOUNT DUE TO CREDIT VALUATION ADJUSTMENTS (CVA)		405,095,683.63
1.6.1	Advanced method		78,331,883.88
1.6.2	Standardised method		326,763,799.75
Capital requirements pursuant to Article 92 of Regulation (EU) No 575/2013			10,260,709,712.07
of which: capital requirements pursuant to Article 92 (1) points (a) to (c) and to the transitional arrangement pursuant to Article 465 of Regulation (EU) No 575/2013 in conjunction with Section 1 of the Austrian CRR Supplementary Regulation			
	a) a Common Equity Tier 1 capital ratio of		11.04%
	b) a Tier 1 capital ratio of		11.04%
	c) a total capital ratio of		14.87%

4.28. Cross-holdings

There are no cross-holdings within the meaning of Section 240, item 9, of the Austrian Business Code.

4.29. Assets pledged as security

Assets pledged as security for liabilities pursuant to Section 64 (1) 8 of the Austrian Banking Act

ASSETS	31 DEC. 2015 (IN €)	DESCRIPTION OF THE LIABILITIES	BALANCE SHEET ITEM
Cover fund for deposits held in trust for wards:			
Fixed-income securities	141,353,385.48	Deposits held in trust for wards	Liabilities item 2
Cover fund for mortgage bonds and public-sector covered bonds:			
Loans and advances to customers	12,209,532,875.85	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Loans and advances to credit institutions	445,000,000.00	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Fixed-income securities	1,672,053,340.93	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Total	**14,326,586,216.78**		
Collateral pool OeNB (tender):			
Loans and advances to customers	6,963,268,947.44	OeNB/ECB funding	Liabilities item 1
Fixed-income securities	2,641,078,198.73	OeNB/ECB funding	Liabilities item 1
Total	**9,604,347,146.17**		
Collateral EIB and KfW:			
Loans and advances to customers	2,135,697,400.87	Supranational funding	Liabilities item 1
Fixed-income securities	535,583,679.08	Supranational funding	Liabilities item 1
Total	**2,671,281,079.95**		
Collateral for trading transactions in securities and derivatives:			
Cash collateral	439,256,204.76	Margin requirements	
Securities collateral	26,962,900.09	Margin requirements	
Total	**466,219,104.85**		
Collateral for clearing systems:			
Fixed-income securities	115,371,201.93	Security provided in favour of OeKB, Euroclear, Clearstream Banking	
Collateral for amounts owed to credit institutions:			
Loans and advances to customers	4,548,930,427.72	Claims assigned in favour of OeKB	Liabilities item 1
Loans and advances to customers	1,690,420,197.57	Earmarked deposit Wohnbaubank AG	Liabilities item 1
Total	**6,239,350,625.29**		
Assets pledged in favour of foreign credit institutions and financial institutions which are group companies			
Loans and advances to credit institutions	124,247,365.00	Pledge agreements with CEE banks	
Fixed-income securities	71,949,362.71	Pledge agreements with CEE banks	
Total	**196,196,727.71**		
Aggregate total	**33,760,705,488.16**		

The sub-item “Savings deposits” (2a) includes deposits held in trust for wards in the amount of €126,490,265.11 (31 December 2014: €122,464 thousand).

Notes (CONTINUED)

Assets pledged as security for liabilities pursuant to Section 64 (1) 8 of the Austrian Banking Act

ASSETS	31 DEC. 2014 (IN €)	DESCRIPTION OF THE LIABILITIES	BALANCE SHEET ITEM
Cover fund for deposits held in trust for wards:			
Fixed-income securities	140,897,268.71	Deposits held in trust for wards	Liabilities item 2
Cover fund for funded bank bonds:			
Loans and advances to customers	1,651,330,591.97	Funded Bank Austria bonds	Liabilities item 3
Fixed-income securities	15,069,341.81	Funded Bank Austria bonds	Liabilities item 3
Total	**1,666,399,933.78**		
Cover fund for mortgage bonds and public-sector covered bonds:			
Loans and advances to customers	13,696,128,796.96	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Loans and advances to credit institutions	474,400,000.00	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Fixed-income securities	1,781,936,895.64	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Total	**15,952,465,692.60**		
Collateral pool OeNB (tender):			
Loans and advances to customers	3,350,727,436.14	OeNB/ECB funding	Liabilities item 1
Fixed-income securities	5,023,650,262.51	OeNB/ECB funding	Liabilities item 1
Total	**8,374,377,698.65**		
Collateral EIB and KfW:			
Loans and advances to customers	948,506,830.37	Supranational funding	Liabilities item 1
Fixed-income securities	418,162,841.19	Supranational funding	Liabilities item 1
Total	**1,366,669,671.56**		
Collateral for trading transactions in securities and derivatives:			
Cash collateral	843,902,345.17	Margin requirements	
Securities collateral	19,791,065.60	Margin requirements	
Total	**863,693,410.77**		
Collateral for clearing systems:			
Loans and advances to credit institutions	94,611,109.05	Security provided in favour of OeKB, Euroclear, Clearstream Banking	
Fixed-income securities	107,455,298.73	Security provided in favour of OeKB, Euroclear, Clearstream Banking	
Total	**202,066,407.78**		
Collateral for amounts owed to credit institutions:			
Loans and advances to customers	4,423,691,803.27	Claims assigned in favour of OeKB	Liabilities item 1
Loans and advances to customers	2,080,830,050.15	Earmarked deposit Wohnbaubank AG	Liabilities item 1
Total	**6,504,521,853.42**		
Assets pledged in favour of foreign credit institutions and financial institutions which are group companies			
Loans and advances to credit institutions	93,622,854.70	Pledge agreements with CEE banks	
Fixed-income securities	23,332,624.72	Pledge agreements with CEE banks	
Total	**116,955,479.42**		
AGGREGATE TOTAL	**35,188,047,416.69**		

4.30. Derivatives business

Derivatives shown in the relevant tables are classified as financial derivatives and credit derivatives, according to the underlying financial instrument. In these categories, a distinction is made between trading book and banking book and between different counterparties. UniCredit Bank Austria AG's business volume in derivatives focuses on interest rate contracts.

Over-the-counter transactions are individual agreements concerning volume, maturities and underlying instrument. In large-volume interbank trading, these agreements reflect international practice, while in customer business they are usually adjusted to specific needs. Exchange-traded contracts are always standardised in respect of volume and maturity date.

Derivatives are mainly used by the bank itself for hedging market risk and credit spread risk arising from new issue activities. In customer business, market participants include banks, securities houses and corporate customers. Trading in derivatives at UniCredit Bank Austria AG is primarily related to the hedging of positions entered into vis-à-vis customers.

For the purposes of portfolio and risk management, contracts are valued at current prices using recognised and tested models. Market values show the contract values as at the balance sheet date, positive market values indicate the potential default risk arising from the relevant activity.

For the purposes of portfolio management and risk limitation in the derivatives business with banks and customers, UniCredit Bank Austria AG uses a Monte Carlo path simulation to estimate the potential future exposure at portfolio level for each counterparty. The calculations are based on market volatility, correlations between specific risk factors, future cash flows and stress considerations. Netting agreements and collateral agreements are also taken into account for simulation purposes.

The simulation calculations are performed for all major types of transactions, e. g. forward foreign exchange transactions, commodity futures transactions, interest rate instruments, securities lending transactions and repurchase agreements, equity-related, commodity-related or inflation-related instruments and credit derivatives. Other (exotic) products are taken into account with an add-on factor (depending on volatility and maturity). The bank applies an expected shortfall of 87.5% (equals a 95% quantile).

In addition to determining the potential future exposure for the purpose of internal risk management, the path simulation also enables the bank to calculate the average exposure and the Basel 3-modified average exposure as well as the effective maturity of the exposure for each counterparty. In this way, counterparty risk can be taken into account in a Basel 3-compliant internal model for the calculation of capital requirements. In 2009, the bank obtained approval from the Austrian regulatory authorities for the use of the relevant model.

Line utilisation for derivatives business is available online in the central treasury system MLC ("Murex Limit Controller") for the so-called EUROMIB countries. Line utilisation for a customer's derivatives and security financing transactions is available online in the central limit system MLC, on a largely Group-wide basis. For smaller units which are not connected to the central system, separate lines are allocated and monitored. Group-wide compliance with lines approved in the credit process is thus ensured at any time.

UniCredit Bank Austria AG additionally limits the credit risk arising from its derivatives business, repurchase agreements and securities lending transactions through strict use of master agreements, through the definition and monitoring of documentation standards by legal experts, and through collateral agreements and break clauses. In combination with the very good average credit rating of our business partners in the derivatives business, management takes proper account of default risk.

Details of derivatives transactions and of the uniform Group-wide method of recording them for risk measurement and risk management purposes are given in the following tables.

Information pursuant to Section 64 (1) 3 of the Austrian Banking Act may also be derived from the tables.

Notes (CONTINUED)

(in €)

	31 DEC. 2015			31 DEC. 2014		
	NOTIONAL AMOUNT	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE	NOTIONAL AMOUNT	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE
Trading book	**46,989,890,439**	**1,563,291,195**	**1,640,610,115**	**45,579,915,777**	**1,812,288,693**	**1,695,360,823**
Financial derivatives on debt instruments and interest rates	**26,251,337,523**	**748,357,431**	**828,666,387**	**27,350,682,054**	**967,688,036**	**949,373,496**
Options	5,561,553,289	38,402,067	41,275,882	6,895,111,722	107,086,114	87,198,704
Swaps	20,689,784,234	709,955,364	787,390,505	20,455,570,331	860,601,922	862,174,792
Forwards	0	0	0	0	0	0
Futures	0	0	0	0	0	0
Other	0	0	0	0	0	0
Financial derivatives on equity instruments and share indices	**1,662,574,129**	**4,972,040**	**4,973,615**	**2,340,556,225**	**147,076,537**	**4,865,052**
Options	1,662,574,129	4,972,040	4,973,615	2,222,330,130	46,467,888	4,865,052
Swaps	0	0	0	118,226,096	100,608,649	0
Forwards	0	0	0	0	0	0
Futures	0	0	0	0	0	0
Other	0	0	0	0	0	0
Financial derivatives on exchange rates and gold	**18,833,538,113**	**782,287,499**	**779,246,510**	**14,884,555,325**	**670,863,969**	**706,363,145**
Options	883,582,200	12,351,530	12,398,035	1,460,132,270	28,916,883	24,416,535
Swaps	6,506,391,194	619,890,413	628,061,174	5,547,936,487	428,671,190	475,739,953
Forwards	11,443,564,719	150,045,556	138,787,301	7,876,486,568	213,275,896	206,206,657
Futures	0	0	0	0	0	0
Other	0	0	0	0	0	0
Financial derivatives on other underlying transactions	**242,440,674**	**27,674,225**	**27,723,603**	**344,022,173**	**25,877,680**	**24,159,466**
Options	9,453,132	9,998,234	9,976,143	47,291,068	7,825,412	6,125,637
Swaps	232,987,542	17,675,991	17,747,460	296,731,105	18,052,268	18,033,829
Forwards	0	0	0	0	0	0
Futures	0	0	0	0	0	0
Other	0	0	0	0	0	0
Credit derivatives	**0**	**0**	**0**	**660,100,000**	**782,470**	**10,599,664**
Credit default swaps	0	0	0	660,100,000	782,470	10,599,664
Other	0	0	0	0	0	0

(in €)

	31 DEC. 2015			31 DEC. 2014		
	NOTIONAL AMOUNT	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE	NOTIONAL AMOUNT	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE
Banking book – hedging derivatives	**107,305,071,634**	**2,810,348,735**	**2,144,674,433**	**119,571,512,135**	**3,467,143,238**	**2,790,543,695**
Financial derivatives on debt instruments and interest rates	**86,329,803,653**	**2,651,780,278**	**1,924,569,985**	**94,997,111,810**	**3,333,899,123**	**2,482,600,670**
Options	4,295,070,309	77,419,127	204,947,116	2,971,559,328	47,145,782	199,955,590
Swaps	82,034,733,344	2,574,361,151	1,719,622,869	92,025,552,482	3,286,753,341	2,282,645,079
Forwards	0	0	0	0	0	0
Futures	0	0	0	0	0	0
Other	0	0	0	0	0	0
Financial derivatives on equity instruments and share indices	**258,098,000**	**28,212,105**	**919,951**	**0**	**0**	**0**
Options	239,798,000	27,575,406	919,951	0	0	0
Swaps	18,300,000	636,699	0	0	0	0
Forwards	0	0	0	0	0	0
Futures	0	0	0	0	0	0
Other	0	0	0	0	0	0
Financial derivatives on exchange rates and gold	**20,337,469,981**	**129,837,851**	**211,548,185**	**24,574,400,325**	**133,244,116**	**307,943,025**
Options	52,104,770	1,829,626	7,577,590	0	0	0
Swaps	18,059,143,277	118,948,762	194,684,730	24,109,563,635	130,824,870	307,670,991
Forwards	2,226,221,934	9,059,463	9,285,865	464,836,690	2,419,246	272,034
Futures	0	0	0	0	0	0
Other	0	0	0	0	0	0
Financial derivatives on other underlying transactions	**0**	**0**	**0**	**0**	**0**	**0**
Options	0	0	0	0	0	0
Forwards	0	0	0	0	0	0
Futures	0	0	0	0	0	0
Other	0	0	0	0	0	0
Credit derivatives	**379,700,000**	**518,501**	**7,636,312**	**0**	**0**	**0**
Credit default swaps	379,700,000	518,501	7,636,312	0	0	0
Other	0	0	0	0	0	0
TOTAL	**154,294,962,073**	**4,373,639,930**	**3,785,284,548**	**165,151,427,912**	**5,279,431,931**	**4,485,904,518**

Notional amounts of derivatives by residual maturity (in €)

	31 DEC. 2015			
	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
Trading book	**15,761,215,587**	**15,284,207,184**	**15,944,467,668**	**46,989,890,439**
Financial derivative contracts on debt instruments and interest rates	3,411,294,828	9,694,805,912	13,145,236,783	26,251,337,523
Financial derivative contracts on equity instruments and share indices	261,828,857	715,687,362	685,057,910	1,662,574,129
Financial derivative contracts on exchange rates and gold	11,919,556,340	4,799,808,797	2,114,172,975	18,833,538,112
Financial derivative contracts on other underlying transactions	168,535,562	73,905,113	0	242,440,675
Credit derivatives	0	0	0	0
Banking book	**39,971,027,846**	**36,351,113,883**	**30,982,929,905**	**107,305,071,634**
Financial derivative contracts on debt instruments and interest rates	32,712,191,294	28,341,187,388	25,276,424,971	86,329,803,653
Financial derivative contracts on equity instruments and share indices	62,600,000	85,664,000	109,834,000	258,098,000
Financial derivative contracts on exchange rates and gold	7,196,236,552	7,604,562,495	5,536,670,934	20,337,469,981
Financial derivative contracts on other underlying transactions	0	0	0	0
Credit derivatives	0	319,700,000	60,000,000	379,700,000
TOTAL	**55,732,243,433**	**51,635,321,067**	**46,927,397,573**	**154,294,962,073**

The book values (in €) of derivatives as at 31 December 2015 are included in the following items:

Other assets – trading book	1,563,291,195
Other assets – banking book	467,941,818
Other liabilities – trading book	1,640,610,115
Other liabilities – banking book	589,820,668

	31 DEC. 2014			
	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
Trading book	**13,120,946,317**	**17,093,545,817**	**15,365,423,642**	**45,579,915,777**
Financial derivative contracts on debt instruments and interest rates	3,370,262,272	12,070,817,020	11,909,602,762	27,350,682,054
Financial derivative contracts on equity instruments and share indices	478,461,036	1,042,704,754	819,390,434	2,340,556,225
Financial derivative contracts on exchange rates and gold	8,665,947,157	3,650,777,722	2,567,830,446	14,884,555,325
Financial derivative contracts on other underlying transactions	331,275,852	12,746,321	0	344,022,173
Credit derivatives	275,000,000	316,500,000	68,600,000	660,100,000
Banking book	**41,294,817,642**	**47,195,231,263**	**31,081,463,230**	**119,571,512,135**
Financial derivative contracts on debt instruments and interest rates	31,900,545,295	37,850,931,966	25,245,634,549	94,997,111,810
Financial derivative contracts on equity instruments and share indices	0	0	0	0
Financial derivative contracts on exchange rates and gold	9,394,272,347	9,344,299,297	5,835,828,682	24,574,400,325
Financial derivative contracts on other underlying transactions	0	0	0	0
Credit derivatives	0	0	0	0
TOTAL	**54,415,763,959**	**64,288,777,080**	**46,446,886,873**	**165,151,427,912**

4.31. Contingent liabilities

Contingent liabilities of UniCredit Bank Austria AG shown below the line in item 1 on the liabilities side amounted to €12,802,944,733.94, an increase of €739,379,951.07 or 6.13% compared with the previous year.

	31 DEC. 2015 (IN €)	31 DEC. 2014 (IN € THOUSAND)
Acceptances and endorsements	0.00	0
Guarantees and assets pledged as collateral security	12,802,944,733.94	12,063,565

Guarantees in connection with retirement planning products benefiting from a state premium pursuant to Section 108 h (1) 3 and subsequent sections of the Austrian Income Tax Act (Einkommensteuergesetz – EStG)

In connection with retirement planning products benefiting from a state premium, UniCredit Bank Austria AG has incurred nominal capital guarantee obligations defined by law. Under the "VorsorgePlus-Plan" product (a mutual fund managed by Pioneer Investments Austria GmbH), the bank guarantees the investor that in the case of repayment through regular payments to the investor, the amount available for repayment will not be lower than the sum of amounts paid in plus premiums (variable in a range between 8.5% and 13.5%, and index-linked) credited to the account pursuant to Section 108 g of the Austrian Income Tax Act.

As at 31 December 2015, amounts paid in for retirement planning products benefiting from a state premium (including state premiums credited so far) compare with a guarantee obligation of €21,052,641.59 (31 December 2014: €45,432 thousand) and the fund's net asset value of €20,956,106.87 (31 December 2014: €46,103 thousand).

Risk management is based on a CPPI model reflecting the stochastic characteristics of the proportions of equity and bond investments. Daily marking to market of the related options carried in the bank's trading book ensures that, if necessary, a sufficient provision is made immediately for any losses. The valuation functions are integrated in the MUREX system. Risk indicators are determined by the Markets Execution & Structuring unit. Required guarantee payments are also made by Markets Execution & Structuring. These payments are not added to the fund assets but are made directly to individual customers.

4.32. Letters of comfort and undertakings

In addition to the contingent liabilities shown below the balance sheet in item 1 on the liabilities side, there are the following letters of comfort and undertakings:

For six subsidiaries of UniCredit Bank Austria AG, guarantees were issued in favour of S.W.I.F.T.

Letters of comfort for a total amount of €547,756,906.40 (31 December 2014: €512,453 thousand) were issued in connection with international leasing transactions; given the nature of collateral for these transactions, it is not expected that claims will be lodged against UniCredit Bank Austria AG because the rights to payment undertaking amounts serving as collateral and held with the leasing companies or with UniCredit Bank Austria AG, or the rights to other security of stable value, have been transferred to the leasing companies.

The following three letters of comfort are included at a value of €1 in the item below the balance sheet:

We issued a letter of comfort for borrowings by some of our units in Central and Eastern Europe from the European Bank for Reconstruction and Development, London.

Two letters of comfort were issued for the floating of hybrid capital of BA-CA Finance (Cayman) Limited as well as of BA-CA Finance (Cayman 2) Limited.

Furthermore, a commitment has been imposed on UniCredit Bank Austria AG under its membership, as prescribed in Sections 93 and 93a of the Austrian Banking Act and in the Austrian Deposit Guarantee and Investor Compensation Act (Einlagensicherungs- und Anlegerentschädigungsgesetz – ESAEG), in Sparkassen Haftungs AG, a company which is the deposit insurance institution of the Austrian savings bank sector.

We refer to item 4.34 for information on a letter of comfort issued for Ukrsotsbank.

4.33. Commitments

	31 DEC. 2015 (IN €)	31 DEC. 2014 (IN € THOUSAND)
Liabilities arising from sales with an option to repurchase pursuant to Section 50 (3) and (5) of the Austrian Banking Act	0.00	0
Underwriting commitments in respect of securities	911,543,407.95	764,293
Call/put options sold (pursuant to Annex 1 to Section 22, item 1 j)	0.00	426,712
Irrevocable loan commitments not yet utilised (credit facilities, commitments to lend, obligations to purchase securities, obligations to provide guarantees or acceptance facilities)	12,184,764,887.61	10,473,744
Securities borrowed – own account	0.00	0
Obligations under rent and lease agreements	62,250,937.21	64,254
Any other irrevocable transactions that may give rise to credit risk and have not been mentioned above	0.00	45
TOTAL	**13,158,559,232.77**	**11,729,048**

4.34. Material risks in Central and Eastern Europe

RUSSIA

Country risk

Russia is experiencing an economic downturn triggered by a combination of falling oil prices and sanctions-induced capital flows against a background of structural issues in the economy. This has also contributed to significant volatility in the exchange rate of the currency, which has driven inflation higher putting additional pressure on the economy. Sanctions imposed in response to the Ukraine conflict are significantly restricting Russian companies' business and their access to Western capital markets and large Russian groups of companies and the banking sector have become increasingly dependent on financial aid provided by the state. The economic outlook for the country remains largely dependent on oil price developments.

Sovereign exposures mainly result from management of excess liquidity at the Russian banking subsidiary.

Credit risk

Lending volume at our Russian banking subsidiary declined to €11.2 billion as at 31 December 2015, a decrease which was partly due to exchange rate movements. In 2015, non-performing exposures rose to 6.4% (2014: 3.7%) and the provisioning charge increased to €214 million (2014: €85 million), reflecting the difficult environment, mainly in corporate banking business.

UniCredit Bank Austria AG has assumed an intra-group guarantee in the amount of €1.26 billion in favour of its Russian banking subsidiary for a portfolio of corporate loans to enable the subsidiary to meet local regulatory requirements. This intra-group guarantee does not increase Bank Austria's overall exposure.

Currency risk

In the first quarter of 2015 the Russian rouble remained more or less stable against the US dollar while slightly recovering against the euro. As the year progressed, the rouble weakened against both currencies to reach an annual low towards the year-end. Our banking subsidiary in Russia does not hold any major open currency positions. The maximum positions were US$19 million long and US$34 million short. The average open US dollar position is within the range of single-digit million US dollar amounts.

Liquidity risk

AO UniCredit Bank Russia is not experiencing deposit outflows which exceed normal fluctuations, just the usual seasonal outflows of short-term deposits of corporate customers. A large proportion of customer deposits is held by major corporate customers, with maturities of up to five years. No problems have so far been encountered in renewals of maturing deposits.

The bank is compliant with all external and internal liquidity limits and liquidity ratios. UniCredit Bank Russia continues to be a net liquidity provider to UniCredit Bank Austria AG. Severe outflow assumptions in a stress test can be covered with the existing counterbalancing capacity.

UKRAINE

Country risk

The conflict in the eastern part of the country has aggravated the adverse impact of the necessary macroeconomic adjustment and led to a severe economic downturn in Ukraine in 2015. The recession deepened on account of various factors including financial markets which have come to a standstill, currency depreciation, and a loss of confidence in politics. The situation of public-sector finances remains difficult.

Most recent data, however, show some signs of stabilisation in economic activity in recent months, as the disruption caused by the loss of major capacity in the eastern part of Ukraine has waned and a tenuous truce has held. Uncertainty over the outlook remains high and debt sustainability remains an issue.

Credit risk

The development of political and economic conditions in Ukraine, regularly reported in the media, led to a steady deterioration in the portfolio at Ukrsotsbank (USB), the Ukrainian subsidiary, in the course of the year. The default ratio rose to 82% as at 31 December 2015 (2014: 67%).

Measures taken by USB's Risk Management department reduced loans and receivables (after deduction of loan loss provisions) to €1.4 billion at year-end 2015 (2014: €1.7 billion).

Volume booked directly in UniCredit Bank Austria AG (Profit Center Vienna, PCV) declined from €463 million to €372 million through an increase in loan loss provisions for the remaining portfolio (after deduction of loan loss provisions). Total volume attributable to the crisis region also declined significantly, to €410 million (after €515 million at the end of 2014). The default ratio in the crisis region is close to 98% (year-end 2014: 74%).

Loan portfolio data Ukraine

(in € million)

	LOANS AND ADVANCES TO CUSTOMERS		LOANS AND ADVANCES TO CREDIT INSTITUTIONS WHICH ARE GROUP COMPANIES	
	2015	2014	2015	2014
Gross volume	526	768	281	657
Net volume	372	463	281	657
Gross volume of impaired loans	295	422	0	0
Contingent liabilities*)	0	0	19	120
Of which: eastern Ukraine (Crimea, Donbass)				
Gross volume	266	280		
Net volume	137	230		
Gross volume of impaired loans	257	139		

*) There are no contingent liabilities relating to customers

The valuation of exposures in the eastern region of Ukraine (Crimea and Donbass) reflects collateral in the total amount of €162 million (of which €6 million was taken into account for the Profit Center Vienna and €156 million for volume booked at the local bank); the condition and soundness of such collateral are assessed on the basis of information most recently available and therefore such assessment involves uncertainty especially with regard to the crisis region of Crimea and Donbass.

Loans and advances denominated in foreign currency at the local bank declined from €1.7 billion at the end of 2014 to €1.5 billion as at 31 December 2015.

Currency risk

At the beginning of 2015, the EUR/UAH exchange rate was about 19 UAH per euro. After a significant rise to above 30 UAH per euro in February 2015, the EUR/UAH exchange rate stabilised as the year progressed, to a level of 23 to 25 UAH per euro, ending the year at 26.08 UAH per euro.

Currency risk at Ukrsotsbank was significantly reduced in the first quarter of 2015 as the USD position was, in effect, closed (via debt forgiveness by UniCredit Bank Austria AG). A capital increase in June further improved the USD position at the end of the second quarter, making the bank more resilient to potential future UAH currency depreciation (see also "Capital measures")

Liquidity risk

Deposits in USD stabilised, and UAH deposits rose slightly, in the course of 2015, after declines seen in the first quarter. Collateral held by the bank at the Ukrainian central bank amounts to about UAH 0.5 billion, exceeding the minimum reserve requirement. UniCredit Bank Austria AG supports Ukrsotsbank with a USD overnight facility, which is currently not used. Ukrsotsbank did not use any local central bank support as at the end of 2015.

Capital measures

During the first quarter of 2015, capital resources were temporarily lower than the minimum capital requirements defined by the National Bank of Ukraine (NBU). As a first step, in March 2015, the capital base was improved through debt forgiveness vis-à-vis Ukrsotsbank in the amount of about US$250 million. At the end of June 2015, a capital increase of US$250 million was carried out at Ukrsotsbank (through the conversion of existing loans of UniCredit Bank Austria AG into equity) to further strengthen the bank's capital base.

However, a further negative development of the economic conditions and/or of the Ukrainian currency UAH and a further aggravation or prolonged duration of the conflict in the eastern part of Ukraine may have a significant impact on compliance with local regulatory requirements of Ukrsotsbank, in particular with regard to minimum capital requirements. Therefore, and in addition to the capital measures undertaken, UniCredit Bank Austria AG has provided the local regulator and the Ukrainian subsidiary with a statement of its intention to support the bank's continuation as a going concern also in the period before completion of the sale of Ukrsotsbank.

4.35. Return on assets

The return on assets, which is the ratio of profit after tax ("annual surplus") to total assets as at the balance sheet date, was +0.21 % for the reporting year (2014: –1.57 %).

5. Notes to the profit and loss account

5.1. Breakdown of income at foreign establishments

On 29 December 2006, UniCredit Bank Austria AG set up a permanent establishment in Milan, Via Marco D'Aviano 5, which is exclusively engaged in the management and controlling of the equity interests of UniCredit that were transferred by way of contribution in kind. Therefore these activities are not banking activities.

In 2015, net interest income amounted to €14,041.63 (2014: €10 thousand) and other operating income was €0 (2014: €0 thousand).

5.2. Income from equity interests and group companies

The item "Income from shares in group companies" included income from profit-pooling arrangements in the amount of €431,873,811.04 (2014: €287,869 thousand).

5.3. Income from administrative and agency services provided to third parties

In 2015, income from safe-custody services and from intermediary services relating to insurance, building-society savings agreements and real estate totalled €62,385,026.02 (2014: €66,802 thousand).

5.4. Other operating income

Other operating income included compensation for group services, releases of provisions (including releases of pension provisions in the amount of €816,015,065.23 and of provisions for litigation risks), gains on other assets and rent income from real estate as well as all income not directly related to banking operations. The total amount of this item in 2015 was €872,755,678.79 (2014: €79,136 thousand).

5.5. Expenses for subordinated liabilities

In the reporting year, the total amount of expenses for subordinated liabilities and Tier 2 capital was €208,925,231.30 (2014: €134,584 thousand).

5.6. Staff costs – wages and salaries

This item includes the restructuring provision of €800,000,000.00 for compensation for entitlements of employees.

5.7. Expenses for severance payments

The item "Expenses for severance payments and payments to severance-payment funds" shows expenses of €38,174,784.87 (2014: €79,462 thousand).

5.8. Other operating expenses

Other operating expenses related primarily to expenses on banking operations not arising from lending business, and expenses arising from provisions for risks and restructuring, IT costs in the amount of €60,000,000.00 and, for the first time, expenses of €8,925,684.22 for deposit guarantee schemes and expenses of €37,194,185.12 for the EU bank resolution fund. Expenses reflected in this item in the reporting year totalled €194,471,450.79 (2014: €63,499 thousand).

5.9. Valuation and disposal of equity interests and shares in group companies

In the reporting year, write-downs totalled €1,113,105,145.97 (2014: €1,289,036 thousand). These write-downs related mainly to our banking subsidiaries in Ukraine with €383,521,823.38 (2014: €333,777 thousand), Russia with €219,057,859.29 (2014: €370,650 thousand) and Croatia with €56,965,033.70 (2014: €212,363 thousand) and, on account of distributions, also to various Austrian group companies (€384,885,134.24).

Valuation gains in 2015 totalled €518,064,562.82 (2014: €92,199 thousand) as the reasons for write-downs made in the past were no longer applicable. These gains related mainly to our banking subsidiary in Bulgaria, which accounted for €375,362,301.40.

Within "net income/expenses from the disposal and valuation of shares in group companies and equity interests", group companies accounted for a balance of minus €521,892,219.64 (2014: minus €1,274,108 thousand).
No income was realised on the sale of shares in profit-pooling arrangements.

5.10. Write-ups omitted

In 2015, no write-ups (2014: €0 thousand) were omitted to avoid tax consequences.

5.11. Effects of movements in untaxed reserves

Valuation reserves were unchanged in the 2015 financial year and there was no effect on the tax expense (2014: €3,083 thousand).

5.12. Taxes on income

The item "Taxes on income" shows net income of €66,793,969.11 for the 2015 financial year (2014: net income of €4,676 thousand).
This figure includes income of €897,279.82 (2014: €12,159 thousand) for corporation tax, expenses of €6,501,678.39 (2014: €7,182 thousand) for foreign taxes on income, and income of €72,398,367.68 (2014: €24,016 thousand) resulting from amounts charged to individual group companies under tax compensation agreements.

Pursuant to Section 9 of the Austrian Corporation Tax Act (Körperschaftsteuergesetz – KStG), a group of companies existed as at 31 December 2015 which consisted of UniCredit Bank Austria AG as group holding company and 65 companies as group members all of which are Austrian companies (23 companies with profit and loss transfer agreements and 42 companies with tax compensation agreements) as well as one group member in Austria included via a joint control arrangement. At the beginning of 2016, two group members with tax compensation agreements were sold; as the minimum requirement of a three-year period is not met, these companies will cease to be members of the group of companies with retroactive effect.

Under the tax compensation agreements, payments are made to UniCredit Bank Austria AG for taxable profits in the amount of corporation tax payable on such profits, after deduction of an interest benefit shared by the group holding company and the group member. There is no obligation to make tax compensation payments to the group holding company to the extent that tax losses from previous years are offset at the group member level. Moreover, UniCredit Bank Austria AG undertakes to make a compensation payment to group members leaving the group for unused tax losses. A provision was made for future tax obligations resulting from this undertaking.

5.13. Deferred tax

The amount of deferred tax which results from temporary differences and may be carried as an asset, calculated pursuant to Section 198 (9) and (10) of the Austrian Business Code, is €410,211,193.49 (2014: €529,543 thousand). The amount of deferred tax is not recognised as an asset.

5.14. Movements in reserves

In the 2015 financial year, the amount of €254,079,987.32 was allocated to revenue reserves (2014: release of €1,914,564 thousand from reserves).

5.15. Audit costs

Information on the costs of the audit of the financial statements (pursuant to Section 237, item 14, of the Austrian Business Code) is provided in the notes to the consolidated financial statements.

6. Information on staff, Management Board and Supervisory Board

6.1. Staff

The average number of salaried staff (full-time equivalent) employed in 2015 was 5,670 (2014: 5,958) and the average number of other employees was 0 (2014: 0).

6.2. Expenses for severance payments and pensions

Expenses for severance payments and pensions relate to the items “expenses for retirement benefits”, “allocation to the pension provision” and “expenses for severance payments and payments to severance-payment funds” in the profit and loss account.

In the 2015 financial year, allocations and payments for members of the Management Board and former members of the Management Board as well as their surviving dependants totalled €9,201,456.47 (2014: €9,888 thousand); allocations and payments for other employees and their surviving dependants totalled €236,546,581.54 (2014: €1,513,964 thousand). The amounts include payments to pension funds amounting to €339,939.02 (2014: €317 thousand) for active members of the Management Board and no such payments (2014: none) for former members of the Management Board.

6.3. Emoluments of Management Board members and Supervisory Board members

The emoluments paid by UniCredit Bank Austria AG to Management Board members in the 2015 financial year (excluding payments into pension funds) totalled €3,064,969,55 (comparable emoluments in 2014 totalled €2,871 thousand). Of this total, €2,305,711.52 (2014: €2,135 thousand) related to fixed salary components and €759,258.03 were variable salary components (2014: €736 thousand). The changes resulted mainly from cash deferrals from previous years pursuant to legal requirements. Moreover, a provision was made for variable remuneration for 2014 (subject to malus) in the amount of €1,408,000.00, which may be paid in subsequent years pursuant to the same legal provisions governing compensation. Several members of the Management Board receive their emoluments from companies which are not included in the group of consolidated companies of Bank Austria; these emoluments granted to Management Board members for activities in UniCredit Bank Austria AG and in subsidiaries in the 2015 financial year amounted to €4,078,902.20 (2014: €3,003 thousand) and are partly (2015: €1,057,170.19; 2014: €1,906 thousand) charged to UniCredit Bank Austria AG. These Management Board members also received emoluments for activities which are not connected with the Bank Austria Group but are in the interest of UniCredit Group.

Payments to former members of the Management Board and their surviving dependants (excluding payments into pension funds) totalled €8,773,377.68. (Of this total, €4,530,437.01 was paid to former Management Board members of Creditanstalt AG, which merged with Bank Austria in 2002, and their surviving dependants; €1,608,185.54 was paid to former Management Board members of Österreichische Länderbank AG, which merged with Zentralsparkasse in 1991, and their surviving dependants.) The comparative figure for 2014 was €8,622 thousand. Emoluments paid to this group of persons for activities in subsidiaries amounted to €3,633.64 (2014: €4 thousand).

The emoluments of the Supervisory Board members active in the 2015 business year totalled €329,897.34 (2014: €338 thousand) for UniCredit Bank Austria AG, and €1,520.00 (2014: €2 thousand) for the two credit associations.

6.4. Loans and advances to Management Board members and Supervisory Board members

Loans to members of the Management Board amounted to €406,100.30 (2014: €1,733 thousand), overdrafts granted to them were €40,651.27 (2014: €44 thousand). Repayments during the business year totalled €40,235.60 (2014: €55 thousand).

Loans to members of the Supervisory Board amounted to €621,920.02 (2014: €463 thousand). Overdrafts granted to Supervisory Board members totalled €65,436.09 (2014: €121 thousand). Repayments during the business year totalled €53,593.66 (2014: €53 thousand).

Loans to the Supervisory Board include those made to members of the Employees’ Council who are members of the Supervisory Board. The maturities of the loans range from five to thirty years. The rate of interest payable on these loans is the rate charged to employees of UniCredit Bank Austria AG.

6.5. Share-based payments

The Management Board and selected executives of UniCredit Bank Austria AG participate in the UniCredit share-based payment scheme of UniCredit Group. The share-based payment arrangements relate to Stock Options and Performance Shares for activities in UniCredit Bank Austria AG, based on shares in the parent company UniCredit S.p.A.

UniCredit calculates the economic value of the share-based payment arrangements on a uniform basis for the entire Group (Hull & White evaluation model) and provides the Group companies with relevant information. In UniCredit Bank Austria AG, the total amount recognised in the profit and loss account for the reporting year was €5,508,544.94 (2014: €5,455 thousand).

The number and distribution of Stock Options granted to Management Board members in the respective financial years, the exercise price, the maturity, the periods during which Stock Options may be exercised, the transferability of Stock Options, the minimum holding period (blocking period), the conditions of transferability and exercise, and the estimated value as at 31 December 2015 are shown in the tables below.

1.a) Stock Options – Management Board members

MANAGEMENT BOARD	YEAR IN WHICH STOCK OPTIONS WERE GRANTED*	NUMBER OF OPTIONS GRANTED	NUMBER OF SHARES THAT MAY BE PURCHASED	EXERCISE PRICE OR BASIS OR FORMULA	SHARE PRICE	MATURITY	PERIOD DURING WHICH STOCK OPTIONS MAY BE EXERCISED	TRANS-FER-ABILITY	BLOCKING PERIOD	ESTIMATED VALUE AS AT 31 DEC. 2015 IN EUR 2)
	2004	66,000	11,829	4.018	22.42	03/09/08	9 years	1)	no	65,868.00
	2005	353,000	63,265	4.817	26.88	25/11/09	9 years	1)	no	372,344.40
	2006	315,700	56,580	5.951	33.21	28/06/10	9 years	1)	no	400,623.30
	2007	427,570	76,629	7.094	39.58	13/07/11	6 years	1)	no	568,326.04
	2008	1,103,559	197,780	4.185	23.35	25/06/12	6 years	1)	no	723,051.86
	2009	0	0	0	0.00	–	–	–	–	0.00
	2010	0	0	1.807	11.90	31/07/14	–	–	–	0.00
	2011 3)	779,049	779,049	4.01	4.01	01/07/16	6 years	1)	no. after maturity	1,456,821.63
	2012	0	0	0	0.00	–	–	–	–	0.00
	2013	0	0	0	0.00	–	–	–	–	0.00
	2014	0	0	0	0.00	–	–	–	–	0.00
	2015	0	0	0	0.00	–	–	–	–	0.00
Total Management Board	**2004–2015**	**3,044,878**	**1,185,131**	**–**	**–**	**–**	**–**	**–**	**–**	**3,587,035.23**

*) Date of resolution passed by the Group's Board of Directors

In 2015, no new Stock Options were issued to Management Board members; no Stock Options were exercised by members of the Management Board.

1.b) Stock Options – executives and other employees

	YEAR IN WHICH STOCK OPTIONS WERE GRANTED*	NUMBER OF OPTIONS GRANTED	NUMBER OF SHARES THAT MAY BE PURCHASED	EXERCISE PRICE OR BASIS OR FORMULA	SHARE PRICE	MATURITY	PERIOD DURING WHICH STOCK OPTIONS MAY BE EXERCISED	TRANS-FER-ABILITY	BLOCKING PERIOD	ESTIMATED VALUE AS AT 31 DEC. 2015 IN EUR 2)
Executives	2007	639,648	114,433	7.094	39.58	13/07/11	6 years	1)	no	850,220.12
Executives	2008	1,504,195	269,100	4.185	23.35	25/06/12	6 years	1)	no	985,548.56
Executives	2010	0	0	–	–	–	–	–	–	0.00
Total executives	**2007–2010**	**2,143,843**	**383,534**	**–**	**–**	**–**	**–**	**–**	**–**	**1,835,768.69**
Other employees	2007	231,495	41,414	7.094	39.58	13/07/11	6 years	1)	no	307,703.15
Other employees	2008	451,947	80,853	4.185	23.35	25/06/12	6 years	1)	no	296,115.67
Other employees	2010	0	0	–	–	–	–	–	–	0.00
Total other employees	**2007–2010**	**683,442**	**122,268**	**–**	**–**	**–**	**–**	**–**	**–**	**603,818.83**
TOTAL STOCK OPTIONS	**2004–2010**	**5,872,163**	**1,690,932**	**–**	**–**	**–**	**–**	**–**	**–**	**6,026,622.74**

*) Date of resolution passed by the Group's Board of Directors

The 2010 Plan was evaluated in 2014. All rights have lapsed. No new Stock Options were issued to executives and other employees in the years from 2011 to 2015; no Stock Options were exercised.

2. Performance Shares

The 2010 Plan was evaluated in 2014. All rights have lapsed. No Performance Shares were allocated to Management Board members in 2015.

Conditions of transferability and exercise
1) Stock Options are restricted to the beneficiary's name and cannot be sold, assigned, pledged or transferred in any way. In the event of the beneficiary's death, claims under Stock Options may be transferred in full or in part to the beneficiary's heirs.

2) The estimated value of the Long Term Incentive Plans (LTIP) was determined on the basis of fair value as at 31 December 2015:

YEAR	FAIR VALUE STOCK OPTION	FAIR VALUE PERFORMANCE SHARE
LTIP 2004	0.998	–
LTIP 2005	1.0548	–
LTIP 2006	1.269	Plan expired
LTIP 2007	1.3292	Plan expired
LTIP 2008	0.6552	Plan expired
LITP 2010 (2011–2013)	Rights lapsed	Rights lapsed
LITP 2011 (2012–2015)	1.87	–

3) Stock Options for Management Board members in 2011 are a part of the deferred bonus of the year 2011 (payout in 2012 and subsequent years).
These rights become vested depending on the degree to which 2 internal key indicators of UniCredit Group are met during the entire performance period of the plan (2012–2015).

These key indicators are rTSR (relative Total Shareholder Return) and EP (Economic Profit). The payout ratio (0-150%) is calculated by the proportion of rTSR to EP versus budget (see table):

		∑ EP VS BUDGET			
		< 90%	90% ≥ < 100%	100% ≥ < 110%	≥110%
r TSR	≥ Q3	50%	75%	125%	150%
	≥ med	25%	50%	100%	125%
	< med	0%	25%	75%	100%
	≤ Q1	0%	0%	50%	75%

6.6. Names of Management Board members and of Supervisory Board members

A list of the members of the Supervisory Board and of the members of the Management Board is given on page 381.

Shares in group companies and equity interests

of UniCredit Bank Austria AG

List of shares in group companies and equity interests pursuant to Section 238 of the Austrian Business Code (UGB)

Shares in group companies (consolidated)

NAME AND DOMICILE OF COMPANY	TOTAL INTEREST IN %	EQUITY (IN €)	NET INCOME/LOSS (IN €)	TOTAL ASSETS (IN €)	BALANCE SHEET DATE
AI Beteiligungs GmbH, Vienna, AT	100.00	1,748,336.00	3,039.00	2,008,370.00	31 Dec. 2015 2)
Alpine Cayman Islands Ltd., Grand Cayman, KY	100.00	115,024,585.00	189,174.00	510,351,814.00	31 Dec. 2015 2)
AO UniCredit Bank, Moscow, RU	100.00	2,019,674,588.85	189,054,294.20	17,359,121,520.40	31 Dec. 2015 2)
BA Alpine Holdings, Inc., Wilmington County,New Castle, US	100.00	7,155,807.84	2,582,641.68	18,223,122.07	31 Dec. 2015 2)
BA Betriebsobjekte GmbH, Vienna, AT	100.00	16,109,938.00	158,493.00	25,032,409.00	31 Dec. 2015 2)
BA GVG-Holding GmbH, Vienna, AT	100.00	1,296,676.00	7,122.00	1,303,854.00	31 Dec. 2015 2)
BA-CA Markets & Investment Beteiligung Ges. m. b. H., Vienna, AT 1)	100.00	213,734,226.00	5,610,302.00	213,739,677.00	31 Dec. 2015 2)
BA-CA Vienna Mitte Holding GmbH, Vienna, AT	100.00	1,087,102.00	20,076,279.00	84,780,165.00	31 Dec. 2015 2)
Bank Austria Finanzservice GmbH, Vienna, AT 1)	100.00	3,125,303.00	135,504.00	5,221,612.00	31 Dec. 2015 2)
Bank Austria Real Invest Immobilien-Management GmbH, Vienna, AT 1)	94.95	105,646,522.00	8,704,780.00	115,612,095.00	31 Dec. 2015 2)
Bank Austria Wohnbaubank AG, Vienna, AT 1)	100.00	54,058,971.00	−1,133,698.00	2,200,491,604.00	31 Dec. 2015 2)
Buchstein Immobilienverwaltung GmbH und Co OG, Vienna, AT	100.00	520,380.95	65,428.95	1,434,024.22	31 Dec. 2015 2)
CABET-Holding GmbH, Vienna, AT 1)	100.00	689,493,484.00	15,420,153.00	689,498,851.00	31 Dec. 2015 2)
card complete Service Bank AG, Vienna, AT 1)	50.10	50,482,894.18	18,534,023.67	535,254,657.22	31 Dec. 2015 2)
Cards & Systems EDV-Dienstleistungs GmbH, Vienna, AT	58.00	9,189,564.00	2,459,325.00	13,878,775.00	31 Dec. 2015 2)
FactorBank Aktiengesellschaft, Vienna, AT	100.00	45,967,482.65	1,880,418.65	564,358,739.36	31 Dec. 2015 2)
Human Resources Service and Development GmbH, Vienna, AT 1)	100.00	25,199.20	52,048.99	1,252,534.44	31 Dec. 2015 2)
Immobilien Rating GmbH, Vienna, AT	99.00	830,418.00	152,718.00	1,528,358.00	31 Dec. 2015 2)
Kaiserwasser Bau- und Errichtungs GmbH und Co OG, Vienna, AT	99.80	−177,642.00	626,139.00	19,896,610.00	31 Dec. 2015 2)
KLEA ZS-Immobilienvermietung G. m. b. H., Vienna, AT	100.00	2,879,455.85	85,063.85	4,003,923.57	31 Dec. 2015 2)
KLEA ZS-Liegenschaftsvermietung G. m. b. H., Vienna, AT	100.00	2,205,355.69	184,690.69	4,385,225.58	31 Dec. 2015 2)
Lassallestraße Bau-, Planungs-, Errichtungs- und Verwertungsgesellschaft m. b. H., Vienna, AT	100.00	−6,120,712.60	1,633,245.78	125,274,567.12	31 Dec. 2015 2)
MY Drei Handels GmbH, Vienna, AT	100.00	685,973.00	– 3)	699,030.00	31 Dec. 2015 2)
Nordbahnhof Projekte Holding GmbH, Vienna, AT 1)	100.00	58,693,008.44	14,539.94	58,934,060.91	31 Dec. 2015 2)
Paytria Unternehmensbeteiligungen GmbH, Vienna, AT	100.00	524,172.00	– 3)	542,116.73	31 Dec. 2015 2)
PIRTA Verwaltungs GmbH, Vienna, AT	100.00	22,382,849.00	181,465.00	22,386,017.00	31 Dec. 2015 2)
POLLUX Immobilien GmbH, Vienna, AT	100.00	5,081,420.55	450,647.55	9,623,750.25	31 Dec. 2015 2)
Public Joint Stock Company "Ukrsotsbank", Kiev, UA	91.36	486,943,306.95	−120,755,267.94	2,025,402,853.51	31 Dec. 2015 2)
RAMSES Immobilien Gesellschaft m. b. H. & Co OG, Vienna, AT	100.00	22,019,226.00	1,921,342.00	45,238,363.00	31 Dec. 2015 2)
RIGEL Immobilien GmbH, Vienna, AT	100.00	11,142,214.86	635,022.86	11,472,971.35	31 Dec. 2015 2)
Schoellerbank Aktiengesellschaft, Vienna, AT	100.00	171,177,956.13	28,196,702.26	3,981,099,456.90	31 Dec. 2015 2)
SIA "UniCredit Leasing", Riga, LV	100.00	31,399,999.83	6,425,078.80	381,833,548.39	31 Dec. 2015 2)
SIRIUS Immobilien GmbH, Vienna, AT	100.00	3,548,078.70	2,823,948.70	6,081,192.93	31 Dec. 2015 2)
UniCredit Bank a. d. Banja Luka, Banja Luka, BA	98.43	89,229,520.40	10,929,446.26	641,692,493.61	31 Dec. 2015 2)
UniCredit Bank Czech Republic and Slovakia, a. s., Praha 4, CZ	99.96	2,185,720,502.42	186,248,680.57	20,256,916,691.04	31 Dec. 2015 2)
UniCredit Bank Hungary Zrt., Budapest, HU	100.00	739,166,567.76	118,213,048.16	8,911,508,533.26	31 Dec. 2015 2)
UNICREDIT BANK S. A., Bukarest, district 1, RO	95.67	681,676,402.84	47,545,011.94	6,750,591,546.39	31 Dec. 2015 2)
UniCredit Bank Serbia JSC, Belgrade, RS	100.00	524,119,538.87	52,723,587.35	2,535,228,704.35	31 Dec. 2015 2)
UniCredit Banka Slovenija d. d., Ljubljana, SI	99.99	256,433,537.50	9,677,231.70	2,545,038,569.18	31 Dec. 2015 2)
UniCredit Bulbank AD, Sofia, BG	99.45	1,282,232,876.06	148,280,424.38	8,880,415,924.43	31 Dec. 2015 2)
UniCredit Center am Kaiserwasser GmbH, Vienna, AT	100.00	13,769.00	0.00	134,031.00	31 Dec. 2015 2)
UniCredit Leasing (Austria) GmbH, Vienna, AT	100.00	177,847,327.98	−14,649,937.63	936,528,436.88	31 Dec. 2015 2)
UniCredit Turn-Around Management GmbH, Vienna, AT 1)	100.00	68,382,286.00	−12,554,146.00	69,781,535.00	31 Dec. 2015 2)
UNIVERSALE International Realitäten GmbH, Vienna, AT	100.00	368,152,063.00	7,081,511.00	372,229,702.00	31 Dec. 2015 2)
WED Holding Gesellschaft m. b. H., Vienna, AT	59.60	5,037,690.00	−20,972,276.00	5,223,770.00	31 Dec. 2015 2)
WED Wiener Entwicklungsgesellschaft für den Donauraum Aktiengesellschaft, Vienna, AT	100.00	5,059,606.00	−35,017,627.00	5,997,762.00	31 Dec. 2015 2)
Zagrebacka Banka d. d., Zagreb, HR	84.47	1,970,105,425.37	−52,302,759.49	13,720,031,913.85	31 Dec. 2015 2)
ZETA Fünf Handels GmbH, Vienna, AT 1)	100.00	593,722,397.00	95,226,234.00	598,102,180.00	31 Dec. 2015 2)

Shares in group companies and equity interests (CONTINUED)

Interests in companies accounted for under the equity method

NAME AND DOMICILE OF COMPANY	TOTAL INTEREST IN %	EQUITY (IN €)	NET INCOME/LOSS (IN €)	TOTAL ASSETS (IN €)	BALANCE SHEET DATE
Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck, AT	47.38	1,145,489,000.00	159,033,000.00	9,322,688,000.00	31 Dec. 2015 2)
BARN B.V., Amsterdam, NL	40.00	103,457,708.00	8,608,767.00	654,740,417.00	31 Dec. 2015 2)
BKS Bank AG, Klagenfurt, AT	32.76	836,618,000.00	71,933,000.00	6,995,686,000.00	31 Dec. 2015 2)
Koc Finansal Hizmetler AS, Istanbul/Levent, TR	50.00	1,358,287,283.49	103,148,046.28	1,358,574,216.91	31 Dec. 2015 2)
NOTARTREUHANDBANK AG, Vienna, AT	25.00	25,640,894.00	7,640,091.00	1,762,109,929.00	31 Dec. 2015 2)
Oberbank AG, Linz, AT	29.76	1,869,005,094.00	211,975,000.00	18,346,451,094.00	31 Dec. 2015 2)
Oesterreichische Kontrollbank Aktiengesellschaft, Vienna, AT	49.15	730,729,000.00	53,080,000.00	28,994,104,000.00	31 Dec. 2015 2)
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., Vienna, AT	50.00	28,408,686.00	2,961,572.00	1,059,723,248.00	31 Dec. 2015 2)
Österreichische Wertpapierdaten Service GmbH, Vienna, AT	29.30	65,364.00	3,382,184.00	1,849,320.00	31 Dec. 2015 2)
SP Projektentwicklung Schönefeld GmbH & Co.KG, Schönefeld, DE	50.00	17,391,537.00	3,832,319.00	18,911,828.00	31 Dec. 2015 2)
WKBG Wiener Kreditbürgschafts- und Beteiligungsbank AG, Vienna, AT	22.12	28,681,219.00	747,573.00	32,571,824.00	31 Dec. 2015 2)

Unconsolidated companies

NAME AND DOMICILE OF COMPANY	TOTAL INTEREST IN %	EQUITY (IN €)	NET INCOME/LOSS (IN €)	TOTAL ASSETS (IN €)	BALANCE SHEET DATE
A) Group companies					
Alfa Holding Ingatlanszolgaltato Kft., Györ, HU	95.00	–12,298.25	–1,503.26	2,313.44	31 Dec. 2014
Bank Austria Immobilien Entwicklungs- und Verwertungsgmbh, Vienna, AT 1)	100.00	17,500.00	1,076.20	19,307.08	31 Dec. 2014
Bank Austria-CEE BeteiligungsgmbH, Vienna, AT	100.00	32,543.08	–3,142.08	33,992.68	31 Dec. 2014
RAMSES-Immobilienholding GmbH, Vienna, AT	99.80	30,520.15	413.51	31,625.15	31 Dec. 2014
Real(e)value Immobilien BewertungsGmbH, Vienna, AT	100.00	379,071.28	175,722.14	447,487.08	31 Dec. 2014
RE-St.Marx Holding GmbH, Vienna, AT 1)	100.00	20,955.18	24,989.82	48,012.60	31 Dec. 2014
Sigma Holding Ingatlanszolgaltato Kft., Budapest, HU	95.00	–313,776.19	21,267.17	438,546.74	31 Dec. 2014
Sinera AG in Liquidation, Zug, CH	100.00	4,059.64	–11,617.08	4,059.64	31 Dec. 2014
THETA Fünf Handels GmbH, Vienna, AT	100.00	–23,185.58	10,608.02	1,000,000.00	31 Dec. 2014
Wirtschaftsverein der MitarbeiterInnen der UniCredit Bank Austria e.Gen., Vienna, AT	52.99	–390,672.97	–668,056.00	4,436,713.33	31 Dec. 2014
B) Associated companies					
Mizuho Bank - BA Investment Consulting GmbH in Liqu., Vienna, AT	50.00	1,007,960.20	521.58	1,153,242.57	31 Dec. 2014
MY Fünf Handels GmbH, Vienna, AT	50.00	1,012.70	–3,430.31	2,441.90	31 Dec. 2014
Projektentwicklung Schönefeld Verwaltungsgesellschaft mbH, Schönefeld, DE	50.00	28,328.11	229.45	29,295.14	31 Dec. 2012
Sparkassen-Haftungs Aktiengesellschaft, Vienna, AT	28.26	190,954.62	–6,812.69	193,884.62	31 Dec. 2014
C) Other companies					
2020 Medici GmbH, Vienna, AT	25.00	248,092.83	–15,496.55	794,720.12	31 Dec. 2014

The total percentage held comprises all shares held by consolidated companies and other group companies but not shares held on a trust basis.
Equity: equity pursuant to Section 229 of the Austrian Business Code.
1) Profit pooling arrangements with UniCredit Bank Austria AG
2) Figures in accordance with IFRSs
3) No profit-and-loss account data because of first-time consolidation.

Supervisory Board and Management Board

Supervisory Board and Management Board / 1 January 2015 – 31 December 2015

Supervisory Board

Chairman:
Erich HAMPEL

Deputy Chairman:
Paolo FIORENTINO

Members:
Alessandro DECIO

Olivier Nessime KHAYAT

Alfredo MEOCCI

Marina NATALE from 9 May 2015

Roberto NICASTRO until 27 November 2015

Vittorio OGLIENGO

Gianni Franco PAPA from 15 January 2016

Franz RAUCH until 4 May 2015

Karl SAMSTAG

Wolfgang SPRISSLER until 8 May 2015

Eveline STEINBERGER-KERN from 4 May 2015

Ernst THEIMER

Delegated by the Employees' Council:
Adolf LEHNER
Chairman of the Employees' Council

Michaela VRZAL
First Deputy Chairman of the Employees' Council

Barbara WIEDERNIG
Second Deputy Chairman of the Employees' Council

Alfred FÜRLER from 30 December 2015
Member of the Employees' Council

Johannes KOLLER until 1 February 2015
Third Deputy Chairman of the Employees' Council

Josef REICHL until 29 December 2015
Member of the Employees' Council

Robert TRAUNWIESER
Member of the Employees' Council

Wolfgang TRUMLER from 2 February 2015
Member of the Employees' Council

Management Board

Chairman/Chief Executive Officer:
Willibald CERNKO

Deputy Chairman:
Carlo VIVALDI from 16 February 2015

Gianni Franco PAPA until 15 February 2015

Members:
Helmut BERNKOPF

Mirko BIANCHI from 1 June 2015

Francesco GIORDANO until 31 May 2015

Dieter HENGL

Jürgen KULLNIGG

Doris TOMANEK

Robert ZADRAZIL

Financial Statements for 2015

UniCredit Bank Austria AG
Jahresabschluss 2015

Wien, 29. Februar 2016

Der Vorstand:

Willibald Cernko
(Vorsitzender)

Dr. Carlo Vivaldi
(Vorsitzender-Stellvertreter)

Mag. Helmut Bernkopf

Mirko Bianchi, Dipl.Ing. ETH, MBA

Mag. Dieter Hengl

Dr. Jürgen Kullnigg

Mag. Doris Tomanek

Robert Zadrazil

Auditors' Report

Translation of the facsimile on pages 386 to 387

UniCredit Bank Austria AG Financial Statements for 2015

Auditors' Report

Report on the Financial Statements

Sparkassen-Prüfungsverband (Prüfungsstelle) and Deloitte Audit Wirtschaftsprüfungs GmbH have audited the accompanying financial statements, including the accounting system, of UniCredit Bank Austria AG, Vienna, for the fiscal year from 1 January 2015 to 31 December 2015. These financial statements comprise the balance sheet as at 31 December 2015, the income statement for the fiscal year ended 31 December 2015, and the notes.

Management's Responsibility for the Financial Statements and for the Accounting System

UniCredit Bank Austria AG's management is responsible for the accounting system and for the preparation of the financial statements, which provide a fair representation of the earnings, finance and asset situation of UniCredit Bank Austria AG, Vienna, in accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory provisions for credit institutions. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements and the earnings, finance and asset situation of UniCredit Bank Austria AG, Vienna, that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

It is the responsibility of Sparkassen-Prüfungsverband and Deloitte Audit Wirtschaftsprüfungs GmbH to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the earnings, finance and asset situation of UniCredit Bank Austria AG in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UniCredit Bank Austria's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of UniCredit Bank Austria AG as of 31 December 2015, and of its financial performance for the fiscal year from 1 January 2015 to 31 December 2015 in accordance with Austrian Generally Accepted Accounting Principles.

Without qualifying our opinion, we refer to the remarks by the management board in the notes to the financial statements, "chapter 2.2.11 Provisions", and in the management report.

There, the termination of UniCredit Bank Austria AG's role as pension insurance provider for certain employees and the corresponding transfer of the affected employees of UniCredit Bank Austria AG into the full insurance under the Austrian General Social Security Act (ASVG) are explained. According to the view of UniCredit Bank Austria AG and its legal experts, this measure is in accordance with the legal framework applicable (especially section 311 ASVG) and has been accounted for accordingly.

The management board indicates that due to the currently ongoing public and political discussions about the possibility of a legislative amendment, there is a special uncertainty regarding the determination of the future payments to be made to the public pension system

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Auditors' Report (CONTINUED)

associated with the curtailment for active employees. Whether and to what extent this might lead to an adaption of these future payments can currently neither be assessed nor predicted reliably. Any implications of possible future legislative amendments would need to be considered in the reporting period in which this change occurs.

Comments on the management report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the position of UniCredit Bank Austria AG, Vienna. The auditor's report also has to contain a statement as to whether the management report is consistent with the financial statements and whether the disclosures pursuant to section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report is consistent with the financial statements. The disclosures pursuant to section 243a UGB (Austrian Commercial Code) are appropriate.

Financial Statements for 2015
UniCredit Bank Austria AG, Vienna

Vienna, 29 February 2016
Austrian Savings Bank Auditing Association
Auditing Board
(Bank Auditor)

Herwig Hierzer
Certified Accountant

Reinhard Gregorich
Auditor

Deloitte Audit Wirtschaftsprüfungs GmbH

Peter Bitzyk
Certified Accountant

Gottfried Spitzer
Certified Accountant

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Prüfung des Jahresabschlusses 2015
UniCredit Bank Austria AG

Sparkassen-Prüfungsverband
Grimmelshausengasse 1
1030 Wien
AUSTRIA

Deloitte Audit Wirtschaftsprüfungs GmbH
Renngasse 1 / Freyung
1010 Wien
AUSTRIA

UniCredit Bank Austria AG Jahresabschluss 2015

Bestätigungsvermerk

Bericht zum Jahresabschluss

Die Prüfungsstelle des Sparkassen-Prüfungsverbandes und die Deloitte Audit Wirtschaftsprüfungs GmbH haben den beigefügten Jahresabschluss der UniCredit Bank Austria AG, Wien, für das Geschäftsjahr vom 1. Jänner bis zum 31. Dezember 2015 unter Einbeziehung der Buchführung geprüft. Dieser Jahresabschluss umfasst die Bilanz zum 31. Dezember 2015, die Gewinn- und Verlustrechnung für das am 31. Dezember 2015 endende Geschäftsjahr sowie den Anhang.

Verantwortung der gesetzlichen Vertreter für den Jahresabschluss und für die Buchführung

Die gesetzlichen Vertreter der UniCredit Bank Austria AG, Wien, sind für die Buchführung sowie für die Aufstellung eines Jahresabschlusses verantwortlich, der ein möglichst getreues Bild der Vermögens-, Finanz- und Ertragslage der UniCredit Bank Austria AG, Wien, in Übereinstimmung mit den österreichischen unternehmensrechtlichen Vorschriften und den sondergesetzlichen Bestimmungen vermittelt. Diese Verantwortung beinhaltet: Gestaltung, Umsetzung und Aufrechterhaltung eines internen Kontrollsystems, soweit dieses für die Aufstellung des Jahresabschlusses und die Vermittlung eines möglichst getreuen Bildes der Vermögens-, Finanz- und Ertragslage der UniCredit Bank Austria AG, Wien, von Bedeutung ist, damit dieser frei von wesentlichen Fehldarstellungen ist, sei es auf Grund von beabsichtigten oder unbeabsichtigten Fehlern; die Auswahl und Anwendung geeigneter Bilanzierungs- und Bewertungsmethoden; die Vornahme von Schätzungen, die unter Berücksichtigung der gegebenen Rahmenbedingungen angemessen erscheinen.

Verantwortung des Abschlussprüfers und Beschreibung von Art und Umfang der gesetzlichen Abschlussprüfung

Die Verantwortung des Sparkassen-Prüfungsverbandes und der Deloitte Audit Wirtschaftsprüfungs GmbH besteht in der Abgabe eines Prüfungsurteils zu diesem Jahresabschluss auf der Grundlage unserer Prüfung. Wir haben unsere Prüfung unter Beachtung der in Österreich geltenden gesetzlichen Vorschriften und Grundsätze ordnungsgemäßer Abschlussprüfung durchgeführt. Diese Grundsätze erfordern, dass wir die Standesregeln einhalten und die Prüfung so planen und durchführen, dass wir uns mit hinreichender Sicherheit ein Urteil darüber bilden können, ob der Jahresabschluss frei von wesentlichen Fehldarstellungen ist.

Eine Prüfung beinhaltet die Durchführung von Prüfungshandlungen zur Erlangung von Prüfungsnachweisen hinsichtlich der Beträge und sonstigen Angaben im Jahresabschluss. Die Auswahl der Prüfungshandlungen liegt im pflichtgemäßen Ermessen des Abschlussprüfers unter Berücksichtigung seiner Einschätzung des Risikos eines Auftretens wesentlicher Fehldarstellungen, sei es auf Grund von beabsichtigten oder unbeabsichtigten Fehlern. Bei der Vornahme dieser Risikoeinschätzung berücksichtigt der Abschlussprüfer das interne Kontrollsystem, soweit es für die Aufstellung des Jahresabschlusses und die Vermittlung eines möglichst getreuen Bildes der Vermögens-, Finanz- und Ertragslage der UniCredit Bank Austria AG, Wien, von Bedeutung ist, um unter Berücksichtigung der Rahmenbedingungen geeignete Prüfungshandlungen festzulegen, nicht jedoch um ein Prüfungsurteil über die Wirksamkeit der internen Kontrollen der UniCredit Bank Austria AG, Wien, abzugeben. Die Prüfung umfasst ferner die Beurteilung der Angemessenheit der angewandten Bilanzierungs- und Bewertungsmethoden und der von den gesetzlichen Vertretern vorgenommenen wesentlichen Schätzungen sowie eine Würdigung der Gesamtaussage des Jahresabschlusses.

Wir sind der Auffassung, dass wir ausreichende und geeignete Prüfungsnachweise erlangt haben, sodass unsere Prüfung eine hinreichend sichere Grundlage für unser Prüfungsurteil darstellt.

Prüfungsurteil

Unsere Prüfung hat zu keinen Einwendungen geführt. Auf Grund der bei der Prüfung gewonnenen Erkenntnisse entspricht der Jahresabschluss nach unserer Beurteilung den gesetzlichen Vorschriften und vermittelt ein möglichst getreues Bild der Vermögens- und Finanzlage der UniCredit Bank Austria AG, Wien, zum 31. Dezember 2015 sowie der Ertragslage der UniCredit Bank Austria AG, Wien, für das Geschäftsjahr vom 1. Jänner bis zum 31. Dezember 2015 in Übereinstimmung mit den österreichischen Grundsätzen ordnungsmäßiger Buchführung.

Ohne unseren Bestätigungsvermerk einzuschränken, weisen wir auf die Anmerkungen des Vorstandes der Gesellschaft im Anhang des Jahresabschlusses, „Kapitel 2.2.11. Rückstellungen“, und im Lagebericht hin.

Dort wird die Beendigung der Funktion der UniCredit Bank Austria AG als Pensionsversicherungsträger für bestimmte Mitarbeiter und die damit verbundene Überführung der betroffenen Mitarbeiter der UniCredit Bank Austria AG in die Vollversicherung nach dem Allgemeinen Sozialversicherungsgesetz (ASVG) erläutert. Dieser Vorgang wurde nach Ansicht der UniCredit Bank Austria AG und ihrer Rechtsvertreter im Einklang mit den für diesen Sachverhalt anzuwendenden Rechtsgrundlagen (insbesondere § 311 ASVG) vorgenommen und entsprechend bilanziert.

Der Vorstand weist jedoch darauf hin, dass aufgrund der derzeit laufenden öffentlichen und politischen Diskussionen über die

Möglichkeit einer Gesetzesänderung eine spezielle Unsicherheit bei der Ermittlung der an das staatliche Pensionssystem zu leistenden Zahlungen im Zusammenhang mit der Plankürzung für aktive Mitarbeiter besteht. Ob und in welcher Höhe dies letztlich zu einer Änderung dieser Zahlungen führen wird, ist derzeit weder verlässlich ermittelbar noch abschätzbar. Etwaige Auswirkungen von möglichen zukünftigen Gesetzesänderungen wären in der Berichtsperiode dieser Änderung zu berücksichtigen.

Aussagen zum Lagebericht

Der Lagebericht ist auf Grund der gesetzlichen Vorschriften darauf zu prüfen, ob er mit dem Jahresabschluss in Einklang steht und ob die sonstigen Angaben im Lagebericht nicht eine falsche Vorstellung von der Lage der UniCredit Bank Austria AG, Wien, erwecken. Der Bestätigungsvermerk hat auch eine Aussage darüber zu enthalten, ob der Lagebericht mit dem Jahresabschluss in Einklang steht und ob die Angaben nach § 243a UGB zutreffen. Der Lagebericht steht nach unserer Beurteilung in Einklang mit dem Jahresabschluss. Die Angaben gemäß § 243a UGB sind zutreffend.

Jahresabschluss 2015

UniCredit Bank Austria AG, Wien

Wien, den 29. Februar 2016

Sparkassen-Prüfungsverband

Prüfungsstelle

(Bankprüfer)

MMag. Herwig Hierzer
Wirtschaftsprüfer

Mag. Reinhard Gregorich
Oberrevisor

Deloitte Audit Wirtschaftsprüfungs GmbH

Dr. Peter Bitzyk
Wirtschaftsprüfer

Dr. Gottfried Spitzer
Wirtschaftsprüfer

Bei Veröffentlichung oder Weitergabe des Konzernabschlusses in einer von der bestätigten Fassung abweichenden Form bedarf es zuvor unserer erneuten Stellungnahme, sofern hierbei unser Bestätigungsvermerk zitiert oder auf unsere Prüfung hingewiesen wird.

Statement by Management

Translation of the facsimile on page 389

UniCredit Bank Austria AG
Financial Statements for 2015

Statement by Management
We state to the best of our knowledge that the financial statements prepared in accordance with the relevant financial reporting standards provide a true and fair view of the financial position and performance of the issuer, and that in the Management Report the business trends including business results and the position of the issuer have been presented in such a way as to provide a true and fair view of the financial position and performance of the issuer, and that it describes the material risks and uncertainties to which the issuer is exposed.

Vienna, 29 February 2016

The Management Board:

Willibald Cernko
CEO Support Services
(Chairman)

Carlo Vivaldi
CEE Banking Division
(Deputy Chairman)

Helmut Bernkopf
Commercial Banking Division

Mirko Bianchi
CFO Finance

Dieter Hengl
Corporate & Investment
Banking Division

Jürgen Kullnigg
CRO Risk Management

Doris Tomanek
Human Resources Austria & CEE

Robert Zadrazil
Private Banking Division

Statement by Management (CONTINUED)

UniCredit Bank Austria AG
Jahresabschluss 2015

Erklärung der gesetzlichen Vertreter

Wir versichern nach bestem Wissen, dass der im Einklang mit den einschlägigen Rechnungslegungsstandards aufgestellte Jahresabschluss ein möglichst getreues Bild der Vermögens-, Finanz- und Ertragslage des Emittenten vermittelt und im Lagebericht der Geschäftsverlauf einschließlich des Geschäftsergebnisses und die Lage des Emittenten so dargestellt sind, dass ein möglichst getreues Bild der Vermögens-, Finanz- und Ertragslage des Emittenten entsteht, und dass er die wesentlichen Risiken und Ungewissheiten, denen der Emittent ausgesetzt ist, beschreibt.

Wien, 29. Februar 2016

Der Vorstand:

Willibald Cernko
CEO Support Services
(Vorsitzender)

Dr. Carlo Vivaldi
CEE Banking Division
(Vorsitzender-Stellvertreter)

Mag. Helmut Bernkopf
Commercial Banking Division

Mirko Bianchi, Dipl.Ing. ETH, MBA
CFO Finance

Mag. Dieter Hengl
Corporate & Investment
Banking Division

Dr. Jürgen Kullnigg
CRO Risk Management

Mag. Doris Tomanek
Human Resources Austria & CEE

Robert Zadrazil
Private Banking Division

Investor Relations

UniCredit Bank Austria AG / Corporate Relations

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Tel.: (+43) (0)5 05 05-57232	Fax: (+43) (0)5 05 05-8957232
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Ana-Maria Olteanu, tel.: (+43) (0)5 05 05-59522	
Birgit Tscherteu, tel.: (+43) (0)5 05 05-82638	

Ratings

	LONG-TERM	SUBORDINATED LIABILITIES	SHORT-TERM
Moody's [1]	Baa2	Ba2	P-2
Standard & Poor's [2]	BBB	BB+	A-2
Fitch Ratings	BBB+	–	F2

Public-sector covered bonds and mortgage bonds of Bank Austria are rated Aaa by Moody's.

[1] Grandfathered senior debt is rated A3, grandfathered subordinated debt is rated Baa3.

[2] Grandfathered senior debt is rated BBB, grandfathered subordinated debt is rated BB+.

Financial calendar

11 May 2016	Publication of the results as of 31 March 2016
4 August 2016	Publication of the half-year results as of 30 June 2016
11 November 2016	Publication of the results as of 30 September 2016
All information is available electronically at http://ir.bankaustria.at	

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

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

Editor:
Planning & Controlling Austria, External Reporting

Creative concept: M&C Saatchi Milano

Layout concept and design: UniCredit

Graphics: www.horvath.co.at

Business objective:
Credit institution pursuant to Section 1 (1) of the Austrian Banking Act (Bankwesengesetz)

Persons (Management Board) authorised to represent the media owner:
Robert Zadrazil (Chairman of the Management Board), Carlo Vivaldi (Deputy Chairman of the Management Board), Mirko Bianchi, Romeo Collina, Dieter Hengl, Jürgen Kullnigg, Doris Tomanek.

Supervisory Board of the media owner:
Erich Hampel (Chairman of the Supervisory Board), Paolo Fiorentino (Deputy Chairman of the Supervisory Board), Alessandro Decio, Alfred Fürler, Olivier Nessime Khayat, Adolf Lehner, Alfredo Meocci, Marina Natale, Vittorio Ogliengo, Josef Reichl, Karl Samstag, Eveline Steinberger-Kern, Ernst Theimer, Robert Traunwieser, Wolfgang Trumler, Michaela Vrzal, Barbara Wiedernig.

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

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

Notes

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

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

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

Disclaimer

This edition of our Annual Financial Statements is prepared for the convenience of our English-speaking readers. It is based on the German original, which is the authentic version and takes precedence in all legal respects.