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Interim Report at 31 March 2015

Contents

Bank Austria at a Glance

Income statement figures

(€ million)	Q1 2015	Q1 2014[1]	+/–
Net interest	816	869	–6.2%
Dividend income and other income from equity investments	98	73	+34.5%
Net fees and commissions	341	331	+3.0%
Net trading, hedging and fair value income	107	112	–4.8%
Operating income	1,383	1,413	–2.1%
Operating costs	–751	–772	–2.8%
Operating profit	632	641	–1.3%
Net write-downs of loans and provisions for guarantees and commitments	–210	–208	+1.1%
Net operating profit	422	433	–2.5%
Profit before tax	311	420	–26.1%
Net profit attributable to the owners of the parent company	198	348	–43.2%

Volume figures

(€ million)	31 MARCH 2015	31 DEC. 2014[1]	+/–
Total assets	195,009	189,118	+3.1%
Loans and receivables with customers	117,511	113,732	+3.3%
Direct funding (deposits from customers and debt securities in issue)	136,251	132,285	+3.0%
Equity	15,740	14,925	+5.5%
Risk-weighted assets (overall)[2]	137,787	130,351	+5.7%

Key performance indicators

	31 MARCH 2015	2014[1]
Return on equity after tax (ROE)	5.7%	9.7%
Cost/income ratio	54.3%	52.5%
Cost of risk (provisioning charge/avg. lending volume)	0.73%	0.68%
Loans and receivables with customers/direct funding	86.2%	86.0%
Leverage ratio[3]	5.6%	5.6%
Common Equity Tier 1 capital ratio[4]	10.2%	10.3%
Tier 1 capital ratio[4]	10.2%	10.3%
Total capital ratio[4]	13.7%	13.4%

Staff

	31 MARCH 2015	31 DEC. 2014[1]	+/–
Bank Austria (full-time equivalent)	35,889	36,076	–187
Central Eastern Europe business segment	23,988	24,009	–20
Ukraine (held for sale)	4,732	4,830	–98
Austria (other business segments)	7,169	7,237	–69

Offices

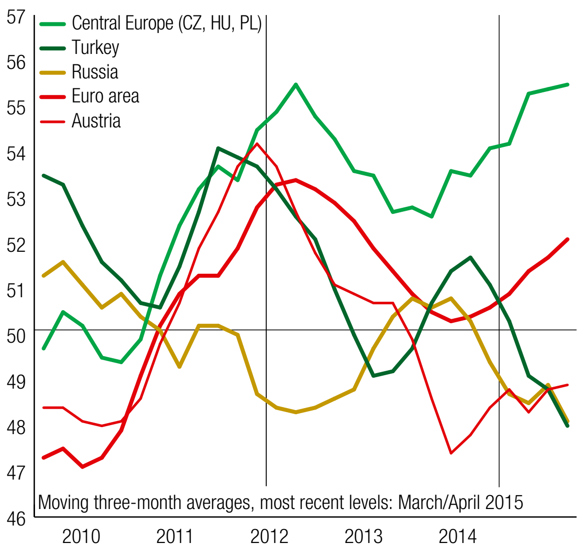
	31 MARCH 2015	31 DEC. 2014[1]	+/–
Bank Austria	1,638	1,664	–26
Central Eastern Europe business segment	1,112	1,130	–18
Ukraine (held for sale)	291	291	+0
Austria (other business segments)	235	243	–8

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 (average figures for Q4 2014 and Q1 2015). / 4) Capital ratios based on all risks under Basel 3 (transitional) and IFRSs.

The banking environment

● After a period of weakness in late summer 2014 the **global economy** was gathering momentum towards the end of the year. Global growth subsequently weakened but the moderate upward trend remained intact in the first few months of 2015. This confirms the scenario described for 2015 in our 2014 Annual Report. Since the beginning of the current year, as expected, economic trends in the world's major regions have differed widely. The most important factor influencing economic performance was the sharp fall in **oil prices**. The price for Brent oil, which is regarded as a benchmark, dropped from about 110 US$/bl in June 2014 to less than 50 US$/bl in January 2015, recently moving around 55 US$/bl. This development supported production, purchasing power and consumption in the industrial countries. However, the resulting rotation of growth drivers came at the expense of emerging markets, which were already experiencing weaker growth. In China, where expansion was still strong, the growth momentum slowed significantly as past overheating tendencies (in the real estate market, for example) reversed. Production in Brazil stagnated and Russia was moving deeper into recession in early 2015. While the preconditions for a sustainable upswing in US domestic economic activity are in place, growth failed to materialise for the time being (real GDP in Q1 2015: +0.2% over preceding quarter) because exports were weaker as the US dollar appreciated, and unusually bad weather during the winter also had an impact. In the euro area, on the other hand, indicators available so far suggest that quarter-on-quarter growth accelerated from +1.3% in the fourth quarter of 2014 to +2.0% over Q4 2014 on an annualised basis; compared with the first quarter of the previous year, however, growth was only about +1%. Trends in production varied, with stronger-than-expected growth in Germany and surprisingly

Purchasing Managers' Indices (PMI) / industry



Moving three-month averages, most recent levels: March/April 2015

dynamic expansion in Spain and, to a lesser extent, also in Portugal, while France remained weak. Italy seems to be slowly recovering from the multi-year low.

Apart from oil price developments, the European Central Bank's **monetary policy** also provided significant impetus to growth. On 22 January 2015, the ECB decided to extend its asset-backed securities purchase programme (ABSPP) and its covered bond purchase programme 3 (CBPP3) launched in autumn 2014 by adding a new public sector purchase programme (PSPP). Monthly purchases totalling €60 billion will be made until the inflation rate is close to the target rate of just below 2%; such purchases will be carried out until at least September 2016. Purchases under the PSPP will focus on sovereign bonds issued by euro area countries (in proportion to the ECB's capital key). Technical details were announced on 5 March 2015 and intervention started on 9 March. The announcement of quantitative easing in itself had a significant effect on expectations and on the pattern of interest rates and exchange rates. Capital market interest rates declined to levels below zero, with the yields on five-year and seven-year euro benchmark bonds moving into negative territory in January and March, respectively. In the middle of April, positive yields of less than 0.1% were only seen on nine-year and ten-year maturities. Yields on other government bonds fell in parallel with this movement; as a result of market intervention, they were gradually decoupling from CDS spreads and were significantly 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. Lending rates also fell across Europe; in average terms for the euro area, interest on new corporate loans of over €1 million (fixed rate for the first three months/variable rate for the remaining term) amounted to only 1.51%. Interest rates probably also fell on account of the strong participation of banks in the third tranche (of an envisaged eight) of the targeted longer-term refinancing operations (TLTROs) after the ECB abolished the interest premium of 10% above the key interest rate. This move was probably motivated by growing efforts to support demand for loans. Primarily Italy, followed by France and Spain, as well as Austria showed keen interest in these funding opportunities, even if the funds are not immediately used.

When the ECB's interventions were announced and implemented, this new monetary policy primarily **impacted exchange rates**. Fuelled by the contrary expectations placed in US monetary policy, the euro weakened by around 11.4% against the US dollar to 1.0759 USD/EUR between the end of 2014 and the end of March 2015 (–21.4% year-on-year). The effective depreciation of the euro (on a trade-weighted basis the euro fell by 8.1% over year-end 2014 and by 13.2% over the end of March 2014) could, with a certain time lag, provide an economic impetus that may extend beyond the euro area to the CEE region.

The banking environment (CONTINUED)

Euro interest rates close to zero

	DEC. 2013	DEC. 2014	MARCH 2015
Money market			
ECB main refinancing operations	0.25	0.05	0.05
EONIA swap 3m/ON (without liquidity)	0.13	–0.05	–0.12
Euribor 3m (interbank)	0.20	0.06	–0.01
Euribor 12m (interbank)	0.56	0.33	0.17
Swap 5yr/6m (without liquidity)	1.25	0.33	0.25
Capital market (bonds, 5 to 7-year maturities)*)			
€ benchmark (Germany)	1.15	0.08	0.01
€ government bonds (average)	2.05	0.58	0.41
Covered (Jumbo Pfandbrief Germany)	1.45	0.30	0.13
Covered (euro average)	1.89	0.50	0.29
Corporate bonds, AA rating	2.15	0.65	0.73
Corporate bonds, BBB rating	3.40	1.97	1.65
Bank issues, AA rating	1.96	0.81	0.69
Bank issues, BBB rating	2.55	1.43	1.24
Bank interest rates euro area (according to ECB)			
Lending rate (corporate customers > €1 million, variable)	2.18	1.77	1.51
Deposit rate (private households, savings deposits)	1.11	0.85	0.82

*) Average yields from iBOXX indices, 5 to 7-year maturities

In an environment of zero interest rates this monetary policy – not accidentally – increased the risk appetite of investors in **financial markets**. The euro **stock market** (EuroStoxx) advanced by 18.2% between the end of 2014 and the end of March 2015, and by 19.6% until the middle of April, significantly outperforming US stock markets (S&P500: +0.4% and +2.9%, respectively) and the MSCI world index (+4.2% and +7.7%). Prices of industrial commodities – without energy – continued to decline in the first quarter of 2015. Among the safe-haven indicators, the price of gold remained virtually unchanged at 1,182 US$/oz, rising only when this is converted into euros (+11.9%). After the Swiss National Bank ended the Swiss franc's link to the euro in a surprise move on 15 January 2015, with the Swiss franc subsequently briefly overshooting to 0.85 CHF/EUR, the exchange rate was most recently 1.04 CHF/EUR, 6.0% up on year-end 2014. Switzerland's currency reserves continued to increase (CHF 522 billion in March 2015).

● The weak economic momentum which prevailed in **Austria** in 2014 continued in the early part of 2015. According to initial official estimates, the Austrian economy achieved slight quarter-on-quarter growth of 0.1% in the first three months of 2015. This is an increase of 0.4% (on an unadjusted basis) over the same period of the previous year. Our moderately positive view has thus been confirmed. While exports were still lacking momentum, despite the weaker euro, import demand also remained moderate as companies maintained their investment restraint. On balance, foreign trade did not make any contribution to growth. Consumer demand is currently the only driver of GDP expansion. Supported by low inflation (averaging 0.8% year-on-year), private consumption was up by 0.1% over the preceding quarter. In an environment characterised by persistently subdued sentiment (the Purchasing Managers' Index remained well below the growth threshold of 50 in the first three months), investment continued to decline, though at a slower pace than towards year-end 2014; investment in construction came under particularly strong pressure. Low industrial activity in the first quarter of 2015 was reflected in reduced inventories and continued cuts in employment. The services sector experienced more favourable trends. Companies and public households still use liquidity to improve their financial position. The first quarter of 2015 continued to see stagnant demand for corporate and consumer loans; housing loans were the only segment in which demand increased slightly. Although interest rates are low, deposits held by private households again showed strong growth of over 2%, and demand for mutual funds picked up. Investments in bank issues, on the other hand, fell significantly.

● In the **CEE region** much of the momentum seen in the countries in **Central Europe** (CE) in 2014 carried over into a good first quarter; our forecasts for 2015/16 therefore remained more or less unchanged (see the Outlook section of this report). This is reflected in the leading indicators such as surveys among industrial companies (see the PMI chart) or in industrial output (most recently about +4.5% compared with the previous year). The four countries in this group achieved the strongest expansion in CEE, with Hungary in the lead, supported by domestic and foreign demand and by the Funding for Growth programme launched to provide assistance to small and medium-sized businesses. Among the countries in South-East Europe (SEE) output in **Romania and Bulgaria**, while recording somewhat lower growth of around +3%, also pointed upwards. A number of factors were responsible for this positive performance: the countries' robust competitiveness, supported by currency depreciation coupled with the euro; the strong production links with Western Europe and Germany in particular; as well as domestic demand which gained momentum as purchasing power increased. The persistent disinflationary trend benefited real incomes and consumption, while paving the way for further interest rate cuts (also in Hungary and Romania, whose currencies remained firm against the euro). Stock markets have also been advancing strongly to date. The **Western Balkan** countries are still in recession, impacted by structural weaknesses and by the consequences of the floods in Bosnia and Herzegovina and in Serbia in the middle of 2014. The strong stimulus provided by the fall in oil prices will not suffice for positive growth. Croatia has now experienced six years of recession and is coming under pressure from the EU (EDP) in a fiscal context. Serbia is primarily faced with governance problems in its negotiations with international creditors (IMF, EU, development banks). High government deficits and credit spreads make this group of countries vulnerable to swings in capital flows.

Turkey had a disappointing first quarter in 2015. Most indicators point to an economic slowdown. Industrial output was at the level of the previous year, and besides falling below the growth threshold of 50, the

The banking environment (CONTINUED)

Purchasing Managers' Index (PMI) declined to a six-year low of 48. Inflation accelerated again most recently (March 2015: 7.6%). The Turkish lira weakened increasingly against the euro in the course of the first quarter, but remained at the previous year's level. This compared with a strong depreciation against the US dollar (end of March: –10.4% compared with year-end 2014 and –17.7% over March 2014), making it easier for Turkey to finance its current account deficit through capital inflows. But no measures are being taken to raise key interest rates in view of the forthcoming general election in June. Funding costs of banks are high nevertheless (the cost of 3-month money most recently jumped to 10.55%) and CDS spreads most recently rose again to over 200bp. Nevertheless, with anticipated real economic growth of 3%, corresponding to nominal growth of over 15%, Turkey is likely to be the region's most dynamic market in 2015.

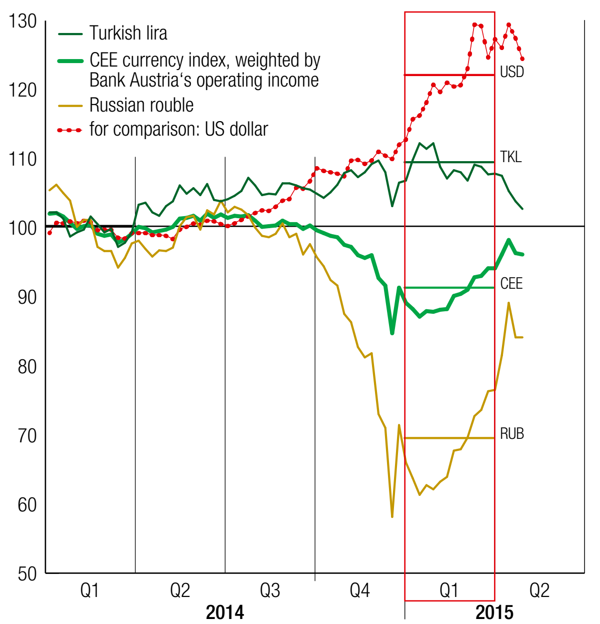
Domestic demand in **Russia** contracted substantially, as a consequence of massive terms-of-trade losses in the first quarter of 2015: exports hardly changed year-on-year while imports fell by about 38%; domestic production (+0.4%) failed to offset the sharp decline in imports. The rate of inflation reached about 17%, impacting private consumption; real incomes were down by over 8% compared with the previous year. Investment shrank by 6%. The current account surplus was slightly lower than in the same period of the previous year, despite strong depreciation of the rouble, and it was not large enough to offset continued capital outflows, including significant amounts of redemptions by local banks. But this had no impact on the exchange rate due to highly liquid funding via foreign exchange repo transactions of the central bank. On the contrary, from the low at year-end 2014 (72.337 RUB/EUR) to the end of March 2015, the Russian rouble appreciated against the euro by 15.9% (+26.9% in the period to the end of April 2015). The Russian currency appreciated also against the US dollar, by 2.7% from year-end 2014 to the end of March 2015 (+14.4% in the period to the end of April 2015). At this level, the rouble was still significantly weaker than in the middle of 2014, when it started to decline (in parallel with the fall in oil prices). Although there is little fundamental support for the firm rouble, the key interest rate was reduced from 15% to 13% in the first three months of 2015 to facilitate lending.

Economic activity in **Ukraine** collapsed in late 2014/early 2015: a demand shock triggered by the correction of unsustainable imbalances was compounded by a supply shock caused by the loss of important production facilities located in the crisis region, which accounts for about 8% of the country's GDP and 12% of exports. Real GDP shrank by 17% year-on-year in the fourth quarter of 2014 and exports fell by 30%. From year-end 2014 to the middle of February, the value of the Ukrainian hryvnia slid by more than 50%, from 16 UAH/EUR to a low of 33 UAH/EUR. The country's central bank responded by introducing stringent capital controls, which helped to stabilise the currency at about 22 UAH/EUR. Nevertheless, the UAH remains under extremely strong pressure: Ukraine has a current account deficit, access to private capital markets is not available, and there is a delay in the provision of public financial aid. At the beginning of March, currency reserves fell to their lowest level in 11 years (covering imports for only 3 weeks). Local banks are impacted by a large volume of non-performing loans and by open net foreign currency positions; moreover, local bank deposits fell sharply, by 25% in 2014. In these circumstances, the IMF has replaced its two-year standby arrangement (SBA) with a four-year Extended Fund Facility (EFF). The programme is based on the assumption of a €36 billion financing gap in the period to the end of 2018. Of the total gap, €15 billion will have to be closed in the current year and almost €9 billion next year. The new programme brings the IMF's contribution to €15.6 billion, an increase of €6 billion. Other official lenders have committed about €7 billion, and private lenders will need to make available €14.5 billion. The European Commission is making efforts to prevent the withdrawal of direct investment.

Apart from the Russian rouble and the Ukrainian hryvnia, the **exchange rates** of CEE currencies hardly changed quarter-on-quarter and in a year-on-year comparison. Nevertheless, the translation of items in local income statements into euro had a negative impact of –5.0% (implicit currency depreciation at the level of Bank Austria's overall operating income), in average terms for the first quarter of 2015 compared with the first quarter of 2014 (–2.3% compared with the fourth quarter of 2014). All of this exchange rate effect was due to depreciation of the Russian rouble; without such depreciation, the combined effect of CEE currency movements would have been slight appreciation (+0.8%).

CEE currencies: appreciation/depreciation against the euro

Appreciation/depreciation of currencies against the euro, Q1 2014 = 100



Bank Austria in the first quarter of 2015

Overview

Bank Austria's performance in the first quarter of 2015 was determined by the interplay of macroeconomic factors to an extent rarely seen before: weak economic growth and the unusual interest rate environment impacted business developments especially in Austria (stagnant demand, significantly narrowing interest margin) and the bank's funding costs. The upward trend recorded by the Central Eastern Europe (CEE) business segment continued, thanks to the sustained upswing in Central Europe, the bank's strong market position in South-East Europe including the Western Balkan countries, and despite the fluctuating environment in Turkey. The geopolitical Ukraine/Russia conflict, which had created a new situation in the second half of 2014, also had an influence on the first quarter of 2015. But the bank coped well with its impact, thanks to the diversified business portfolio. Exchange rate movements within an unusually wide range in the first quarter of 2015 affected not only the relevant currencies but quite generally the external value of the euro, given the ECB's policy. This and the discontinuation of the Swiss franc's link to the euro had direct and indirect effects on our portfolio. Moreover, new regulatory arrangements (implementation of the resolution fund) came into effect at the beginning of the year. In combination with a further increase in the charge for bank levies, these new rules are having an impact on profits and thus on equity capital generation.

● Although various factors had a cumulative negative effect in the winter months of 2014/2015, Bank Austria achieved a sound performance in the reporting period. While **operating income** had peaked in the second and third quarters of 2014, it subsequently fell in the fourth quarter, influenced by the Russia conflict. In the first quarter of 2015, operating income declined only slightly: at €1,383 million, it was down by 2.1% on the figure for the same period of the previous year; at constant exchange rates, operating income rose by 3.0%. (For details see the following section.) Costs in the first three months of 2015 were lower than in the preceding quarter and in the same period of the previous year. Net write-downs of loans and provisions for guarantees and commitments also declined, from the slightly higher level in the final quarter of 2014. On this basis, **net operating profit** for the first quarter of 2015 improved by €49 million or 13.3% to €422 million. At this level it almost matched the previous year's figure (–2.5%), though being significantly lower than the record figures seen in the second and third quarters of 2014.

Profit performance by quarter (€ million)

	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	+/– Q1 14
Operating income	1,413	1,550	1,566	1,442	1,383	–2.1%
Net operating profit[1]	433	634	620	373	422	–2.5%
Profit before tax	420	521	483	305	311	–26.1%
Net profit [2]	**348**	**429**	**410**	**139**	**198**	**–43.2%**

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.

● The income components shown below the item "Net operating profit" had a negative impact of €225 million on profits in the first quarter of 2015 – more than double the figure for the first quarter of the previous year. Within the total amount, "systemic charges" amounted to €103 million. This is a new item in the income statement. It comprises the charge for bank levies, which was €62 million in the first quarter of 2015, up by over one half on the quarterly average for the previous year (€40 million), and contributions to the bank resolution fund and to local resolution funds in Hungary and Romania as well as the contribution to deposit guarantee funds in CEE[1]. The allocation to provisions for risks and charges (€8 million) and integration/restructuring costs (€1 million) were low. Net income from investments was more or less balanced in the first quarter of 2015. The decline of €76 million reflects gains on the sale of real estate in the first quarter of 2014.

➔ **Profit before tax**, though slightly higher than in the preceding quarter, declined by over one-quarter to **€311 million** compared with the same period of the previous year. The remaining items to be deducted included income tax and the total profit or loss after tax from PJSC Ukrsotsbank, Ukraine, which diminished Bank Austria's profit by €54 million, net of the related loss attributable to minority shareholders.

➔ Bank Austria's **net profit** for the first quarter of 2015 was **€198 million**, an increase of €59 million (+42.6%) over the fourth quarter of 2014, a period in which Bank Austria had to absorb a higher net loss of €92 million in Ukraine. A very large proportion (93%) of the €150 million decline in net profit (–43.2%) compared with the first quarter of 2014 is explained by the above-mentioned non-operating items.

● **Total assets** of Bank Austria as at 31 March 2015 were **€195 billion**, up by €5.9 billion or 3.1% on year-end 2014 and an increase of €16.2 billion or 9.1% compared with the end of March 2014. Expansion was mainly driven by customer business, both quarter-on-quarter and year-on-year. Loans and receivables with customers were up by 3.8% on a year earlier, with Austrian customer business growing by 2.0%; the higher value of the Swiss franc accounted for a significant increase in retail banking (+7.2%). Lending volume in CEE grew by 5.3% year-on-year, a moderate rate in a multi-year comparison. Loans in Russia increased by 11.2%, despite depreciation of the rouble; this reflects the large proportion of loans denominated in US dollars in business with large customers. Customer deposits expanded more strongly (+10.9%) than customer loans: growth in Austria reached 8.0% and deposit volume in CEE grew at double-digit rates in all country groups (overall growth: +14.5%). The loan/deposit ratio therefore continued to improve (to 111% overall, after 118% a year earlier). Most recently, the **leverage ratio** was **5.6%** based on the current status of applicable transitional arrangements.

● Bank Austria's **capital resources** continued to increase in the first three months of 2015 although risk-weighted assets expanded by 5.7%. Total regulatory capital rose by €1.4 billion or 7.7% to €18.9 billion, reflecting valuation reserves which were partly eligible for inclusion for the first time and new issues of Tier 2 capital. As a result, the **total capital ratio** rose from 13.4% to **13.7%**. At the end of March 2015, the Common Equity Tier 1 capital ratio was 10.2% (after 10.3% at the end of 2014).

1) Apart from financial transaction taxes in Hungary and Slovenia, which are included in the item "Other administrative expenses" and most recently amounted to €12.6 million.

Bank Austria in the first quarter of 2015 (CONTINUED)

Condensed income statement of Bank Austria[1]

(€ million)

RECAST [2]	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	CHANGE OVER PREVIOUS YEAR	
						+/– €	IN %
Net interest	869	882	896	856	816	–54	–6.2%
Dividend income and other income from equity investments	73	151	126	145	98	+25	+34.5%
Net fees and commissions	331	346	345	343	341	+10	+3.0%
Net trading, hedging and fair value income	112	138	149	86	107	–5	–4.8%
Net other expenses/income	27	32	50	12	20	–7	–24.4%
Operating income	1,413	1,550	1,566	1,442	1,383	–30	–2.1%
Payroll costs	–416	–409	–403	–417	–390	+26	–6.3%
Other administrative expenses	–312	–327	–320	–357	–320	–8	+2.6%
Recovery of expenses	0	0	0	0	0	–0	–23.2%
Amortisation, depreciation and impairment losses on intangible and tangible assets	–45	–37	–44	–47	–41	+4	–8.1%
Operating costs	–772	–773	–766	–821	–751	+22	–2.8%
Operating profit	641	777	800	621	632	–9	–1.3%
Net write-downs of loans and provisions for guarantees and commitments	–208	–143	–180	–249	–210	–2	+1.1%
Net operating profit	**433**	**634**	**620**	**373**	**422**	**–11**	**–2.5%**
Provisions for risks and charges	–11	–32	–95	–9	–8	+3	–29.9%
Systemic charges	–76	–55	–54	–52	–103	–27	+35.8%
Integration/restructuring costs	–1	–6	–1	–5	–1	+1	–44.2%
Net income/loss from investments	75	–19	12	–3	0	–76	n.m.
Profit or loss before tax	**420**	**521**	**483**	**305**	**311**	**–110**	**–26.1%**
Income tax for the period	–66	–66	–74	–88	–60	+6	–9.2%
Total profit or loss after tax from discontinued operations	2	–27	6	–113	–60	–62	n.m.
Profit or loss for the period	356	428	414	104	190	–166	–46.5%
Non-controlling interests	–8	1	–4	35	7	+15	n.m.
Net profit or loss before PPA [3]	348	429	410	139	198	–150	–43.2%
Purchase Price Allocation effect	0	0	0	0	0	+0	n.m.
Goodwill impairment	0	0	0	0	0	+0	n.m.
Net profit or loss [3]	**348**	**429**	**410**	**139**	**198**	**–150**	**–43.2%**

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.

Bank Austria in the first quarter of 2015 (CONTINUED)

Details of the income statement

Bank Austria's **revenues** remained stable in the first quarter of 2015. Nevertheless, a number of external factors which had impacted the fourth quarter of 2014, including geopolitical conflicts and substantial exchange rate movements, continued to influence the bank's performance. The first quarter of a financial year is a short reporting period of low significance; moreover, current exchange rate developments make it difficult to interpret results. This applies to Russia in particular, where our banking subsidiary showed an excellent performance in every respect. Business in Turkey, whose contribution to the income statement is accounted for using the equity method (i. e. included only with the bottom-line figure), is developing in a relatively autonomous manner, with an upward trend but fairly strong fluctuations from quarter to quarter. In the core European countries, the expansionary monetary policy was taken to extremes without any major economic recovery being in sight. Operating income reflected weak demand and changes in customer behaviour amid the unusual zero interest rate environment, as well as dwindling income from maturity transformation. These effects were discernible especially in Austria and in overall bank management. In the reporting period the Central European countries proved to be a mainstay of revenue generation. Domestic economic activity in these countries picked up, driven by strong competitiveness in key industries, and this also supported convergence in the financial sector. Our banks in South-East Europe used their leading market positions to fully perform their role as international banks and they achieved good results. Diversification of our business portfolio thus continued to be a key factor in the sound development of revenues and profits in the first quarter of 2015.

● Bank Austria's **operating income** in the first three months of 2015 was down by 4.1 % on the preceding quarter. Compared with the first quarter of 2014, it remained relatively stable, declining by only 2.1 %; translated at constant exchange rates, operating income exceeded the previous year's level by 3.0 %. At €1,383 million, operating income was significantly lower than in the second quarter (€1,550 million) and in the third quarter (€1,556 million) of the previous year. In this context one should note a special effect: the participation in profits of UniCredit's Markets subdivision ended; Bank Austria had benefited from such participation until 2014 as compensation for the intra-group sale of its UniCredit CAIB units in 2010. In addition to numerous sub-holding company functions this was the main reason why operating income in the Corporate Center deteriorated.

Operating income by segment (€ million)

	Q1 14	…	Q4 14	Q1 15	+/– Q4	+/– Q1
Austrian customer business	546		562	524	–6.7 %	–4.0 %
Central Eastern Europe (CEE)	898		919	971	+5.7 %	+8.2 %
… adjusted for exchange rate movements					*+9.0 %*	*+16.7 %*
Corporate Center	–31		–38	–113	>100 %	>100 %
Bank Austria	**1,413**		**1,442**	**1,383**	**–4.1 %**	**–2.1 %**
… adjusted for exchange rate movements					*–1.8 %*	*+3.0 %*

In the three segments of Austrian customer business (Retail & Corporates, Private Banking and Corporates & Investment Banking), operating income continued to weaken, to a level in Q1 2015 that was down by 4.0 % on the same period of the previous year. Almost all of the decline was due to the development of net interest. The Central Eastern Europe business segment was again the main contributor to revenues. With growth of 5.7 % (over Q4 2014) and 8.2 % (over Q1 2014), the CEE Division generated 70 % of total operating income. Translated at constant exchange rates – i. e. adjusted for depreciation (in the second half of 2014) and appreciation (in the first quarter of 2015) of the Russian rouble in particular – the rates of revenue growth in CEE were about double the levels mentioned above.

Operating income by income component (€ million)

	Q1 14	…	Q4 14	Q1 15	+/– Q4	+/– Q1
Net interest	869		856	816	–4.6 %	–6.2 %
Dividend income and other income from equity investments	73		145	98	–32.4 %	+34.5 %
Net fees and commissions	331		343	341	–0.5 %	+3.0 %
Net trading, hedging and fair value income	112		86	107	+23.8 %	–4.8 %
Net other expenses/income	27		12	20	+68.2 %	–24.4 %
Operating income	**1,413**		**1,442**	**1,383**	**–4.1 %**	**–2.1 %**

▶ An analysis by income component shows that the downward trend in **net interest**, the largest component, was the main reason why operating income declined in the two most recent quarters. A particularly large decrease was seen in the first quarter of 2015 (–4.6 %), both in Austrian customer business (–6.3 %) and in CEE (–2.4 %), as interest rates continued to decline to a level around zero. The decrease in net interest generated in Austrian customer business was clearly due to a shrinkage of margins. The net interest margin (net interest/average lending volume) was down from 244 basis points (bp) in the second quarter of 2014 to 221 bp in the first quarter of 2015. Net interest in the Corporate Center is negative and has deteriorated over the past quarters, reflecting extreme developments in the interest rate environment. In CEE, net interest peaked in the third quarter of 2014 (€653 million) and then started to decrease in almost all countries, ultimately falling back to the level recorded in the first quarter of 2014. Developments in Russia contributed to this decline: while net interest in local currency continued to rise slightly, the equivalent amount in euro was substantially lower, reducing the total amount of net interest generated in CEE. Net interest in CEE excluding Russia remained at the high Q3 2014 level, and therefore the figure for the first quarter of 2015 was up by 5.1 % year-on-year. All country groups achieved an increase in net interest, but this resulted mainly from volume growth. Since the middle of 2014, the interest margin has fallen in CEE, too, from 455 bp to 419 bp in Q1 2015, with a downward trend seen in all countries. Exchange rate movements in the Russian rouble had two effects: in rouble terms, lending volume rose strongly, by almost 30 % compared with the previous year. This was due to a higher valuation of foreign currency loans as the value of the rouble fell; foreign currency loans account for a large proportion of total volume in business with large customers. On the other hand, translation into euro eliminated a large part of this effect. This means that on balance, the influence of exchange rates is not straight-

Bank Austria in the first quarter of 2015 (CONTINUED)

forward. In any case, it should be noted that our Russian banking subsidiary, with its focus on business with internationally active large customers, coped very well throughout the past volatile quarters.

▶ **Net fees and commissions** were moving sideways in the past four quarters, ranging between €346 million and €341 million; the figure for the first quarter of 2015 was up by 3.0% on the same period of the previous year. Net fees and commissions generated in Austrian customer business show an upward trend: in Q1 2015 they were 6.0% higher than in Q1 2014. This reflects growth in securities business including the placement of mutual funds and the bank's own issues, and especially the successful efforts made in the area of asset management. In Central and Eastern Europe, net fees and commissions in the first quarter of 2015 matched the figure for the same period of the previous year; within the total amount, a strong increase of 12.9% was recorded in the Czech Republic.

▶ **Net trading, hedging and fair value income** has been a reliable source of revenue over the past quarters, despite the volatile market environment. The net trading performance in the first quarter of 2015 was €107 million, an increase of almost one-quarter over the Q4 2014 figure, which was disproportionately low (€86 million) as Russia recorded a net trading loss in that period. Net trading income thus more or less matched the figure of €112 million for the first quarter of the previous year. This is a noteworthy performance as the Corporate Center recorded negative trading results, at –€24 million, for the first time. The Corporate Center performs various functions in connection with liquidity and capital management and other sub-holding company functions including exchange rate hedging for expected CEE profit contributions. Moreover, Bank Austria no longer received a share in profits of the UniCredit Markets product line to which the bank had been entitled in the past five years under the terms and conditions of the sale of UniCredit CAIB. Net trading income from Austrian customer business was €21 million in the first quarter of 2015 after €29 million in the preceding quarter; an unexpectedly favourable capital market environment in the first three months of 2015 made it possible to realise gains in value. But the largest contribution came from CEE countries, which generated net trading income of €109 million; without Russia, the CEE banks achieved strong growth of close to 60% over the preceding quarter, and also over the same period of the previous year, to a level of €100 million. A strong performance in this context came from our banking subsidiaries in the Czech Republic (€27 million), Hungary (€16 million) and Romania (€21 million). Our Russian bank recovered from the setback in the turbulent final quarter of 2014 (–€51 million) and generated net trading income of €10 million in the first three months of 2015 thanks to a good trading performance from derivatives and bonds whereas foreign exchange trading operations were faced with an adverse environment.

▶ **Dividend income and other income from equity investments** in the first quarter of 2015 was €98 million, up by 34.5% on the previous year. The volatile development primarily reflects the contribution from our joint venture in **Turkey**, which is accounted for using the equity method: after a strong increase in the fourth quarter of 2014 (+€20 million to €112 million), the contribution from Turkey fell significantly in the first quarter of 2015 (–€42 million to €70 million); at this level, it was still 39.4% higher than the Q1 2014 figure (€50 million), which was low in euro terms. Trends in the past quarters are in line with changes in the economic and banking environment.

● Operating costs reflect determined and successful action taken in the area of cost management in the past quarters. In the first three months of 2015, costs were down by 8.6% on the preceding quarter and 2.8% lower than in the same period of the previous year. Even when adjusted for (in this case favourable) exchange rate effects, costs present a stable picture (+0.5% year-on-year). Payroll costs were €390 million, a year-on-year decrease of 6.3% which was the main factor in overall cost reduction. Other administrative expenses rose slightly, by 2.6% to €320 million, due to modernisation initiatives in customer business (digitalisation, implementation of the new branch concept in Austria and several other countries, development of new software).

Operating costs (€ million)

	Q1 14	…	Q4 14	Q1 15	+/– Q4	+/– Q1
Austrian customer business	355		381	362	–5.1%	+2.0%
Central Eastern Europe (CEE)	366		390	347	–10.8%	–5.0%
… adjusted for exchange rate movements					*–8.1%*	*+1.9%*
Corporate Center	51		50	41	–17.4%	–19.8%
Bank Austria	**772**		**821**	**751**	**–8.6%**	**–2.8%**
… adjusted for exchange rate movements					*–7.3%*	*+0.5%*

Cost/income ratio

	Q1 14	…	Q4 14	Q1 15
Austrian customer business	65.1%		67.9%	69.1%
CEE without at-equity contribution from Turkey*)	43.2%		48.3%	38.6%
Bank Austria as a whole	**54.7%**		**56.9%**	**54.3%**

*) The contribution from Turkey is accounted for using the equity method. It is only included in operating income but not in operating costs.

In Austria (customer business including the Corporate Center), costs declined by 0.8%; within the total figure, payroll costs were down by 6.3%. Our Initiative 2020 helped to reduce effective employment, primarily through part-time models, and to provide flexible working arrangements. At the end of March 2015, staff numbers in Austria (adjusted for consolidation procedures) in terms of full-time equivalents (FTEs) were down by 459 FTEs on a year earlier (–6.3%). In the CEE Division, operating costs at constant exchange rates were up by 1.9% on the same period of the previous year, reflecting the increase in Russia (+14.2%). Operating costs in CEE without Russia, adjusted for exchange rate movements, declined by 0.9%. As at the end of March 2015, the CEE Division had 23,988 FTEs (without Turkey and Ukraine), reflecting a decline of only 349 FTEs (–1.4%). Most of the reduction (–339 FTEs) took place in Croatia with the deconsolidation of Istraturist. The cost/income ratio in CEE – without Turkey, whose contribution is accounted for using the equity method and is therefore not reflected in operating costs – fell significantly, to 38.6%. Although the cost/income ratio in Austria was higher, on account of lower

Bank Austria in the first quarter of 2015 (CONTINUED)

income, the cost/income ratio for the bank as a whole improved slightly, from 54.7% to 54.3%.

● Following a substantial decline in 2014 compared with the large provisioning charge recorded in 2013, **net write-downs of loans and provisions for guarantees and commitments** remained at a low level in the first quarter of 2015. At €210 million, they were significantly lower than in the final quarter of 2014 and more or less matched the level of the same quarter of the previous year.

Net write-downs of loans and provisions for guarantees and commitments (€ million)

	Q1 14	…	Q4 14	Q1 15	+/– Q4	+/– Q1
Austrian customer business	61		–7	37	n.m.	–39.0%
Central Eastern Europe (CEE)	146		203	175	–14.2%	+19.7%
Corporate Center	1		52	–2	n.m.	n.m.
Bank Austria as a whole	**208**		**249**	**210**	**–15.6%**	**+1.1%**

Cost of risk (in basis points)

Austrian customer business	43bp	–5bp	26bp
Austria (incl. Corporate Center)	42bp	31bp	24bp
Central Eastern Europe (CEE)	104bp	143bp	122bp
Bank Austria as a whole	**73bp**	**87bp**	**73bp**

Net write-downs of loans and provisions for guarantees and commitments in Austrian customer business were unusually low in 2014 as the second and fourth quarters saw net releases of loan loss provisions. The increase from the fourth quarter of 2014 to €37 million in the first quarter of 2015 is therefore to be seen as a gradual return to normal. The provisioning charge was down on the figure for the same period of the previous year, across all business segments and especially in the Corporates subdivision. The cost of risk (= net write-downs of loans/average lending volume) was 26bp (Q1 2014: 43bp). In Central and Eastern Europe, the provisioning charge rose to €175 million (and the cost of risk from 104bp to 122bp), from very low levels in the previous year. But the increase was due to developments in Russia and to CEE loans booked in Vienna. Although the past two quarters saw substantial increases in net write-downs of loans and provisions for guarantees and commitments in local currency in Russia, the cost of risk in that country was disproportionately low, at 112bp in Q1 2015. In the first quarter of 2015, the provisioning charge for CEE loans booked in UniCredit Bank Austria AG (Profit Center Vienna) was €49 million, a larger amount than in the same period of the previous year (€19 million), driven by Ukrainian companies. Net write-downs of loans in the other CEE countries declined year-on-year, by a combined 17.2% to €91 million, and the cost of risk also fell from 114bp to a most recent level of 91bp. Particularly strong improvements were seen in the risk profiles of our Czech banking subsidiary (including Slovakia), in Hungary and in Romania.

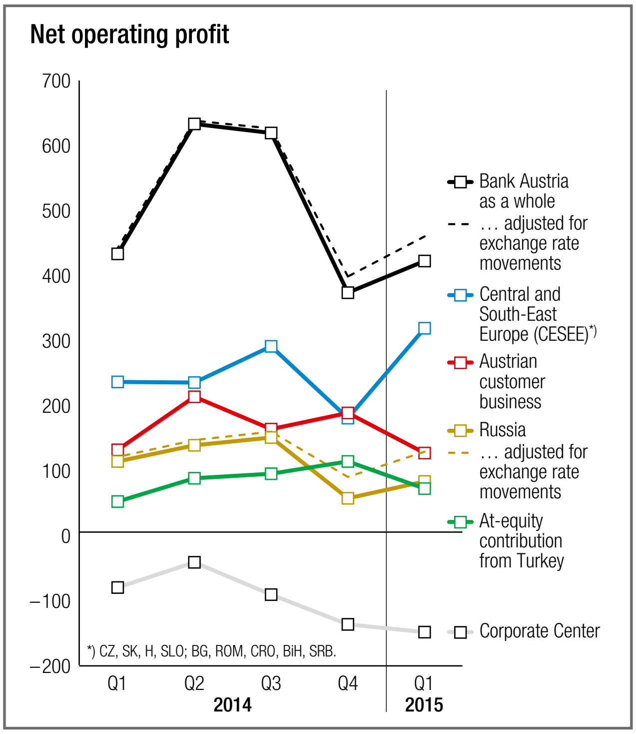
Asset quality of Bank Austria's portfolio hardly changed in the first quarter of 2015, despite the impact from Russia and Ukraine: gross impaired loans were 9.1% of gross lending volume, compared with 9.2% at the end of December 2014 and at the end of March 2014 (on a net basis, the ratio was unchanged at 4.4%). At the end of March 2015, the coverage ratio (specific write-downs measured against the total volume of impaired loans) was 54.7%, slightly lower than a year earlier (55.0%).

➔ Operating income less costs and net write-downs of loans and provisions for guarantees and commitments gives a **net operating profit** of €422 million for the first quarter of 2015. The improvement of €49 million over the fourth quarter of 2014 reflects a decline of €60 million in operating income, a cost reduction of €70 million and a provisioning charge which was down by €39 million. A comparison with the first quarter of 2014 shows a €30 million decrease in operating income, cost savings of €22 million and an increase of €2 million in net write-downs of loans, which added up to a slight decline of €11 million in net operating profit; adjusted for exchange rate movements, net operating profit increased (see table).

Net operating profit (operating profit less net write-downs of loans and provisions for guarantees and commitments) (€ million)

	Q1 14	…	Q4 14	Q1 15	+/– Q4	+/– Q1
Operating income	1,413		1,442	1,383	–4.1%	–2.1%
Operating costs	772		821	751	–8.6%	–2.8%
Net write-downs of loans and provisions for guarantees and commitments	208		249	210	–15.6%	+1.1%
Net operating profit	**433**		**373**	**422**	**+13.3%**	**–2.5%**
… adjusted for exchange rate movements					*+15.5%*	*+4.0%*

An analysis of operating performance by business segment and region shows that the CESEE countries (= CEE without Russia and Turkey) achieved significant improvements in the past five quarters; the overall trend was only



Bank Austria in the first quarter of 2015 (CONTINUED)

affected by higher provisioning charges in Croatia and Romania in the fourth quarter of 2014 (see chart). The contribution from Turkey, accounted for using the equity method, also rose starting from the first quarter of 2014 but was weaker in the first three months of 2015 on account of economic developments. Our Russian banking subsidiary, which continued to operate at a high level of profitability, recorded a setback in its trading performance in the fourth quarter of 2014, which has reversed in the meantime. Adjusted for exchange rate movements, net operating profit came close to the level achieved before the crisis. (Russia is the only country where exchange rate movements have a significant impact on the overall picture.) The trend in net operating profit generated by Austrian customer business was mainly determined by two factors: net write-downs of loans, which had a significant favourable influence on performance for some time during 2014, and the currently prevailing low interest rates, which had a very strong impact in Austria in the past two quarters. The Corporate Center reflects activities relating to interest-rate and funding management for the bank as a whole as well as structural expenses. Moreover, compensation for the intra-group transfer of investment banking operations (UniCredit CAIB) has ended.

● The balance of **non-operating income/expenses** to be taken into account in calculating profit before tax on the basis of net operating profit was a net expense of €112 million for the first quarter of 2015, compared with a net expense of €68 million in the preceding quarter and a net expense of €13 million in Q1 2014. Provisions for risks and charges related mainly to legal risks and, at €8 million, net additions in the reporting period were below the €11 million recorded in Q1 2014. Integration/restructuring costs remained at a low €1 million.

In the first quarter of 2015, "systemic charges" totalled €103 million. This new item in the income statement comprises the charge for bank levies, which was €62 million in the first three months of 2015, up by over one half on the quarterly average for the previous year (€40 million); within this amount, €31 million was payable in Austria and €27 million in Hungary in the first quarter of 2015 (as an advance payment for the entire year). The item also includes contributions to resolution funds and deposit guarantee schemes, whether in compliance with harmonised EU rules or on the basis of local regulations. In this context, contributions to resolution funds were €18 million in Austria, €2 million in Hungary and €1 million in Romania. In addition, a contribution of €20 million had to be made to deposit guarantee schemes. (The financial transaction taxes, currently payable in Hungary and Slovenia and amounting to a combined €12.6 million, are included in "Other administrative expenses").

Net income from investments was balanced in the first quarter of 2015. The decline of €76 million reflects gains on the sale of real estate in the first quarter of 2014.

➔ **Profit before tax**, though slightly higher than in the preceding quarter, declined by over one-quarter to **€311 million** compared with the same period of the previous year. Without the significant increase in systemic charges and without the sales of real estate in the previous year, profit before tax would have been up on the Q1 2014 figure.

Profit performance[1)] € million (2014 recast)

	Q1 14	…	Q4 14	Q1 15	+/– Q4	+/– Q1
Net operating profit	**433**		**373**	**422**	**+13.3%**	**–2.5%**
Provisions for risks and charges	*–11*		*–9*	*–8*		
Systemic charges	*–76*		*–52*	*–103*		
Integration/restructuring costs	*–1*		*–5*	*–1*		
Net income from investments	*75*		*–3*	*0*		
Deductions	–13		–68	–112	+63.8%	>100%
Profit before tax	**420**		**305**	**311**	**+1.9%**	**–26.1%**
Income tax	*–66*		*–88*	*–60*		
Total profit or loss after tax from discontinued operations	*2*		*–113*	*–60*		
Non-controlling interests	*–8*		*35*	*7*		
Deductions	–72		–166	–113	–32.0%	+56.2%
Net profit [1)]	**348**		**139**	**198**	**+42.6%**	**–43.2%**

1) Net profit attributable to the owners of the parent company.
n. m. = not meaningful

Among the remaining items to be deducted, income tax amounted to €60 million, compared with €66 million a year earlier due to a higher tax assessment basis. At 19.4%, the effective tax rate in the first quarter of 2015 was significantly higher than the 15.8% for the first quarter of 2014. The item "Total profit or loss after tax from discontinued operations" reflects the successful performance of Immobilien Holding GmbH, a company holding a portfolio of about 80 properties throughout Austria which will be sold via a structured sales process. The item also includes the profit or loss of PJSC Ukrsotsbank, Ukraine, as long as the bank is classified as a disposal group held for sale. In the first quarter of 2015 the small positive contribution from Immobilien Holding GmbH (+€8 million) and the loss posted by Ukrsotsbank resulted in a net loss of €60 million. This compared with a loss of €113 million in Q4 2014 and a small profit in Q1 2014. In the reporting period, as in the preceding quarter, the item "Non-controlling interests" showed a profit (€7 million after €35 million in the preceding quarter) because this comprises the refund of the pro-rata share of Ukrsotsbank's loss by its minority shareholder UniCredit S.p.A. The net impact of developments in Ukraine on Bank Austria's profits was –€54 million in the first quarter of 2015.

➔ On this basis, Bank Austria's **net profit** for the first quarter of 2015 was **€198 million**, up by €59 million or 42.6% on the fourth quarter of 2014, when the bank had to absorb a higher loss of a net €92 million in Ukraine. The €150 million decline in net profit (–43.2%) compared with the first quarter of 2014 is for the most part (93%) explained by the above-mentioned non-operating items.

Return on equity (ROE after tax), based on average equity (after deduction of reserves in accordance with IAS 39 and of non-controlling interests), was **5.7%** for the first quarter of 2015 after 5.4% in the preceding quarter and 9.9% in the same period of the previous year.

Bank Austria in the first quarter of 2015 (CONTINUED)

Financial position and capital resources

● As at 31 March 2015, Bank Austria's **total assets** were **€195.0 billion**. This is €5.9 billion or **3.1%** up on year-end 2014, and €16.3 billion or **9.1%** higher than the figure at the end of March 2014. In a quarter-on-quarter and year-on-year comparison, this development reflects a moderate increase in loans and receivables with customers and a strong rise in direct funding. Liquidity management saw volume increase on both the assets and liabilities side; this included hedging derivatives and financial assets/liabilities held for trading, and financial market investments including the bank's portfolio of government bonds. Equity strengthened further in the first quarter of 2015 as a result of the bank's performance trend, the increase in the foreign currency translation reserve and improved valuation results. An analysis of the financial position from quarter to quarter needs to take account of several factors, including opposing **exchange rate trends**: the Russian rouble, which had depreciated strongly against the euro (and the US dollar) in the second half of 2014, appreciated again by 15.9% by the end of March 2015, but its value was still 21.9% below that at the end of the first quarter of 2014. The euro depreciated significantly against the Swiss franc and the US dollar in the first three months of 2015 (and in a year-on-year comparison). In the local balance sheets this currency depreciation translated into a higher valuation of assets and liabilities denominated in foreign currency. A further factor is the exchange rate effect resulting from the translation into euro of figures in the local financial statements which, as in the case of Russia, is contrary to the local exchange rate effect.

● **On the assets side, loans and receivables with customers** accounted for **€117.5 billion** or 60.3% of total assets as at the end of March 2015. The year-on-year increase of €4.3 billion or 3.8% largely took place in the first quarter of 2015 (+€3.8 billion or +3.3%). This reflects a €2.1 billion or 3.6% rise in lending volume in Austria (customer business including the Corporate Center) in the first quarter of 2015. In a comparison with the end of March 2014, lending volume increased by only €1.3 billion or 2.3% due to a slight decline in 2014. The increase in the first three months of 2015 is primarily explained by the strong rise of the Swiss franc (+14.9%) after its link to the euro was discontinued in January 2015, which primarily resulted in an increase in lending volume in the Retail subdivision (+7.1% /+7.2% year-on-year). In the CEE Division, higher lending volume in the first quarter of 2015 (+€1.7 billion/+3.1%) offset the decline in the fourth quarter of 2014 resulting from the depreciation of the rouble in that period. Compared with the first quarter of 2014, lending volume grew by €2.9 billion or 5.3% (translated from the local financial statements at constant exchange rates, the increase was 12.4%, reflecting the strong rise of the Russian foreign currency exposure in local currency terms).

Aside from these considerations, loans and receivables with customers increased at all CEE banking subsidiaries (except Slovenia) in a year-on-year comparison. Growth was strongest in Romania (partly due to an acquisition), Hungary and the Czech Republic, as well as in Serbia and Bosnia. **Loans and receivables with banks**

Major items in the statement of financial position (€ million)

	31 MARCH 2015	31 DEC. 2014	CHANGE +/–	CHANGE +/– %	31 MARCH 2014 ADJUSTED [1]	CHANGE +/–	CHANGE +/– %
ASSETS							
Financial market investments [2]	24,881	22,830	+2,050	+9.0%	22,242	+2,639	+11.9%
Financial assets held for trading and hedging derivatives	8,216	7,484	+732	+9.8%	5,206	+3,011	+57.8%
Loans and receivables with banks	30,096	30,542	–446	–1.5%	24,715	+5,381	+21.8%
Loans and receivables with customers	117,511	113,732	+3,779	+3.3%	113,224	+4,287	+3.8%
Investments in associates and joint ventures	4,694	4,644	+50	+1.1%	4,485	+210	+4.7%
Intangible assets	180	171	+9	+5.2%	162	+18	+11.1%
Non-current assets and disposal groups classified as held for sale [3]	3,240	3,600	–360	–10.0%	2,883	+357	+12.4%
Other asset items	6,191	6,114	+76	+1.2%	5,844	+347	+5.9%
Total assets	**195,009**	**189,118**	**+5,891**	**+3.1%**	**178,761**	**+16,248**	**+9.1%**
LIABILITIES AND EQUITY							
Financial liabilities held for trading and hedging derivatives	7,867	6,755	+1,112	+16.5%	4,156	+3,711	+89.3%
Deposits from banks	23,739	23,696	+43	+0.2%	25,407	–1,668	–6.6%
Deposits from customers	106,150	102,271	+3,879	+3.8%	95,730	+10,421	+10.9%
Debt securities in issue	30,100	30,014	+87	+0.3%	28,298	+1,803	+6.4%
… Direct funding (deposits from customers and debt securities in issue)	*136,251*	*132,285*	*+3,966*	*+3.0%*	*124,028*	*+12,223*	*+9.9%*
Liabilities included in disposal groups classified as held for sale [3]	1,587	1,845	–258	–14.0%	1,576	+10	+0.7%
Provisions for risks and charges	6,015	6,076	–61	–1.0%	4,991	+1,024	+20.5%
Equity	15,740	14,925	+815	+5.5%	15,126	+613	+4.1%
Other liability items	3,810	3,536	+274	+7.8%	3,477	+333	+9.6%
Total liabilities and equity	**195,009**	**189,118**	**+5,891**	**+3.1%**	**178,761**	**+16,247**	**+9.1%**

1) Due to a change related to the sector to which a counterparty belongs, loans and debt towards banks and loans and debt towards customers have been adjusted. Deferred tax assets and deferred tax liabilities adjusted (from the end of 2014, netting in accordance with IAS 12.74). / 2) Financial assets at fair value through profit or loss + available-for-sale financial assets + held-to-maturity investments. / 3) Mainly PJSC Ukrsotsbank, Ukraine, and Immobilien Holding GmbH together with its subsidiaries, which are classified as disposal groups held for sale.

Bank Austria in the first quarter of 2015 (CONTINUED)

(€30.1 billion) had been declining since the end of 2014 (–1.5%). The increase compared with March 2014 is partly explained by the expansion of business with central clearing houses, which have to be included in trading activities as counterparties; the resulting business volume on both the assets and liabilities side is consequently very volatile. At the end of March 2015, **financial market investments** were up by €2.6 billion or 11.9% on the level of the previous year. The increase resulted mainly from larger holdings of liquid funds in the form of sovereign debt securities (+€4.1 billion), almost all of which are classified as available-for-sale financial assets. Almost one-half of the portfolio (46%) related to Austrian bonds.

● On the **liabilities side**, the strongest contribution to growth came from **deposits from customers** (€106.2 billion), which were up by €3.9 billion or 3.8% in the first three months, and by €10.4 billion or 10.9% over March 2014. Within this item, activities in Austrian customer business focused largely on deposit growth in the areas of corporates and large customers (Basel 3 products) and, as in the previous year, deposits expanded to €55.7 billion in the first three months of 2015 (comparison with the first quarter of 2014: +€4.2 billion or +8.2%). In the CEE business segment, deposits from customers also increased to €55.7 billion, up by €6.5 billion or 14.5%. Deposits in CEE have been expanding strongly for quite some time and the gap vis-à-vis lending volume is narrowing. Translated at constant euro exchange rates, deposits from customers in CEE increased by 22.8% (due to the exchange rate effect in rouble). In the other CEE countries, deposits from customers expanded by about 12% (at current exchange rates and at constant exchange rates). **Debt securities in issue** (€30.1 billion) remained stable in the first three months of 2015; on account of issue activity in 2014 they were up by 6.4% on the level in March 2014. **Direct funding** (the sum total of deposits from customers and debt securities in issue) amounted to **€136.3 billion** at the end of March 2015 (+€12.2 billion/9.9% year-on-year), exceeding lending volume by +16%.

After declining slightly in 2014, **IFRS equity** increased to **€15.7 billion** in the first quarter of 2015, up by €0.8 billion or 5.6% (March 2014: €15.1 billion). Net profit (including non-controlling interests) of €190 million showed a favourable trend, as did the changes in items of other comprehensive income: the foreign currency translation reserve increased by €362 million, largely on account of the appreciation of the Russian rouble in the first quarter of 2015. Reserves in accordance with IAS 39 (cash flow hedges and available-for-sale financial assets) made a positive contribution of €189 million after tax deduction. Together with other changes in equity totalling €73 million (resulting primarily from changes in the consolidation perimeter), equity increased by €815 million.

Capital resources and risk-weighted assets

Regulatory capital ratios, capital resources and capital requirements are calculated in accordance with Basel 3 pursuant to the applicable transition rules for 2015 of the Austrian CRR Supplementary Regulation. Consolidated regulatory capital and consolidated regulatory capital requirements are calculated on an IFRS basis.

● Movements in **capital resources** were mainly determined by unrealised gains on assets or liabilities at fair value (AfS and HtM valuation reserves), which were eligible for the first time, and by the recent increase in the foreign currency translation reserve (primarily in connection with the recovery of the Russian rouble). **Common Equity Tier 1 capital** (CET1) rose by €0.6 billion or 4.9% to €14.1 billion. Tier 2 capital was strengthened through two eligible new issues totalling €0.8 billion. From year-end 2014 to 31 March 2015, **total regulatory capital** thus increased by €1.4 billion or **+7.7% to €18.9 billion**.

● The **total risk exposure amount** (risk-weighted assets, RWAs) was **€137.8 billion**, a quarter-on-quarter **increase** of €7.4 billion or **5.7%**. The risk exposure amount for credit risk rose by €5.3 billion (+4.7%) to €118.3 billion. In addition to business expansion, other factors which led to an increase in risk-weighted assets were the discontinuation of the Swiss franc's link to the euro in January 2015 and the recovery of the Russian rouble compared with year-end 2014. The risk exposure amount for market risk increased by €2.1 billion to €6.7 billion. In this context, currency hedging transactions which were entered into at the end of 2014 and are reflected in the risk exposure amount of the reporting period were of increasing significance. Exchange rate movements in the Russian rouble also accounted for a significant portion of the increase. The regulatory Credit Value Adjustment (CVA) accounts for an increase of €0.1 billion in RWAs. The risk exposure amount for operational risk, at €12.1 billion, was almost unchanged.

➔ Although the total risk exposure amount rose by 5.7%, the **Common Equity Tier 1 capital ratio** held up well, at **10.2%** (year-end 2014: 10.3%), reflecting an increase in Common Equity Tier 1 capital (+4.9%). The growth rate of total capital resources (+7.7%), resulting from various factors including new issues of Tier 2 capital, exceeded the growth rate of risk-weighted assets (+5.7%). As a result, the **total capital ratio** rose from 13.4% to **13.7%**.

Capital ratios

	31 MARCH 2015	31 DEC. 2014
Common Equity Tier 1 capital ratio1)	10.2%	10.3%
Tier 1 capital ratio1)	10.2%	10.3%
Total capital ratio1)	13.7%	13.4%

1) based on all risks

Development of business segments

Retail & Corporates

Business segment as a whole (incl. FactorBank and Leasing) | **of which: Retail** | **of which: Corporates**

(€ million)	Q1 2015	Q1 2014	CHANGE		Q1 2015	Q1 2014	CHANGE		Q1 2015	Q1 2014	CHANGE	
Operating income	368	386	–18	–4.6%	185	191	–7	–3.4%	169	177	–8	–4.5%
Operating costs	–280	–277	–3	+1.1%	–184	–183	–1	+0.4%	–87	–85	–2	+2.8%
Operating profit	88	109	–21	–19.1%	1	8	–7	–89.8%	82	92	–10	–11.2%
Net write-downs of loans	–29	–48	+18	–38.4%	–14	–13	–1	+6.5%	–14	–29	+15	–53.1%
Net operating profit	59	62	–3	–4.2%	–13	–5	–8	n. m.	68	63	+5	+8.0%
Profit before tax	**47**	**50**	**–3**	**–5.4%**	**–17**	**–10**	**–8**	**+81.9%**	**60**	**55**	**+5**	**+8.1%**
Loans to customers (avg.)	43,759	42,901	+858	+2.0%	14,201	13,752	+449	+3.3%	26,219	25,835	+384	+1.5%
Direct funding (avg.)	42,990	40,499	+2,491	+6.1%	21,831	21,392	+439	+2.1%	21,079	18,992	+2,087	+11.0%
Risk-weighted assets (avg.) 2)	20,470	19,391	+1,079	+5.6%	8,310	7,761	+549	+7.1%	9,644	9,188	+456	+5.0%
Average equity 3)	2,084	2,060	+24	+1.2%	756	704	+51	+7.3%	981	1,000	–19	–1.9%

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 41 and 42 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). Retail & Corporates also includes the specialised FactorBank AG and our Austrian leasing subsidiary. With 11% of the bank's employees and a 15% share of allocated capital, the Retail & Corporates business segment generated 27% of the bank's operating income in the first quarter of 2015 (and 70% of operating income from Austrian customer business). The business segment also has to absorb substantial costs which are in structural terms related to branch operations. Retail & Corporates contributed 15% to profit before tax generated by the bank as a whole and 45% of profit before tax from Austrian customer business. Direct funding of close to €43 billion makes Retail & Corporates an important source of funding for the bank.

● The extremely low interest rate environment and disappointing economic trends presented the Retail & Corporates business segment with major challenges around the turn of the year. The Retail & Corporates Division offered a targeted range of services to meet these challenges. **Operating income** started to decline in the fourth quarter of 2014 in line with interest rates, a development which continued in the first quarter of 2015 with operating income falling by 7.4% on the preceding quarter and by 4.6% compared with the first quarter of the previous year. The main factor in this context was the decline in net interest, which was not offset by favourable trends in other income components, primarily net fees and commissions.

Net interest in the first quarter of 2015 amounted to €226 million, a figure which was 7.9% lower than in the preceding quarter and down by €17 million or 7.0% on Q1 2014. As volume growth was moderate, the decrease in net interest was due to narrowing interest rate spreads. The Retail subdivision and the Corporates subdivision presented more or less the same picture, a further indication of external market influences. The narrowing of margins in lending business, which reflected market interest rate trends, was largely offset by moderate growth of average volume. While total volume grew moderately, by 2.0%, the period to the end of March 2015 saw strong growth in new business in the areas of real estate loans and consumer credit. On the liabilities side, business was characterised by significantly narrower margins, despite strong deposit growth (+7.6%). Corporate deposits increased particularly strongly, by 12.1% year-on-year; most of this growth was seen in time deposits, a product which is important in light of liquidity rules ("Basel 3 products"). These successful efforts to attract deposits were accompanied by a significant decline in margins, especially in the course of the past few months. **Net fees and commissions** started to pick up in the fourth quarter of 2014 and continued to rise in the first quarter of 2015. At €126 million in Q1 2015, net fees and commissions were up by 4.5% on the preceding quarter and 3.6% higher than in the same period of the previous year. As a positive response to investment conditions which many customers perceive as being unfavourable, the volume of fund products in retail banking rose strongly, by 13.2% to €6.2 billion; the total volume of assets under management increased by 9% to €9.0 billion. Growth was mainly seen in the first quarter of 2015, which presented opportunities to benefit from further gains in value of bonds and from an upswing on stock markets in an environment of interest rates which were close to zero. Fees and commissions from securities business with retail customers rose by 32.2% over Q4 2014 and were up by 15.7% on Q1 2014.

● In the first quarter of 2015, **costs** in the Retail & Corporates business segment were down by 4.0% on the preceding quarter. The slight year-on-year increase of 1.1% resulted from non-staff expenses related to restructuring and modernisation of the branch-based sales network. Payroll costs were 4.8% lower than in the same period of the previous year, reflecting the successful Initiative 2020 programme to enhance efficiency. In March 2015, staff numbers in terms of full-

Development of business segments (CONTINUED)

time equivalents were down by 382 FTEs (–8.8%) on a year earlier. **Net write-downs of loans and provisions for guarantees and commitments** in the first quarter of 2015 remained low, at €29 million (Q1 2014: €48 million), and the cost of risk was 27bp (Q1 2014: 44bp), despite the risks associated with the discontinuation of the Swiss franc's link to the euro.

Net operating profit for the first three months of 2015 declined to €59 million, reflecting the impact of the zero interest rate environment on net interest, and was down by 4.2% on the same period of the previous year. Among the non-operating items, systemic charges amounted to €12 million. **Profit before tax** was €47 million (Q1 2014: €50 million).

Private Banking

(€ million)	Q1 2015	Q1 2014	CHANGE	
Operating income	48	40	+7	+18.0%
Operating costs	–30	–29	–1	+4.3%
Operating profit	17	11	+6	+53.1%
Net write-downs of loans	0	0	+0	n.m.
Net operating profit	17	11	+6	+54.7%
Profit before tax	**16**	**11**	**+5**	**+47.5%**
Total financial assets (avg.)	22,321	19,759	+2,562	+13.0%
Direct funding (avg.)	9,325	8,136	+1,189	+14.6%
Loans to customers (avg.)	594	640	–46	–7.2%
Risk-weighted assets (avg.)	534	604	–69	–11.5%
Average equity	190	161	+29	+17.8%

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. With a presence in 24 locations throughout Austria, the Private Banking Division's 539 employees (FTEs, end of March 2015) serve about 34,000 high net worth individuals and 1,145 foundations.

● The Private Banking business segment got off to an excellent start in the year, benefiting from its strength in asset management against the background of persistently low interest rates: **total financial assets** averaged €22.3 billion in the first quarter, continuing to grow to €23.3 billion by the end of March 2015. The increase of 8.9% in the first three months and 14.4% over March 2014 was mainly due to growth in assets under management. In this area, volume rose by 11.6% and 23.1%, respectively, reflecting both performance and net inflows of funds. Direct deposits, a more volatile component of total financial assets, also rose strongly, by 13.9% year-on-year, and assets under custody were up by 6%.

● **Net fees and commissions** developed in line with this growth, rising to €30 million, an increase of 24.1% over the first quarter of the previous year. Management fees made the largest contribution to the total figure, proving that the strategy of focusing on asset management is successful. **Net interest** generated by Private Banking was also affected by trends in market interest rates, declining by 9.0% to €15 million compared with the preceding quarter and by 3.5% on the same period of the previous year. The effect on net interest of the increase in deposits, which was achieved by offering attractive terms and conditions on Basel 3 products, was more than offset by narrower margins resulting from market interest rates. **Costs** rose by €1 million or 4.3% to €30 million, reflecting an increase in non-staff expenses while payroll costs remained more or less unchanged although staff numbers rose by 4 FTEs. The provisioning charge was zero and the charge for the bank levy amounted to €1 million. On this basis, **profit before tax** for the first quarter of 2015 was €16 million, an increase of €5 million or about one-half over the same period of the previous year.

Corporate & Investment Banking (CIB)

(€ million)	Q1 2015	Q1 2014	CHANGE	
Operating income	108	119	–11	–9.3%
Operating costs	–52	–49	–3	+5.5%
Operating profit	56	70	–14	–19.6%
Net write-downs of loans	–8	–13	+5	–40.5%
Net operating profit	48	57	–8	–14.7%
Profit before tax	**42**	**51**	**–9**	**–17.9%**
Loans to customers (avg.)	12,689	13,039	–350	–2.7%
Direct funding (avg.)	8,922	8,785	+136	+1.6%
Risk-weighted assets (avg.)	8,662	8,401	+260	+3.1%
Average equity	802	793	+9	+1.2%

Corporate & Investment Banking (CIB) focuses on serving multinational companies and large 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, 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 performs important functions as a product provider for other Divisions. These products include structured finance; export and trade finance; cash management solutions; risk management to hedge currency risk, commodity risk and interest rate risk; and capital market and investment products. CIB manages funding and treasury operations for the entire bank.

In the first quarter of 2015, the CIB Division's **business with large customers**, which is strongly dependent on the global economic environment, reflected the hesitant start of the expected upswing. Sustained uncertainty (Greece, Ukraine, strong exchange rate movements), weak global trade and thus declining export-related turnover and international transactions, as well as investment restraint on the

Development of business segments (CONTINUED)

part of companies all had an impact on demand for loans, working capital finance, foreign trade-related transactions and capital market activities. Economic pessimism was particularly pronounced in Austria.

● The past quarters saw a stable revenue trend: at **€108 million, operating income** in the first quarter of 2015 was slightly lower than the figure for the preceding quarter but more or less matched the average for the three preceding quarters (€111 million, €103 million and €111 million). Operating income in the first quarter of 2014 was higher (€119 million) because that period saw an exceptionally strong trading performance. A comparison with the first quarter of the previous year therefore shows a decline of €11 million or 9.3% in operating income. Among the income components, net interest was more or less maintained at the level of the preceding quarters; at €74 million in first quarter of 2015, it was 3.6% lower than in the same period of the previous year. On the lending side, volume declined slightly and margins narrowed somewhat. Business on the liabilities side was characterised by a strong increase in sight deposits and significantly lower margins, affecting the performance of Group Transaction Banking. **Net fees and commissions** were €21 million, more or less matching the level of the previous quarters. The contribution from financial services, which accounted for 42% of net fees and commissions, rose strongly, with increases of 12.8% over the preceding quarter and 15.1% over the first quarter of the previous year, supported by commission income from guarantees and loan commitments. The decline in transaction banking services reflected trends in export activities; CIB has a dominant market share of foreign guarantees and international cash management services. **Net trading, hedging and fair value income** was €12 million, significantly lower than in the same period of the previous year (€20 million). This decline was mainly due to one-off income included in the Q1 2014 figure.

Within **operating costs**, payroll costs remained stable and other administrative expenses, which peaked at €42 million in the fourth quarter of 2014 on account of IT development expenses, declined to €33 million. Overall, costs were 5.5% higher than in the same period of the previous year. **Net write-downs of loans and provisions for guarantees and commitments** returned to normal from the exceptionally low levels seen in the past year, during which there was even a significant net release of loan loss provisions in one quarter. At €8 million and a cost of risk of 25 basis points in the first quarter of 2015, the provisioning charge was considerably lower than in the same period of the previous year (€13 million/41 bp).

Net operating profit in the first quarter of 2015 was €48 million, up by 3.8% on the preceding quarter and down by 14.7% on the first quarter of 2014. The balance of non-operating items, including the charge for bank levies, was –€7 million, more or less unchanged. On this basis, the CIB business segment achieved a **profit before tax** of **€42 million** (after €39 million in the preceding quarter and €51 million in Q1 2014). **Return on equity** (ROE before tax) in the first quarter of 2015 was 20.9% (Q1 2014: 25.7%).

Central Eastern Europe (CEE)

(€ million)	Q1 2015	Q1 2014	CHANGE		*CONST[1]*
Operating income	971	898	+73	+8.2%	*+16.7%*
Operating costs	–347	–366	+18	–5.0%	*+1.9%*
Operating profit	624	532	+92	+17.2%	*+26.8%*
Net write-downs of loans	–175	–146	–29	+19.7%	*+31.9%*
Net operating profit	449	386	+63	+16.3%	*+24.9%*
Profit before tax	**390**	**327**	**+63**	**+19.3%**	***+29.1%***
Loans to customers (avg.)	57,425	55,823	+1,602	+2.9%	*+11.7%*
Direct funding (avg.)	52,657	48,434	+4,224	+8.7%	*+18.2%*
Risk-weighted assets (avg.)[2]	93,828	81,149	+12,679	+15.6%	
Average equity	13,894	13,849	+45	+0.3%	

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

Bank Austria with its CEE business segment is UniCredit's subholding company for operations in Central and Eastern Europe, managing the leading banking network in CEE in 13 countries. The consolidated banks in CEE (end of March 2015, including the bank in Ukraine, which is classified as held for sale) have 28,720 employees (FTEs), who work in 1,403 branches; added to this are 18,946 employees (FTEs at 100%) and 1,050 branches in our Turkish joint venture. In accordance with IFRS 11, the investment in the Turkish joint venture is accounted for using the equity method. The CEE business segment generated a profit before tax of €390 million and a net profit of €258 million, accounting for over 78% of Bank Austria's profit before tax and net profit generated by customer business (Bank Austria without the Corporate Center).

The Central Eastern Europe business segment got off to a good start in the current year. In the first quarter of 2015, based on its broad geographic diversification, the CEE business segment made up for a significant portion of the setback suffered in the fourth quarter of 2014 on account of developments in Russia and Ukraine and the related higher credit risk as well as interest-rate and exchange-rate effects. **Profit before tax** for the first quarter of 2015 was **€390 million**, 27.3% higher than in the preceding quarter and **up by 19.3%** on the Q1 2014 figure.

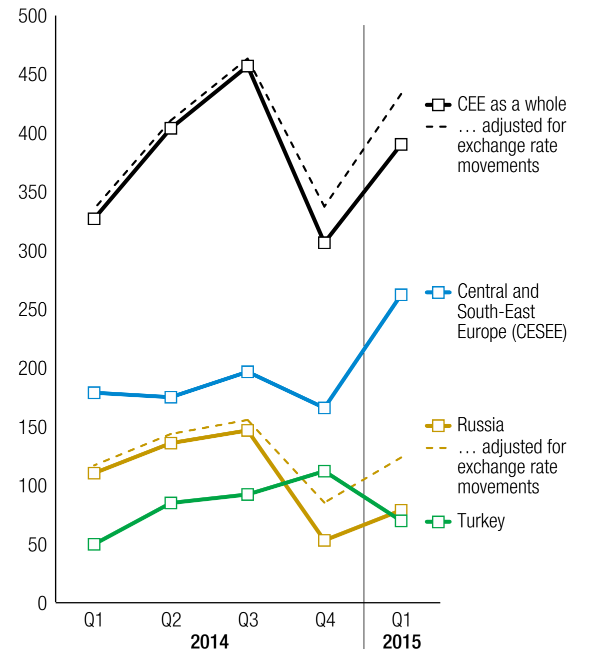
The past five quarters saw widely different regional trends: the upswing at our banks in **Central Europe** (CE), primarily in the Czech Republic and Slovakia and also in Hungary and Slovenia, accelerated. Profit before tax of this country group in the first quarter of 2015 was €100 million, up by 70.8% on the same period of the previous year. Underlying volume (+5.9%) and operating income (+13.2%) rose strongly. The countries in **South-East Europe** (SEE) achieved growth of 34.7% in their combined profit before tax, to €163 million. Lending volume in SEE increased by 4.9% and operating income was up by 7.4%. Our banking subsidiary in Croatia recorded the highest growth rates over the previous year, despite the setback in the fourth quarter caused by a higher charge for loan loss provisions. Romania was the only country with a weaker performance. Combined figures for Central Europe (CE)

Development of business segments (CONTINUED)

and South-East Europe (SEE) show strong improvements in **CESEE** of 46.5 % and 57.9 % over the preceding quarter and the first quarter of the previous year, respectively, to a combined profit before tax of € 262 million. While CESEE is not a homogeneous country group, industrial activity in all of these countries provided impetus to growth of domestic demand, incomes and lending volume, and financing conditions in the economy improved on account of disinflation and declining interest rates. Moreover, the process of convergence in the banking sector is progressing, as can be seen from the increase in deposits and from the advance of investment products.

Our **Russian** banking subsidiary coped very well in the turbulent fourth quarter of 2014, a period which saw the internal impact of substantial rouble depreciation, difficult financing conditions for corporate customers affected by international sanctions, and above all a significant fall in the net trading performance. At constant exchange rates, profit before tax for the first quarter of 2015 improved by almost one-half (+ 44.5 %) over the preceding quarter, thereby again exceeding the figure for the same period of the previous year by 5.7 %. In euro terms, profit before tax was € 79.3 million, down by 28.5 % on the first quarter of the previous year due to depreciation of the rouble. The profit contribution from **Turkey** improved steadily until the fourth quarter of 2014 but fell significantly, by 42.2 % to € 70.3 million, in the first quarter of 2015 (the only large country to see such a decline) on account of the difficult interest rate environment and various special factors. Even at this level, the profit contribution from Turkey exceeded the previous year's figure by 39.9 %. (Russia is the only country where exchange rate effects have a significant effect on quarterly performance.)

CEE: profit before tax



Within **operating income,** net interest peaked at € 653 million in the third quarter of 2014 and then started to decline in almost all countries, ultimately falling back to € 600 million in the first quarter of 2015, the level recorded in Q1 2014. All of this decline was due to developments in Russia: while net interest in rouble terms increased, the equivalent amount in euro was substantially lower, reflecting currency depreciation of one-third (– 32.3 %). Net interest in CEE excluding Russia remained at the high Q3 2014 level, and therefore the figure for the first quarter of 2015 was up by 5.1 % year-on-year. All country groups achieved an increase in net interest, which is explained – with few exceptions – by volume growth. While the interest margin deteriorated also in CEE from quarter to quarter, it was still at a high level in the first quarter of 2015. Declining returns were in some cases used to realise gains in value of financial investments.

Net fees and commissions (€ 185 million) rose at a disproportionately low rate in Central and Eastern Europe in the first quarter of 2015, mostly due to commission income from financial services. Account-related and payment services in a number of countries were also weaker than in the fourth quarter of 2014. This is a seasonal factor because a year-on-year comparison still shows growth in these areas after a partly strong expansion in previous years. Net fees and commissions in the first quarter of 2015 were up by 3.1 % on the same period of the previous year, with a strong increase seen in the Czech Republic (+ 12.9 %).

In the first quarter of 2015, **net trading, hedging and fair value income** rose to a record level of € 109 million after a low € 12 million in the preceding quarter and € 58 million in Q1 2014. Strong quarterly fluctuations are also seen in profits. In the past year, these fluctuations were mainly caused by changes in the situation in Russia: in the fourth quarter, when the Ukraine / Russia crisis came to a head, with sanctions being imposed and intervention in international capital movements, the net trading performance was negative, at – € 51 million, reflecting the impact of dramatic currency depreciation and interest rate increases on the trading portfolio and derivatives positions. In the first quarter of 2015, a partial countermovement in financial markets and especially lively customer business (most of the largest companies in Russia are customers of the bank) enabled the bank to achieve net trading income of € 10 million. The resulting swing of + € 60 million in the net trading performance compared with the preceding quarter is also reflected in overall trends. Net trading income in CEE countries without Russia showed a stable development and is a more or less sustainable source of revenue. This is due to companies' need for risk management products (in view of exchange rate movements and relatively strong changes in interest rates). The CESEE country group (Central Europe and South-East Europe) generated net trading income of € 92 million after € 66 million (Q4 2014) and € 55 million (Q1 2014); the quarterly average in 2014 was € 70 million.

Development of business segments (CONTINUED)

In the CEE Division, **operating costs** at constant exchange rates were up by 1.9 % on the same period of the previous year, reflecting the increase in Russia (+ 14.2 %). Operating costs in CEE without Russia, adjusted for exchange rate movements, declined by 0.9 %. As at the end of March 2015, staff numbers in the CEE Division were 23,988 FTEs (without Turkey and Ukraine), reflecting a decline of only 349 FTEs (–1.4 %). Most of the reduction (–339 FTEs) took place in Croatia with the deconsolidation of Istraturist. The cost / income ratio in CEE – without Turkey, whose contribution is accounted for using the equity method and is therefore not reflected in operating costs – fell significantly, from 43.2 % in Q1 2014 to 38.6 % in Q1 2015.

In the first quarter of 2015, **net write-downs of loans and provisions for guarantees and commitments** were € 175 million, significantly below the € 203 million recorded in the final quarter of 2014 when loan loss provisions were increased in some countries (primarily in Croatia, and in Romania). Net write-downs of loans increased by € 29 million or 19.7 % on the same period of the previous year (€ 146 million) as a result of developments in Russia and at the Vienna-based CEE headquarters. Although the past two quarters saw substantial increases in net write-downs of loans and provisions for guarantees and commitments in local currency in Russia, the cost of risk in that country was disproportionately low, at 112 bp in Q1 2015. In the first quarter of 2015, the provisioning charge for CEE loans booked in UniCredit Bank Austria AG (Profit Center Vienna) was € 49 million, a larger amount than in the same period of the previous year (€ 19 million). Net write-downs of loans in the other CEE countries declined year-on-year, by a combined 17.2 % to € 91 million, and the cost of risk also fell, from 114 bp to 91 bp in the first quarter of 2015. Particularly strong improvements were seen in the risk profiles of our Czech banking subsidiary (including Slovakia), in Hungary and in Romania. The cost of risk in the CEE Division was 122 bp in the first quarter of 2015, (Q1 2014: 104 bp), slightly above the figure for 2014 as a whole (116 bp) but well below the level seen in previous years.

In the CEE Division, higher operating income, cost stability and a moderate provisioning charge combined to give a **net operating profit of € 449 million**, a figure which is up by 38 % on the preceding quarter and by 16.3 % on the first quarter of 2014. At € 54 million, “systemic charges” were the most significant non-operating item which was deducted to arrive at profit before tax, although this was much less than the figure for Austria; other non-operating items amounted to a low –€ 6 million. **Profit before tax** was € 390 million, and the income tax payable on this amount was € 60 million, with an effective tax rate of 15.4 %. The item “Total profit or loss after tax from discontinued operations” includes the profit or loss of PJSC Ukrsotsbank, Ukraine, which is classified as a disposal group held for sale. The loss posted by Ukrsotsbank was –€ 74 million compared with –€ 126 million in the preceding quarter and –€ 4 million in the first quarter of 2014. The item “Non-controlling interests” shows the pro-rata share of Ukrsotsbank’s loss which was assumed by its minority shareholder UniCredit. On this basis, the net impact of developments in Ukraine on the CEE Division’s profits was –€ 55 million in the first quarter of 2015. The net profit of € 258 million achieved by the CEE business segment was significantly higher than the figure recorded in the preceding quarter and matched the level of the same period in the previous year (€ 257 million). This reflects an impressive continuity of performance in the face of unusual conditions in some regions, and the CEE Division thus again proved to be a stable source of revenue for Bank Austria.

Development of business segments (CONTINUED)

Income statement of the banks in CEE [1]

(€ million)

	CEE DIVISION		CZECH REPUBLIC, SLOVAKIA		HUNGARY	
	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Net interest	600	600	93	87	51	52
Dividends and income from equity investments	73	48	1	0	0	0
Net fee and commission income	185	185	34	30	30	29
Net trading income	109	58	27	14	16	9
Net other operating income/expenses	4	7	2	3	1	1
Operating income	**971**	**898**	**156**	**135**	**98**	**91**
Operating costs	**–347**	**–366**	**–61**	**–61**	**–38**	**–39**
Operating profit	**624**	**532**	**95**	**75**	**60**	**52**
Net write-downs of loans	–175	–146	–13	–19	–9	–13
Net operating profit	**449**	**386**	**82**	**56**	**51**	**38**
Provisions for risks and charges	–57	–58	–6	–6	–32	–28
Integration/restructuring costs	–1	–1	–1	–1	0	0
Net income from investments	–1	0	0	0	0	0
Profit before tax	**390**	**327**	**76**	**48**	**20**	**10**
Net profit or loss [2]	**258**	**257**	**61**	**39**	**16**	**8**
Customer loans (end of period)	58,472	55,166	12,664	11,822	3,269	3,005
Customer deposits and debt securities in issue (eop)	53,815	47,343	13,740	12,724	3,816	3,201
Exchange rate (period average)			27.533	27.442	299.43	307.18
Appreciation/depreciation against the euro	–7.3% [3]		–0.3%		+2.6%	

(€ million)

	SLOVENIA		BULGARIA		ROMANIA	
	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Net interest	11	12	73	64	48	49
Dividends and income from equity investments	0	0	0	0	0	0
Net fee and commission income	7	7	24	23	16	18
Net trading income	4	–1	9	8	21	24
Net other operating income/expenses	0	0	0	0	0	–1
Operating income	**22**	**18**	**107**	**96**	**84**	**91**
Operating costs	**–10**	**–10**	**–31**	**–31**	**–39**	**–40**
Operating profit	**12**	**8**	**75**	**65**	**45**	**51**
Net write-downs of loans	–8	–8	–20	–14	–20	–27
Net operating profit	**4**	**0**	**55**	**50**	**25**	**24**
Provisions for risks and charges	0	0	–7	–5	–3	–2
Integration/restructuring costs	0	0	0	0	0	0
Net income from investments	0	0	0	0	0	0
Profit before tax	**4**	**0**	**48**	**46**	**22**	**22**
Net profit or loss	**4**	**0**	**43**	**41**	**10**	**11**
Customer loans (end of period)	1,803	1,921	5,160	4,904	4,630	4,186
Customer deposits and debt securities in issue (eop)	1,678	1,383	5,802	4,467	3,293	3,049
						3.0%
Exchange rate (period average)	1.0000	1.0000	1.9558	1.9558	4.4098	4.4592
Appreciation/depreciation against the euro	Euro		0.0%		+1.1%	

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.

Development of business segments (CONTINUED)

(€ million)

	RUSSIA		BALTICS		TURKEY AT EQUITY [4]		FOR INFORMATION: TURKEY PRO QUOTA [4]	
	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Net interest	144	166	3	4			192	147
Dividends and income from equity investments	0	0	0	0	70	50	2	1
Net fee and commission income	12	33	0	0			77	63
Net trading income	10	–5	0	0			19	12
Net other operating income/expenses	0	2	0	0			1	1
Operating income	**166**	**195**	**4**	**4**	**70**	**50**	**291**	**224**
Operating costs	**–51**	**–66**	**–1**	**–2**			**–128**	**–109**
Operating profit	**115**	**129**	**2**	**2**	**70**	**50**	**163**	**115**
Net write-downs of loans	–35	–17	0	–1			–68	–39
Net operating profit	**81**	**112**	**2**	**1**	**70**	**50**	**95**	**76**
Provisions for risks and charges	–2	–2	0	0			–8	–11
Integration/restructuring costs	0	0	0	0			0	0
Net income from investments	0	0	0	0			1	1
Profit before tax	**79**	**111**	**2**	**1**	**70**	**50**	**88**	**66**
Net profit or loss	**63**	**88**	**2**	**0**	**70**	**50**	**70**	**50**
Customer loans (end of period)	13,242	11,908	377	414			21,001	15,125
Customer deposits and debt securities in issue (eop)	13,321	11,287	0	0			19,355	14,111
Exchange rate (period average)	62.4400	48.7800	1.0000	1.0000	2.8131	2.9693	2.8131	2.9693
Appreciation/depreciation against the euro	–21.9%		Euro		+5.6%		+5.6%	

(€ million)

	CROATIA		BOSNIA		SERBIA	
	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Net interest	89	80	24	23	23	22
Dividends and income from equity investments	2	2	0	0	0	0
Net fee and commission income	29	29	8	8	5	4
Net trading income	10	1	1	1	4	2
Net other operating income/expenses	1	2	0	0	0	0
Operating income	**132**	**114**	**34**	**32**	**32**	**29**
Operating costs	**–49**	**–54**	**–17**	**–17**	**–11**	**–10**
Operating profit	**83**	**60**	**17**	**15**	**21**	**19**
Net write-downs of loans	–16	–11	–2	–4	–4	–12
Net operating profit	**68**	**49**	**15**	**11**	**18**	**7**
Provisions for risks and charges	–4	–4	–1	–1	–1	–8
Integration/restructuring costs	0	0	0	0	0	0
Net income from investments	–1	0	0	0	0	0
Profit before tax	**63**	**45**	**14**	**10**	**16**	**–2**
Net profit or loss	**42**	**30**	**11**	**7**	**15**	**–3**
Customer loans (end of period)	9,460	9,359	1,671	1,548	1,430	1,313
Customer deposits and debt securities in issue (eop)	8,918	8,476	1,890	1,707	1,228	970
Exchange rate (period average)	7.6450	7.6475	1.9558	1.9558	119.81	115.56
Appreciation/depreciation against the euro	+0.0%		0.0%		–3.5%	

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

Outlook

Economic scenario

In the Outlook section of our 2014 Annual Report, which was published two months ago, we made forecasts and comments on risks for 2015 and 2016. We maintain these forecasts and comments. Although economic growth in the year to date has been weaker than expected in some global regions and stronger in others, these temporary deviations from the basic scenario are of little significance for the year as a whole. The oil price is very low, even after the increase to 65 US$/bl in April/May. The sharp decline in crude oil prices (close to –40 % compared with the mid-2014 level) has two major effects: on the one hand, it has strengthened purchasing power in industrial countries as expected, and domestic economic activity has become the most important growth driver in almost all countries. On the other hand, we can see that the global economy is a closed system: the export-driven growth model does not work for suppliers of raw materials and commodities (not only oil producers), and the inevitable stabilisation in China acts as a brake on growth. This means that demand from emerging markets can currently not provide any major stimulus. World trade is stagnant, as can be seen from the UniCredit Leading Indicator, which has fallen to 0 standard deviations. As a consequence, sustainable growth components have been gaining in strength while the accelerators, which are dependent on export demand and the credit creation process, i.e. investment, have not yet got underway.

The global context applies to the monetary sector to an even greater extent: depreciation of the euro (an effective –6.7 % even after the most recent strengthening) in the wake of quantitative easing under the ECB's monetary policy has not cancelled expectations of the forthcoming increase in US interest rates but has lowered and delayed such expectations. Moreover, the expected economic growth in the US more or less failed to materialise in the first quarter of 2015 (+0.2 % p.a.), on account of a severe winter and foreign trade developments. Combined with reports of a turnaround in inflation, this prompted investors to rearrange their portfolios in May. Within a few days, euro benchmark yields rose by 50 basis points and yield spreads in peripheral markets, and even more so in emerging markets, also widened. While purchases by the ECB counteracted this development, the abrupt interest rate increase led to fears that liquidity in bond markets is not as high as was previously thought (also on account of central bank intervention).

● In the first quarter of 2015, the **euro area** economy again achieved strong growth of an estimated 0.4 % over the preceding quarter (after +0.7 % in the fourth quarter of 2014), with wide differences seen within the euro area. The other indicators (PMI) also suggest that, outside the large markets of Germany and France, the other economies have gathered momentum. Our economists expect that recovery will continue at a similar pace in 2015 (1.5 % to 2 % on an annualised basis). As oil prices are rising again, the growth rate of private consumption will probably not remain at the current level, but euro depreciation is likely to have an increasing effect with the usual time lag.

In the **Greek debt crisis**, the disbursement of further tranches under the current IMF aid programme (and a potential further aid programme in June 2015), subject to conditions being met by Greece (reform package), is seen as a prerequisite for making available additional EU funds and rolling over the country's public debt in the future. Liquidity bottlenecks in May/June and a potential referendum on inevitable reforms, involving cuts in social expenditure, could cause irritation in financial markets. The resulting risk aversion would impact credit spreads in peripheral countries and also in those countries which are strongly dependent on capital inflows. However, we do not expect a systemic shock in this context.

● At the beginning of the year, sentiment in **Austria** was at the lower end of the scale. However, there are now signs that economic activity in Austria may follow the recovery in the euro area at a somewhat slower pace. While the business climate is still reserved, it has started to brighten. The Bank Austria Business Indicator is already showing a slight upward movement. The downward trend in Austrian industry also seems to be coming to an end. At the beginning of the second quarter of 2015, the Bank Austria Purchasing Managers' Index rose above the 50-point growth threshold for the first time since summer 2014. Overall conditions are favourable, with a stronger recovery in Europe, a weaker euro and low oil prices. This will increasingly be reflected in stronger export demand in the coming months. Although economic activity in several growth markets is slowing somewhat and the Russia/Ukraine crisis is smouldering, foreign trade will gather momentum, but without making any significant contribution to growth as imports increase. Stronger foreign demand should at least support investment activity from the second half of the year, all the more so as financing conditions will probably remain favourable as a result of the ECB's policy of monetary easing. Private consumption continues to grow moderately, supported by low inflation and despite a further increase in unemployment. This means that domestic demand will become increasingly important as a driver of economic growth in Austria. On the basis of initial positive signals, we expect the Austrian economy to pick up moderately by the end of the current year. We maintain our growth forecast of 0.9 % for 2015; as in the previous year, economic growth in Austria will thus be lower than the average for the euro area.

While the outlook for growth is gradually brightening, inflation is expected to return to normal levels also in Austria. In the meantime, the decline in commodity prices has ended, at least in euro terms, and the weaker euro is pushing up import prices for various consumer goods. Companies have recently regained stronger price-setting power. In the second half of the year, inflation may be expected to rise slightly. We believe that the inflation rate in Austria will average 0.9 % in 2015.

Outlook (CONTINUED)

In view of the Austrian economy's moderate start in 2015, credit growth, and corporate loans in particular, will probably remain subdued in 2015, at a level of below 2% adjusted for the effect of Swiss franc appreciation. Dynamic growth will only be seen in housing loans, but at about 2½% this will also be lower than in pre-crisis years. Credit demand from SMEs will increase, too, though only slightly in view of the slow pace of economic recovery. Although interest rates are low and monetary wealth formation continues to be moderate, deposits held by private households and institutional and public depositors have continued to grow strongly. Short-term deposits will again account for a substantial portion of monetary wealth formation in 2015. A larger portion of savings will be invested in mutual funds and equities. As in the past two years, investments in bonds, especially bonds issued by banks, will continue to be reduced in 2015. The trend towards real assets, including real estate, will continue.

● Economic trends in **Central and Eastern Europe (CEE)** will continue on the lines seen in the first quarter of 2015: **Central Europe** and **Bulgaria and Romania**, based on their strong competitiveness in highly exposed sectors, will follow recovery in the old euro area, with some leverage but an upper limit. We expect growth in production to accelerate towards +3%. (Combined GDP growth forecast for 2015: +2.5%/for 2016: +2.6%.) Stronger growth would require a more dynamic momentum in Western Europe and stronger credit expansion. Growth is supported by the gain in purchasing power which results from oil price-induced disinflation. While the decline in inflation rates – and the easing of interest rates – has bottomed out in the meantime, interest rates can be kept at their low level for quite some time. The current fiscal policy stance can be maintained, without any further expansionary move. Most countries enjoy a sound external position, which means that vulnerability to external shocks is comparatively low in this country group. Overall, the coming quarters will probably see sound growth without any excessive developments. The same applies to the banking sector.

The **Western Balkan countries** (weighted GDP growth forecast for 2015: +0.1%/for 2016: +1.4%) are finding it difficult to leave recession behind them. Inevitable fiscal consolidation is acting as a brake on demand, especially in Serbia and Croatia. Moreover, exports from the region mainly go to countries which are experiencing slower growth (Italy and Slovenia). The supply side is handicapped by the large proportion of non-tradable output, by the limited industrial base and by relatively high unit labour costs. While the current account of these countries has benefited from lower commodity and energy prices, they are still dependent on foreign capital and loans. This may pose a risk in the remaining part of the year if the risk appetite of investors looking for an interest rate premium reverses. In this mixed environment, the function of the international banking sector is still seen as being of great importance.

Turkey is likely to benefit the most from international economic trends, being the fastest-growing economy in the region with the most favourable demographic structure, an acceptable investment climate and one of the most highly developed capital markets. (GDP forecast unchanged: 3.2%/3.6%). But these positive factors are limited by structural shortcomings (including low internal savings = large current account deficit: 2015: –4.5% of GDP) and high inflation (most recently at 7.9%). Moreover, internal political tensions are having an impact. While there is political pressure on the central bank to reduce interest rates, the current situation is characterised by negative real interest rates, an inverted yield curve and renewed weakness of the Turkish lira since April/May (depreciation of 14.3% against the euro since the beginning of 2015). CDS spreads have increased again (from 160bp at the beginning of 2015 to 200bp in the middle of May). A period of risk aversion and repatriation of international portfolio capital would have a severe negative impact on Turkey. The strongly expanding banking sector in Turkey and international financing flows continue to offer banks good business opportunities.

Economic performance in **Russia** has been surprisingly stable since the beginning of 2015. The rouble has continued to appreciate after the end of March 2015, gaining 22.6% in the year to date. Interest rates were slightly reduced from the high level to which they had previously been raised. However, the underlying improvement in the current account and the stabilisation of capital flows went hand in hand with a sharp downturn in domestic economic activity. We therefore expect GDP to shrink by 4.5% in 2015 and by 1.4% in 2016.

After losing one-tenth of its economic strength and a lot of confidence in the market, **Ukraine** is moving in a downward spiral. Even if an IMF programme and EU support can prevent the country's financial collapse – 100% of public debt will have to be rolled over by 2018 – the economy will not return to a growth path. After a 7.0% slump in economic performance, we expect the country's real GDP to shrink further, by 9.3%. The conflict in eastern Ukraine is currently in a fragile state of suspense.

Outlook (CONTINUED)

Outlook for Bank Austria's performance

The interim financial statements for the first quarter of 2015 show that the expectations and risks mentioned in our 2014 Annual Report, which was published in March 2015, have not changed in any major respect.

▶ In spring 2015 interest rates fell to extremely low levels, reflecting a monetary policy of quantitative easing. In **Austria**, the development of net interest is therefore strongly dependent on volume trends. While new business has already picked up, growth in business volume will hardly be able to offset the narrowing of margins compared with the previous year. Moreover, interest income from financial investments is exposed to the risk of a reassessment of bond markets in the case of a potential reversal of interest rate expectations in the remaining part of the year. Net fees and commissions should benefit, as in the first quarter of 2015, from demand for suitable investment products and sound advisory services, which will increase in line with financial markets moving further in a specific direction. We are well positioned to meet such demand with our investment products and especially with our recently intensified asset management services. Foreign trade-related services, on the other hand, will have to wait for a recovery of external trade as the year progresses. The same applies to capital market activities of large companies, which need to overcome the currently depressed sentiment. Net write-downs of loans will return to normal levels in 2015, after a significant reduction in the previous year; they will nevertheless remain low in a multi-year comparison. In view of the mixed outlook for earnings and profitability, it will be difficult to absorb the cumulative effect of rising charges in a regulatory context – i.e. bank levies and other systemic charges, which we welcome in principle. The other systemic charges should at least count towards the charge for the bank levy. In any case, our strategy focuses on gaining market share in customer business by offering a competitive range of products and services as well as modern, customer-oriented sales channels (multichannel bank). At the same time we are enhancing efficiency in sales operations by implementing our new branch concept and reducing staffing levels with a view to lowering the structurally high cost/income ratio in Austrian retail banking.

▶ For the **CEE Division** we expect that our banking subsidiaries in the Central European countries will continue to benefit from the favourable economic environment described above, even if interest rate convergence has reached an advanced stage and growth rates in the banking sector have in the meantime fallen well below those seen in the years before 2007. Revenue growth will probably be given additional impetus when the growth momentum spreads from domestic economic activity to foreign trade. Based on their strong market positions and international standing, our banks in the Western Balkan countries have shown that they can operate at high levels of profitability even in a difficult environment. The bank in Turkey got off to a moderate start in 2015, but the banking sector in that country shows the strongest growth of all countries, although there are strong fluctuations in funding conditions.

One of the risks to be mentioned here is that expectations regarding an interest rate turnaround in the US could lead to an abrupt change in bond market sentiment. Although interest rates are well supported by ECB intervention, an interest rate turnaround could lead to a withdrawal of funds from peripheral markets. The related increase in interest rates and exchange rate volatility would affect markets with current account deficits, in our case Turkey and the Western Balkan countries.

In the first quarter of 2015 our Russian banking subsidiary demonstrated that its business model is robust. With its focus on large, internationally active companies, and its sound deposit base, which exceeds the bank's lending volume, and with its good standing in financial markets, the Russian banking subsidiary will continue to operate successfully in its local business, even if there is uncertainty over the sustainability of the current exchange rate trend. In the second and third quarters of the previous year, developments in the various CEE regions pointed in more or less the same direction, leading to very good results; this means that performance in the previous year set high standards against which this year's results will be measured. We expect a good net operating profit also for the current year, based on the geographic diversification of operations and despite the fact that the general environment differs from region to region.

The impact of future developments in Ukraine on results for the current year remains an imponderable factor. We believe that after the IMF agreed to provide an aid package, rescheduling arrangements can also be reached with private creditors. Even if this happens, it will not be possible to completely avoid further loan loss provisions, not to speak of the risk of a renewed flare-up of the conflict in eastern Ukraine and a conceivable tightening of sanctions.

▶ In the interplay of mature advanced markets and young markets we will further expand our business in the long term while keeping risks under control. It is only with a forward-looking strategy that we can generate sufficient profit to support our expansion with the required equity capital. Without the charge for bank levies and other systemic charges (not including expenses to meet regulatory requirements in day-to-day activities), Bank Austria's net profit for the first quarter of 2015 would have been higher by one-half. The cumulative impact of regulatory requirements and provisioning charges at the present moment – justified and appropriate though all of these may be – is absorbed at the expense of credit expansion. Given that profitability in a low interest rate environment is weak, banks can perform their role as growth accelerator in an economic upswing to a lesser extent.

Consolidated Income Statement

of the Bank Austria Group for the first quarter of 2015

Income statement

(€ million)

	1 JAN.– 31 MARCH 2015	1 JAN.– 31 MARCH 2014
Interest income and similar revenues	1,609	1,528
Interest expense and similar charges	–793	–686
Net interest margin	**816**	**841**
Fee and commission income	445	433
Fee and commission expense	–104	–103
Net fees and commissions	**341**	**330**
Dividend income and similar revenue	0	0
Gains and losses on financial assets and liabilities held for trading	93	80
Fair value adjustments in hedge accounting	–5	–0
Gains and losses on disposal of:	18	25
a) loans	–0	3
b) available-for-sale financial assets	18	21
c) held-to-maturity investments	0	0
d) financial liabilities	–0	–0
Gains and losses on financial assets/liabilities at fair value through profit or loss	1	11
OPERATING INCOME	**1,264**	**1,286**
Impairment losses on:	–209	–194
a) loans	–222	–202
b) available-for-sale financial assets	0	0
c) held-to-maturity investments	0	–0
d) other financial assets	12	8
Net income from financial activities	**1,054**	**1,093**
Administrative costs:	–813	–792
a) staff expense	–390	–406
b) other administrative expense	–423	–385
Provisions for risks and charges	–8	–3
Impairment/write-backs on property, plant and equipment	–45	–33
Impairment/write-backs on intangible assets	–11	–12
Other net operating income	34	19
OPERATING COSTS	**–842**	**–820**
Profit (loss) of associates	98	73
Gains and losses on tangible and intangible assets measured at fair value	–0	–0
Gains and losses on disposal of investments	–0	76
TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**311**	**421**
Tax expense (income) related to profit or loss from continuing operations	–60	–64
Total profit or loss after tax from continuing operations	**250**	**357**
Total profit or loss after tax from discontinued operations	–60	2
NET PROFIT OR LOSS FOR THE PERIOD	**190**	**359**
Attributable to:		
Non-controlling interests from continuing operations	13	9
from discontinued operations	–20	0
Attributable to non-controlling interests	**–7**	**9**
Owners of the parent company from continuing operations	237	348
from discontinued operations	–40	2
Attributable to owners of the parent company	**198**	**350**
Earnings per share (in €, basic and diluted) from continuing operations	1.03	1.51
from discontinued operations	–0.17	0.01

Consolidated Statement of Comprehensive Income

of the Bank Austria Group for the first quarter of 2015

Statement of comprehensive income

(€ million)

	1 JAN.– 31 MARCH 2015	1 JAN.– 31 MARCH 2014
Total profit or loss after tax from continuing operations	**250**	**357**
Total profit or loss after tax from discontinued operations	**–60**	**2**
PROFIT OR (–) LOSS FOR THE PERIOD	**190**	**359**
OTHER COMPREHENSIVE INCOME	**551**	**–389**
Items that will not be reclassified to profit or loss	**0**	**0**
Actuarial gains or (–) losses on defined benefit pension plans	0	0
Share of other recognised income and expense of entities accounted for using the equity method	0	0
Income tax relating to items that will not be reclassified	0	0
Items that may be reclassified to profit or loss	**551**	**–389**
Foreign currency translation	362	–278
Cash flow hedges [effective portion]	64	9
Valuation gains or (–) losses taken to equity	*63*	*8*
Transferred to profit or loss	*1*	*1*
Available-for-sale financial assets	203	110
Valuation gains or (–) losses taken to equity	*202*	*122*
Transferred to profit or loss	*2*	*–12*
Non-current assets and disposal groups held for sale	1	–228
Valuation gains or (–) losses taken to equity	*1*	*–228*
Transferred to profit or loss	*1*	*0*
Share of other recognised income and expense of entities accounted for using the equity method	–27	34
Cash flow hedges [effective portion]	*20*	*0*
Available-for-sale financial assets	*–48*	*37*
Other recognised income and expenses	*0*	*–3*
Income tax relating to items that may be reclassified to profit or (–) loss	–52	–37
Gains/losses on assets available for sale (available-for-sale reserve)	*–44*	*–28*
Gains/losses on cash flow hedges (cash flow hedge reserve)	*–15*	*–3*
Gains/losses on assets available for sale (available-for-sale reserve) of investments measured at equity	*12*	*–6*
Gains/losses on cash flow hedges (cash flow hedge reserve) of investments measured at equity	*–4*	*0*
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**742**	**–30**
Comprehensive income after tax from continuing operations	**872**	**196**
Comprehensive income after tax from discontinued operations	**–130**	**–226**
Thereof attributable to		
Non-controlling interests from continuing operations	15	–1
from discontinued operations	–49	–71
Attributable to non-controlling interests	**–34**	**–72**
Owners of the parent company from continuing operations	857	197
from discontinued operations	–81	–155
Attributable to owners of the parent company	**776**	**42**

Earnings per share (in €, basic and diluted)

(€)

	1 JAN.– 31 MARCH 2015	1 JAN.– 31 MARCH 2014
Earnings per share from comprehensive income after tax from continuing operations	3.71	0.85
Earnings per share from comprehensive income after tax from discontinued operations	–0.35	–0.67

Statement of Financial Position

of the Bank Austria Group at 31 March 2015

Assets

(€ million)

	31 MARCH 2015	31 DEC. 2014
Cash and cash balances	2,200	1,942
Financial assets held for trading	3,988	3,533
Financial assets at fair value through profit or loss	130	110
Available-for-sale financial assets	24,334	22,148
Held-to-maturity investments	417	572
Loans and receivables with banks	30,096	30,542
Loans and receivables with customers	117,511	113,732
Hedging derivatives	4,229	3,952
Changes in fair value of portfolio hedged items (+/–)	–32	–99
Investments in associates and joint ventures	4,694	4,644
Property, plant and equipment	2,153	2,147
of which held for investment	*889*	*896*
Intangible assets	180	171
Tax assets	524	570
a) current tax assets	64	72
b) deferred tax assets	460	499
Non-current assets and disposal groups classified as held for sale	3,240	3,600
Other assets	1,345	1,554
TOTAL ASSETS	**195,009**	**189,118**

Liabilities and equity

(€ million)

	31 MARCH 2015	31 DEC. 2014
Deposits from banks	23,739	23,696
Deposits from customers	106,150	102,271
Debt securities in issue	30,100	30,014
Financial liabilities held for trading	3,891	3,454
Financial liabilities at fair value through profit or loss	634	670
Hedging derivatives	3,976	3,302
Changes in fair value of portfolio hedged items (+/–)	–17	84
Tax liabilities	214	165
a) current tax liabilities	70	58
b) deferred tax liabilities	144	107
Liabilities included in disposal groups classified as held for sale	1,587	1,845
Other liabilities	2,979	2,617
Provisions for risks and charges	6,015	6,076
a) post-retirement benefit obligations	5,676	5,665
b) other provisions	339	411
Equity	15,740	14,925
of which non-controlling interests (+/–)	*244*	*193*
TOTAL LIABILITIES AND EQUITY	**195,009**	**189,118**

Statement of Changes in Equity

of the Bank Austria Group for the first quarter of 2015

(€ million)

	SUB-SCRIBED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION	CASH FLOW HEDGE RESERVE	AVAILABLE-FOR-SALE RESERVE	CASH FLOW HEDGE AND AFS RESERVE ASSOCIATES	ACTUARIAL LOSSES IN ACCORDANCE WITH IAS 19	SHARE-HOLDERS' EQUITY	NON-CON-TROLLING INTERESTS	EQUITY
As at 1 January 2014	**1,681**	**6,052**	**10,287**	**–2,577**	**194**	**400**	**25**	**–1,351**	**14,710**	**340**	**15,050**
Changes in the group of consolidated companies			116						116	–10	106
Shares in controlling companies		1							1	0	1
Net profit for the period			350						350	9	359
Other comprehensive income				–412	9	67	18	0	–318	–72	–390
Dividend paid									0	–1	–1
AS AT 31 MARCH 2014	**1,681**	**6,053**	**10,753**	**–2,988**	**203**	**467**	**43**	**–1,351**	**14,860**	**266**	**15,126**
	SUB-SCRIBED CAPITAL	**CAPITAL RESERVES**	**RETAINED EARNINGS**	**FOREIGN CURRENCY TRANSLATION**	**CASH FLOW HEDGE RESERVE**	**AVAILABLE-FOR-SALE RESERVE**	**CASH FLOW HEDGE AND AFS RESERVE ASSOCIATES**	**ACTUARIAL LOSSES IN ACCORDANCE WITH IAS 19**	**SHARE-HOLDERS' EQUITY**	**NON-CON-TROLLING INTERESTS**	**EQUITY**
As at 1 January 2015	**1,681**	**6,058**	**11,950**	**–3,980**	**347**	**721**	**71**	**–2,116**	**14,732**	**193**	**14,925**
Changes in the group of consolidated companies			–14						–14	87	72
Shares in controlling companies		1							1		1
Net profit for the period			198						198	–7	190
Other comprehensive income				390	48	159	–20	0	579	–27	551
Dividend paid									0	–1	–1
AS AT 31 MARCH 2015	**1,681**	**6,060**	**12,133**	**–3,590**	**396**	**881**	**51**	**–2,116**	**15,495**	**244**	**15,740**

Notes to the Consolidated Financial Statements

Basis for the preparation of the financial statements

The income statement, the statement of comprehensive income, the statement of financial position and the statement of changes in equity contained in this condensed interim report have been prepared in accordance with International Financial Reporting Standards (IFRSs) complemented by explanatory information.

The accounting policies applied by the Group in this condensed interim report are the same as those applied by the Group in its consolidated financial statements for the year 2014.

Transfers 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 March 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 MARCH 2015	FAIR VALUE AS AT 31 MARCH 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	5	5	0	0	0	0
	HFT	HTM	0	0	0	0	0	0
	HFT	Loans to banks	0	0	0	0	0	0
	HFT	Loans to customers	444	455	3	1	2	3
	AFS	Loans to banks	2,966	3,001	36	11	0	16
TOTAL			**3,415**	**3,462**	**39**	**13**	**2**	**19**

Notes (CONTINUED)

Consolidated companies and changes in consolidated companies of the Bank Austria Group in the first quarter of 2015

	CONSOLIDATED COMPANIES	COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD	TOTAL
Opening balance	**413**	**37**	**450**
Additions	**2**	**0**	**2**
Newly established companies	1	0	1
Acquired companies	1	0	1
Disposals	**–5**	**0**	**–5**
Companies sold or liquidated	–3	0	–3
Mergers	–1	0	–1
Changes in UniCredit Group	–1	0	–1
CLOSING BALANCE	**410**	**37**	**447**

In the first quarter of 2015, the number of companies in the Bank Austria Group declined from 450 to 447.

UniCredit Leasing Insurance Slovakia was established and Transfinance a. s., Prague, was acquired in the first quarter of 2015.

The Austrian leasing companies Rondo Leasing GmbH and CALG Immobilien Leasing GmbH & Co were sold in the first quarter of 2015. The liquidation of GUS Consulting GmbH was completed. The Slovak leasing subsidiary UniCredit Leasing Real Estate s. r. o. was merged with UniCredit Leasing Slovakia, a. s. UniCredit CAIB Poland S. A. was sold to a UniCredit Group company.

Notes to the income statement

Interest income / Interest expense

Interest income and similar revenues

(€ million)

	1 JAN.– 31 MARCH 2015	1 JAN.– 31 MARCH 2014
Financial assets held for trading	156	114
Financial assets at fair value through profit or loss	1	1
Available-for-sale financial assets	119	145
Held-to-maturity investments	5	7
Loans and receivables with banks	102	54
Loans and receivables with customers	1,090	1,107
Hedging derivatives	138	98
Other assets	0	2
TOTAL	**1,609**	**1,528**

Interest expense and similar charges

(€ million)

	1 JAN.– 31 MARCH 2015	1 JAN.– 31 MARCH 2014
Deposits from central banks	–38	–23
Deposits from banks	–84	–74
Deposits from customers	–348	–293
Debt securities in issue	–194	–186
Financial liabilities held for trading	–125	–106
Financial liabilities at fair value through profit or loss	–1	–2
Other liabilities	–1	–1
Hedging derivatives	–2	–2
TOTAL	**–793**	**–686**

Fee and commission income / Fee and commission expense

Fee and commission income

(€ million)

	1 JAN.– 31 MARCH 2015	1 JAN.– 31 MARCH 2014
Guarantees given	39	43
Credit derivatives	1	0
Management, brokerage and consultancy services	133	130
Collection and payment services	165	181
Factoring	2	1
Management of current accounts	65	45
Other services	41	33
TOTAL	**445**	**433**

Fee and commission expense

(€ million)

	1 JAN.– 31 MARCH 2015	1 JAN.– 31 MARCH 2014
Guarantees received	–23	–23
Credit derivatives	–2	–3
Management, brokerage and consultancy services	–20	–17
Collection and payment services	–52	–53
Other services	–6	–6
TOTAL	**–104**	**–103**

Notes to the income statement (CONTINUED)

Gains and losses on financial assets and liabilities held for trading

(€ million)

	1 JAN.– 31 MARCH 2015	1 JAN.– 31 MARCH 2014
Financial assets held for trading	102	–48
Financial liabilities held for trading	–3	0
Other financial assets and liabilities: exchange differences	–3	140
Derivatives	–4	–13
TOTAL	**93**	**80**

Gains and losses on disposals / repurchases

(€ million)

	1 JAN.–31 MARCH 2015			1 JAN.–31 MARCH 2014		
	GAINS	LOSSES	NET PROFIT	GAINS	LOSSES	NET PROFIT
Financial assets						
Loans and receivables with banks	0	0	0	0	0	0
Loans and receivables with customers	0	–0	–0	4	–0	3
Available-for-sale financial assets	22	–4	18	30	–8	21
Held-to-maturity investments	0	0	0	0	0	0
TOTAL ASSETS	**22**	**–4**	**18**	**33**	**–8**	**25**
Financial liabilities						
Deposits with banks	0	0	0	0	–0	0
Deposits with customers	0	0	0	0	0	0
Debt securities in issue	0	–0	–0	0	–0	–0
TOTAL LIABILITIES	**0**	**–0**	**–0**	**0**	**–0**	**–0**
TOTAL	**22**	**–4**	**18**	**33**	**–9**	**25**

Gains and losses on financial assets and liabilities at fair value through profit or loss

(€ million)

	1 JAN.–31 MARCH 2015					1 JAN.– 31 MARCH 2014
	UNREALISED PROFITS	REALISED PROFITS	UNREALISED LOSSES	REALISED LOSSES	NET PROFIT	NET PROFIT
Financial assets	**1**	**0**	**–0**	**–0**	**2**	**1**
Debt securities	0	0	–0	–0	–0	0
Equity securities	0	0	0	0	0	0
Units in investment funds	1	0	–0	0	2	1
Loans	0	0	0	0	0	0
Financial liabilities	**3**	**0**	**–13**	**0**	**–9**	**4**
Debt securities	3	0	–13	0	–9	4
Deposits from banks	0	0	0	0	0	0
Deposits from customers	0	0	0	0	0	0
Credit and financial derivatives	**9**	**0**	**0**	**0**	**9**	**6**
TOTAL	**14**	**1**	**–13**	**–0**	**1**	**11**

Notes to the income statement (CONTINUED)

Impairment losses

(€ million)

	1 JAN.–31 MARCH 2015						1 JAN.– 31 MARCH 2014
	WRITE-DOWNS			WRITE-BACKS			
	SPECIFIC						
	WRITE-OFFS	OTHER	PORTFOLIO	SPECIFIC	PORTFOLIO	TOTAL	TOTAL
Impairment losses on loans and receivables	**–13**	**–376**	**–41**	**164**	**44**	**–222**	**–202**
Loans and receivables with banks	0	0	0	0	0	0	2
Loans and receivables with customers	–13	–376	–41	164	44	–222	–204
Impairment losses on available-for-sale financial assets	**0**	**0**	**X**	**0**	**X**	**0**	**0**
Debt securities	0	0	0	0	0	0	0
Equity instruments	0	0	X	X	0	0	0
Units in investment funds	0	0	X	0	0	0	0
Impairment losses on held-to-maturity investments	**0**	**–0**	**0**	**0**	**0**	**0**	**–0**
Debt securities	0	–0	0	0	0	0	–0
Impairment losses on other financial transactions	**0**	**–8**	**–1**	**15**	**6**	**12**	**8**
Guarantees given	0	–4	–0	13	4	13	5
Credit derivatives	0	0	0	0	0	0	0
Commitments to disburse funds	0	–4	–1	3	1	–1	3
Other transactions	0	–0	–0	0	0	0	0
TOTAL	**–13**	**–384**	**–42**	**180**	**50**	**–209**	**–194**

Payroll

(€ million)

	1 JAN.– 31 MARCH 2015	1 JAN.– 31 MARCH 2014
Employees	**–376**	**–393**
Wages and salaries	–275	–282
Social charges	–64	–65
Provision for retirement payments and similar provisions	–53	–61
Payments to external pension funds	–5	–5
Costs/recoveries related to share-based payments	–2	–2
Other employee benefits	–13	–15
Recovery of compensation*)	36	38
Others	**–13**	**–14**
TOTAL	**–390**	**–406**

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

Notes to the income statement (CONTINUED)

Other administrative expenses

(€ million)

	1 JAN.– 31 MARCH 2015	1 JAN.– 31 MARCH 2014
Indirect taxes and duties	**–79**	**–75**
Ex-ante contributions to resolution funds and deposit guarantee schemes (DGS)*)	**–41**	**–18**
Contributions based on harmonised EU regulations	–20	0
Contributions based on existing local regulations	–21	–18
Miscellaneous costs and expenses	**–302**	**–292**
Advertising, marketing and communication	–21	–24
Expenses related to credit risk	–3	–3
Expenses related to personnel	–7	–7
Information and communication technology expenses	–110	–99
Consulting and professional services	–19	–16
Real estate expenses	–60	–63
Other operating costs	–83	–81
TOTAL	**–423**	**–385**

*) Ex-ante contributions to resolution funds and deposit guarantee schemes include contributions based on harmonised EU regulations and contributions based on existing local regulations. Amounts for the previous year were reclassified accordingly.

Net provisions for risks and charges

(€ million)

	1 JAN.–31 MARCH 2015			1 JAN.– 31 MARCH 2014
	PROVISIONS	REALLOCATION SURPLUS	TOTAL	TOTAL
Other provisions				
Legal disputes	–6	0	–6	–3
Staff costs	–0	0	–0	0
Other	–2	0	–2	0
TOTAL	**–8**	**0**	**–8**	**–3**

Other net operating income

Other operating expenses

(€ million)

	1 JAN.– 31 MARCH 2015	1 JAN.– 31 MARCH 2014
Costs for operating leases	–0	–0
Non-deductible tax and other fiscal charges	–0	–0
Write-downs on improvements of goods owned by third parties	–1	–1
Costs related to the specific service of financial leasing	–2	–0
Other	–20	–10
TOTAL OTHER OPERATING EXPENSES	**–23**	**–12**

Other operating income

(€ million)

	1 JAN.– 31 MARCH 2015	1 JAN.– 31 MARCH 2014
Recovery of costs	**0**	**0**
Other income	**57**	**31**
Revenue from administrative services	10	11
Revenues from rentals of real estate investments (net of direct operating costs)	5	3
Revenues from operating leases	20	4
Recovery of miscellaneous costs paid in previous years	0	1
Revenues from finance lease activities	1	0
Others	20	12
TOTAL OTHER OPERATING INCOME	**57**	**31**
OTHER NET OPERATING INCOME	**34**	**19**

Earnings per share

During the reporting period, no financial instruments with a dilutive effect on the bearer shares were outstanding. Therefore basic earnings per share in accordance with IAS 33 equal diluted earnings per share in accordance with IAS 33. Earnings per share are calculated on the basis of the average number of shares outstanding (231.2 million shares).

Notes to the statement of financial position

Financial assets held for trading

(€ million)

	31 MARCH 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)	**250**	**55**	**12**	**317**	**224**	**54**	**2**	**281**
Debt securities	248	55	12	315	222	54	2	279
Equity instruments	2	0	0	2	2	0	0	2
Units in investment funds	0	0	0	0	0	0	0	0
Loans	0	0	0	0	0	0	0	0
Derivative instruments	**1**	**3,605**	**65**	**3,671**	**1**	**3,181**	**69**	**3,252**
Financial derivatives	1	3,604	65	3,670	1	3,181	69	3,251
Credit derivatives	0	1	–0	1	0	0	1	1
TOTAL	**251**	**3,660**	**77**	**3,988**	**225**	**3,236**	**72**	**3,533**

Financial assets at fair value through profit or loss

(€ million)

	31 MARCH 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	0	55	37	92	0	39	38	77
Equity instruments	0	0	0	0	0	0	0	0
Units in investment funds	0	16	21	37	2	12	19	33
Loans	0	0	0	0	0	0	0	0
TOTAL	**0**	**71**	**59**	**130**	**2**	**52**	**57**	**110**

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

Available-for-sale financial assets

(€ million)

	31 MARCH 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	18,544	4,952	632	24,128	15,974	4,960	1,037	21,970
Equity instruments	1	52	105	157	6	0	124	130
Units in investment funds	0	1	48	49	0	1	46	47
Loans	0	0	0	0	0	0	0	0
TOTAL	**18,545**	**5,004**	**785**	**24,334**	**15,980**	**4,960**	**1,207**	**22,148**

Loans and receivables with banks

(€ million)

	31 MARCH 2015	31 DEC. 2014
Loans to central banks	**7,516**	**8,795**
Time deposits	2,975	3,955
Compulsory reserves	3,856	4,828
Reverse repos	654	0
Other	32	12
Loans to banks	**22,580**	**21,747**
Current accounts and demand deposits	4,324	5,119
Time deposits	5,842	6,344
Other loans	8,448	6,318
Debt securities	3,967	3,966
TOTAL (CARRYING AMOUNT)	**30,096**	**30,542**
Loan loss provisions deducted from loans and receivables	18	17

Notes to the statement of financial position (CONTINUED)

Loans and receivables with customers

(€ million)

	31 MARCH 2015			31 DEC. 2014		
	PERFORMING	IMPAIRED	TOTAL	PERFORMING	IMPAIRED	TOTAL
Loans	**111,718**	**5,136**	**116,854**	**108,190**	**4,913**	**113,103**
Current accounts	11,279	392	11,670	11,143	433	11,576
Reverse repos	332	0	332	391	0	391
Mortgages	23,593	1,165	24,758	23,226	1,211	24,437
Credit cards and personal loans, including wage assignment loans	4,382	75	4,457	4,075	56	4,132
Finance leases	5,196	295	5,490	5,142	315	5,456
Factoring	1,197	16	1,213	1,349	16	1,365
Other loans	65,738	3,195	68,933	62,864	2,882	65,746
Debt securities	**640**	**16**	**657**	**615**	**14**	**629**
TOTAL (CARRYING AMOUNT)	**112,358**	**5,153**	**117,511**	**108,805**	**4,927**	**113,732**
Loan loss provisions deducted from loans and receivables	686	6,221	6,906	674	6,130	6,804

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

(€ million)

	31 MARCH 2015	31 DEC. 2014
Individual assets		
Financial assets	0	58
Equity investments	0	0
Tangible assets	43	9
Intangible assets	0	0
Other non-current assets	0	25
Total	**44**	**91**
Asset groups classified as held for sale		
Financial assets held for trading	74	65
Financial assets designated at fair value	0	0
Available-for-sale financial assets	33	76
Held-to-maturity investments	0	0
Loans and receivables with banks	62	176
Loans and receivables with customers	1,650	1,699
Equity investments	60	60
Tangible assets	130	170
Intangible assets	35	45
Other assets	1,153	1,218
Total	**3,196**	**3,509**
ASSETS	**3,240**	**3,600**

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

Individual assets

The item includes selected assets of Vienna DC Tower 2 Liegenschaftsbesitz GmbH, a company which is intended to be sold.

UniCredit CAIB Poland S. A. AG, a company which was also classified as held for sale as at 31 December 2014, was sold to a UniCredit Group company on 2 January 2015.

A property which is owned by our Hungarian subsidiary UniCredit Bank Hungary Zrt. and is intended to be sold was newly added to this item.

Notes to the statement of financial position (CONTINUED)

Asset groups classified as held for sale

Asset groups classified as held for sale include all assets and liabilities of the Immobilien Holding GmbH group, consolidated for the first time as at 30 September 2014, together with its subsidiaries as well as Wien Mitte Immobilien GmbH and its parent company Wien Mitte Holding GmbH. This is a disposal group acquired for resale. In accordance with IFRS 5.39, a disclosure of the major classes of the disposal group's assets is not required and they are therefore shown on a combined basis in the item "Other assets" of the table "Asset groups classified as held for sale".

Moreover, Public Joint Stock Company Ukrsotsbank and its subsidiaries continue to be classified as a disposal group held for sale as at 31 March 2015. The Management Board remains committed to its intention to sell the disposal group. The 12-month period defined in IFRS 5 was exceeded as a result of unforeseeable external circumstances (conflict in parts of Ukraine) which are beyond the bank's control and therefore, in accordance with IFRS 5.9, do not constitute grounds to discontinue the presentation in accordance with IFRS 5.

Deposits from banks

(€ million)

	31 MARCH 2015	31 DEC. 2014
Deposits from central banks	**5,360**	**4,006**
Deposits from banks	**18,380**	**19,689**
Current accounts and demand deposits	2,515	2,367
Time deposits	5,009	5,739
Loans	10,485	11,578
Other liabilities	370	5
TOTAL	**23,739**	**23,696**

Deposits from customers

(€ million)

	31 MARCH 2015	31 DEC. 2014
Current accounts and demand deposits	56,754	55,186
Time deposits	43,617	42,825
Loans	760	474
Liabilities in respect of commitments to repurchase treasury shares	756	744
Other liabilities	4,263	3,042
TOTAL	**106,150**	**102,271**

Debt securities in issue

(€ million)

	31 MARCH 2015					31 DEC. 2014				
	CARRYING AMOUNT	SUM OF FAIR VALUES	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	CARRYING AMOUNT	SUM OF FAIR VALUES	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3
Securities										
Bonds	29,956	*31,410*	9,007	22,281	122	*29,867*	31,425	9,004	22,296	124
Other securities	144	*148*	146	2	0	*146*	159	0	159	0
TOTAL	**30,100**	***31,558***	**9,153**	**22,283**	**122**	***30,014***	**31,583**	**9,004**	**22,455**	**124**

Financial liabilities held for trading

(€ million)

	31 MARCH 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	**50**	**0**	**0**	**50**	**28**	**0**	**0**	**28**
Deposits from banks	7	0	0	7	0	0	0	0
Deposits from customers	42	0	0	42	28	0	0	28
Debt securities	0	0	0	0	0	0	0	0
Derivative instruments	**0**	**3,775**	**67**	**3,841**	**0**	**3,308**	**117**	**3,426**
Financial derivatives	0	3,768	67	3,834	0	3,308	107	3,415
Credit derivatives	0	7	–0	7	0	0	10	11
TOTAL	**50**	**3,775**	**67**	**3,891**	**28**	**3,308**	**117**	**3,454**

Notes to the statement of financial position (CONTINUED)

Financial liabilities at fair value through profit or loss

(€ million)

	31 MARCH 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
Deposits from banks	0	0	0	0	0	0	0	0
Deposits from customers	0	0	0	0	0	0	0	0
Debt securities	0	630	4	634	0	666	5	670
TOTAL	**0**	**630**	**4**	**634**	**0**	**666**	**5**	**670**

This item shows liabilities 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 liabilities are debt securities and complex structures with embedded derivatives.

Liabilities included in disposal groups classified as held for sale

(€ million)

	31 MARCH 2015	31 DEC. 2014
Liabilities associated with assets classified as held for sale		
Deposits	1	16
Securities	0	0
Other liabilities	0	9
Total	**1**	**26**
Liabilities linked to asset groups classified as held for sale		
Deposits from banks	329	291
Deposits from customers	946	1,207
Debt securities in issue	0	3
Other liabilities	310	316
Total	**1,585**	**1,819**
LIABILITIES	**1,587**	**1,845**

Provisions for risks and charges

(€ million)

	31 MARCH 2015	31 DEC. 2014
Pensions and other post-retirement benefit obligations	**5,676**	**5,665**
Other provisions for risks and charges	**339**	**411**
Legal disputes	108	102
Staff expenses	51	58
Other	181	252
TOTAL	**6,015**	**6,076**

Segment reporting

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

Reconciliation of reclassified accounts to mandatory reporting schedule

(€ million)

	1 JAN.– 31 MARCH 2015	1 JAN.– 31 MARCH 2014
Net interest	816	841
Dividends and other income from equity investments	98	73
Dividend income and similar revenue	*0*	*0*
less: dividends from held-for-trading equity instruments	*0*	*0*
Profit (loss) of associates – of which: income (loss) from equity investments valued at net equity	*98*	*73*
Net fees and commissions	341	330
Net trading, hedging and fair value income	107	112
Gains (losses) on financial assets and liabilities held for trading	*93*	*80*
plus: dividends from held-for-trading equity instruments	*0*	*0*
Fair value adjustments in hedge accounting	*–5*	*0*
Gains (losses) on disposal and repurchase of available-for-sale financial assets	*18*	*21*
Gains (losses) on disposal and repurchase of held-to-maturity investments	*0*	*0*
Gains (losses) on disposal or repurchase of financial liabilities	*0*	*0*
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss	*1*	*11*
Net other expenses/income	20	20
Gains (losses) on disposals/repurchases on loans and receivables – not impaired	*0*	*0*
Premiums earned (net)	*0*	*0*
Other income (net) from insurance activities	*0*	*0*
Other net operating income	*34*	*19*
less: other operating income – of which: recovery of expenses	*0*	*0*
plus: impairment on tangible assets – other operating leases	*–15*	*0*
less: other operating expenses – amortisation on leasehold improvements	*1*	*1*
plus: gains on disposals of investments – other assets leasing operation	*0*	*0*
OPERATING INCOME	**1,383**	**1,376**
Payroll costs	–390	–406
Administrative costs – staff expenses	*–390*	*–406*
less: integration/restructuring costs	*0*	*0*
Other administrative expenses	–320	–309
Administrative costs – other administrative expenses	*–423*	*–385*
less: integration/restructuring costs	*1*	*1*
less: Ex-ante contributions to resolution funds and deposit guarantee schemes and bank levies	*103*	*76*
plus: other operating expenses – amortisation on leasehold improvements	*–1*	*–1*
Recovery of expenses = Other net operating income – of which: Other operating income – recovery of costs	0	0
Amortisation, depreciation and impairment losses on intangible and tangible assets	–41	–44
Impairment/write-backs on property, plant and equipment	*–45*	*–33*
less: impairment losses/write-backs on property owned for investment	*0*	*0*
less: impairment on tangible assets – other operating leases	*15*	*0*
Impairment/write-backs on intangible assets	*–11*	*–12*
less: integration/restructuring costs	*0*	*0*
OPERATING COSTS	**–751**	**–760**
OPERATING PROFIT	**632**	**616**

Segment reporting (CONTINUED)

	1 JAN.– 31 MARCH 2015	1 JAN.– 31 MARCH 2014
Net write-downs of loans and provisions for guarantees and commitments	–210	–190
Gains (losses) on disposal and repurchase of loans	*0*	*3*
Impairment losses on loans	*–222*	*–202*
Impairment losses on other financial assets	*12*	*8*
NET OPERATING PROFIT	**422**	**426**
Provisions for risks and charges	–8	–4
Net provisions for risks and charges	*–8*	*–3*
less: integration/restructuring costs	*0*	*0*
Systemic charges	–103	–76
plus: Ex-ante contributions to resolution funds and deposit guarantee schemes and bank levies	*–103*	*–76*
Integration/restructuring costs	–1	–1
Net income from investments	0	75
Impairment losses on available-for-sale financial assets	*0*	*0*
Impairment losses on held-to-maturity investments	*0*	*0*
plus: impairment losses/write-backs on property owned for investment	*0*	*0*
Profit (loss) of associates	*98*	*73*
less: profit (loss) of associates – income (loss) from equity investments valued at net equity	*–98*	*–73*
Gains and losses on tangible and intangible assets	*0*	*0*
Gains (losses) on disposal of investments	*0*	*76*
PROFIT BEFORE TAX	**311**	**421**
Income tax for the period	–60	–64
Total profit or loss after tax from discontinued operations	–60	2
PROFIT OR LOSS FOR THE PERIOD	**190**	**359**
Non-controlling interests	7	–9
NET PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY BEFORE PPA	**198**	**350**
Impairment of goodwill	0	0
NET PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**198**	**350**

Segment reporting (CONTINUED)

Description of segment reporting

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

The 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 includes the commercial banking units of the Bank Austria Group in the region of Central and Eastern Europe (including Turkey). 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 have also been assigned to the CEE business segment.

Corporate Center

In addition to current expenses relating to steering and administrative functions for the entire bank, the Corporate Center comprises all equity interests that are not assigned to a business segment. 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 which are not to be assigned to the business segments.

The Immobilien Holding Group companies acquired in September 2014 continue to be classified as held for sale.

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 2015 are not fully comparable with those for 2014. For this reason, the segment results for 2014 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, 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 all 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.
- To enhance data comparability, further adjustments were made at segment level; these are mainly structural adjustments resulting from organisational changes.

Segment reporting (CONTINUED)

Segment reporting 1–3 2015/1–3 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	1–3 2015	226	15	74	600	–99	816	0	816
	1–3 2014	243	15	77	600	–66	869	–28	841
Dividends and other income from equity investments	1–3 2015	4	0	0	73	22	98	0	98
	1–3 2014	9	0	0	48	16	73	0	73
Net fees and commissions	1–3 2015	126	30	21	185	–22	341	0	341
	1–3 2014	122	25	21	185	–21	331	–2	330
Net trading, hedging and fair value income/loss	1–3 2015	8	1	12	109	–24	107	0	107
	1–3 2014	3	0	20	58	31	112	–1	112
Net other expenses/income	1–3 2015	4	1	0	4	10	20	0	20
	1–3 2014	10	0	0	7	9	27	–7	20
OPERATING INCOME	**1–3 2015**	**368**	**48**	**108**	**971**	**–113**	**1,383**	**0**	**1,383**
	1–3 2014	**386**	**40**	**119**	**898**	**–31**	**1,413**	**–37**	**1,376**
OPERATING COSTS	**1–3 2015**	**–280**	**–30**	**–52**	**–347**	**–41**	**–751**	**0**	**–751**
	1–3 2014	**–277**	**–29**	**–49**	**–366**	**–51**	**–772**	**12**	**–760**
OPERATING PROFIT	**1–3 2015**	**88**	**17**	**56**	**624**	**–154**	**632**	**0**	**632**
	1–3 2014	**109**	**11**	**70**	**532**	**–82**	**641**	**–25**	**616**
Net write-downs of loans and provisions for guarantees and commitments	1–3 2015	–29	0	–8	–175	2	–210	0	–210
	1–3 2014	–48	0	–13	–146	–1	–208	17	–190
NET OPERATING PROFIT	**1–3 2015**	**59**	**17**	**48**	**449**	**–152**	**422**	**0**	**422**
	1–3 2014	**62**	**11**	**57**	**386**	**–83**	**433**	**–7**	**426**
Provisions for risks and charges	1–3 2015	0	0	0	–4	–4	–8	0	–8
	1–3 2014	0	0	0	–10	0	–11	7	–4
Systemic charges	1–3 2015	–12	–1	–7	–54	–30	–103	0	–103
	1–3 2014	–12	0	–8	–47	–8	–76	0	–76
Integration/restructuring costs	1–3 2015	0	0	0	–1	0	–1	0	–1
	1–3 2014	0	0	0	–1	0	–1	0	–1
Net income/loss from investments	1–3 2015	1	0	0	–1	0	0	0	0
	1–3 2014	0	0	2	0	73	75	0	75
PROFIT BEFORE TAX	**1–3 2015**	**47**	**16**	**42**	**390**	**–185**	**311**	**0**	**311**
	1–3 2014	**50**	**11**	**51**	**327**	**–18**	**420**	**0**	**421**
Income tax for the period	1–3 2015	–15	–4	–10	–60	29	–60	0	–60
	1–3 2014	–9	–3	–12	–52	10	–66	3	–64
Total profit or loss after tax from discontinued operations	1–3 2015	0	0	0	–74	15	–60	0	–60
	1–3 2014	0	0	0	–4	6	2	0	2
PROFIT OR LOSS FOR THE PERIOD	**1–3 2015**	**32**	**13**	**31**	**255**	**–141**	**190**	**0**	**190**
	1–3 2014	**41**	**8**	**39**	**270**	**–2**	**356**	**3**	**359**
Non-controlling interests	1–3 2015	–3	0	0	3	7	7	0	7
	1–3 2014	–2	0	0	–13	7	–8	–1	–9
NET PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY BEFORE PPA	**1–3 2015**	**30**	**13**	**31**	**258**	**–134**	**198**	**0**	**198**
	1–3 2014	**39**	**8**	**39**	**257**	**6**	**348**	**2**	**350**
Purchase Price Allocation effect	1–3 2015	0	0	0	0	0	0	0	0
	1–3 2014	0	0	0	0	0	0	0	0
Goodwill impairment	1–3 2015	0	0	0	0	0	0	0	0
	1–3 2014	0	0	0	0	0	0	0	0
NET PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**1–3 2015**	**30**	**13**	**31**	**258**	**–134**	**198**	**0**	**198**
	1–3 2014	**39**	**8**	**39**	**257**	**6**	**348**	**2**	**350**

Segment reporting (CONTINUED)

		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]
Risk-weighted assets (RWA) (avg.) [3]	**1–3 2015**	**20,470**	**534**	**8,662**	**93,828**	**10,575**	**134,069**	**0**	**134,069**
	1–3 2014	**19,391**	**604**	**8,401**	**81,149**	**10,783**	**120,328**	**987**	**121,314**
Loans to customers (end of period)	**1–3 2015**	**44,311**	**599**	**12,812**	**58,472**	**1,317**	**117,511**	**0**	**117,511**
	1–3 2014	**42,812**	**636**	**13,125**	**55,166**	**1,822**	**113,560**	**–336**	**113,224**
Direct funding (end of period) [4]	**1–3 2015**	**43,213**	**9,660**	**9,086**	**53,815**	**20,477**	**136,251**	**0**	**136,251**
	1–3 2014	**40,581**	**8,585**	**8,802**	**47,343**	**18,592**	**123,903**	**124**	**124,028**
Cost/income ratio in %	*1–3 2015*	*76.0*	*63.6*	*47.9*	*35.8*	*n.m.*	*54.3*	*n.m.*	*54.3*
	1–3 2014	*71.7*	*72.0*	*41.2*	*40.8*	*n.m.*	*54.7*	*n.m.*	*55.2*
Risk/earnings ratio in % [5]	*1–3 2015*	*12.8*	*n.m.*	*10.6*	*25.9*	*n.m.*	*23.0*	*n.m.*	*23.0*
	1–3 2014	*18.9*	*0.7*	*17.2*	*22.5*	*n.m.*	*22.0*	*n.m.*	*20.8*

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, Austria, Hungary and some Leasing entities in Serbia to Bank Austria. Recasting differences also relate to the sale of UniCredit CAIB Poland S.A.

2) The figures for 2014 and 2015 reflect the accounting figures.

3) Turkey consolidated on a pro-rata 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

Segment reporting (CONTINUED)

Segment reporting Q1 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	Q1 2015	226	15	74	600	–99	816
	Q4 2014	245	16	75	614	–96	856
	Q3 2014	243	16	73	653	–89	896
	Q2 2014	248	16	82	613	–77	882
	Q1 2014	243	15	77	600	–66	869
Dividends and other income from equity investments	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	Q1 2015	126	30	21	185	–22	341
	Q4 2014	121	36	22	184	–20	343
	Q3 2014	117	24	21	199	–17	345
	Q2 2014	119	24	20	200	–17	346
	Q1 2014	122	25	21	185	–21	331
Net trading, hedging and fair value income/loss	Q1 2015	8	1	12	109	–24	107
	Q4 2014	14	1	14	12	46	86
	Q3 2014	2	1	9	105	32	149
	Q2 2014	6	1	8	79	45	138
	Q1 2014	3	0	20	58	31	112
Net other expenses/income	Q1 2015	4	1	0	4	10	20
	Q4 2014	8	0	0	–3	7	12
	Q3 2014	7	0	0	32	12	50
	Q2 2014	6	0	0	16	8	32
	Q1 2014	10	0	0	7	9	27
OPERATING INCOME	**Q1 2015**	**368**	**48**	**108**	**971**	**–113**	**1,383**
	Q4 2014	**398**	**53**	**111**	**919**	**–38**	**1,442**
	Q3 2014	**378**	**40**	**103**	**1,084**	**–40**	**1,566**
	Q2 2014	**391**	**41**	**111**	**998**	**8**	**1,550**
	Q1 2014	**386**	**40**	**119**	**898**	**–31**	**1,413**
OPERATING COSTS	**Q1 2015**	**–280**	**–30**	**–52**	**–347**	**–41**	**–751**
	Q4 2014	**–292**	**–30**	**–60**	**–390**	**–50**	**–821**
	Q3 2014	**–262**	**–28**	**–47**	**–376**	**–54**	**–766**
	Q2 2014	**–276**	**–29**	**–50**	**–366**	**–51**	**–773**
	Q1 2014	**–277**	**–29**	**–49**	**–366**	**–51**	**–772**
OPERATING PROFIT	**Q1 2015**	**88**	**17**	**56**	**624**	**–154**	**632**
	Q4 2014	**106**	**23**	**51**	**529**	**–88**	**621**
	Q3 2014	**116**	**13**	**56**	**708**	**–93**	**800**
	Q2 2014	**115**	**12**	**60**	**632**	**–43**	**777**
	Q1 2014	**109**	**11**	**70**	**532**	**–82**	**641**
Net write-downs of loans and provisions for guarantees and commitments	Q1 2015	–29	0	–8	–175	2	–210
	Q4 2014	11	0	–4	–203	–52	–249
	Q3 2014	–16	0	–8	–156	–1	–180
	Q2 2014	–4	0	28	–167	–1	–143
	Q1 2014	–48	0	–13	–146	–1	–208
NET OPERATING PROFIT	**Q1 2015**	**59**	**17**	**48**	**449**	**–152**	**422**
	Q4 2014	**117**	**24**	**47**	**326**	**–140**	**373**
	Q3 2014	**101**	**13**	**49**	**553**	**–94**	**620**
	Q2 2014	**111**	**12**	**89**	**465**	**–44**	**634**
	Q1 2014	**62**	**11**	**57**	**386**	**–83**	**433**
Provisions for risks and charges	Q1 2015	0	0	0	–4	–4	–8
	Q4 2014	2	–1	0	–6	–3	–9
	Q3 2014	0	0	0	–77	–18	–95
	Q2 2014	0	0	0	–30	–3	–32
	Q1 2014	0	0	0	–10	0	–11
Systemic charges	Q1 2015	–12	–1	–7	–54	–30	–103
	Q4 2014	–12	–1	–8	–22	–9	–52
	Q3 2014	–12	–1	–8	–25	–9	–54
	Q2 2014	–12	–2	–8	–25	–9	–55
	Q1 2014	–12	0	–8	–47	–8	–76

Segment reporting (CONTINUED)

		RETAIL & CORPORATES	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CENTRAL EASTERN EUROPE (CEE)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST) [1]
Integration/restructuring costs	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	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
PROFIT BEFORE TAX	**Q1 2015**	**47**	**16**	**42**	**390**	**–185**	**311**
	Q4 2014	**97**	**20**	**39**	**307**	**–157**	**305**
	Q3 2014	**89**	**12**	**41**	**457**	**–116**	**483**
	Q2 2014	**99**	**11**	**81**	**404**	**–73**	**521**
	Q1 2014	**50**	**11**	**51**	**327**	**–18**	**420**
Income tax for the period	Q1 2015	–15	–4	–10	–60	29	–60
	Q4 2014	–22	–5	–10	–37	–15	–88
	Q3 2014	–17	–3	–10	–67	23	–74
	Q2 2014	–22	–3	–20	–55	34	–66
	Q1 2014	–9	–3	–12	–52	10	–66
Total profit or loss after tax from discontinued operations	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	**Q1 2015**	**32**	**13**	**31**	**255**	**–141**	**190**
	Q4 2014	**75**	**15**	**29**	**144**	**–159**	**104**
	Q3 2014	**72**	**9**	**31**	**348**	**–46**	**414**
	Q2 2014	**76**	**8**	**61**	**314**	**–31**	**428**
	Q1 2014	**41**	**8**	**39**	**270**	**–2**	**356**
Non-controlling interests	Q1 2015	–3	0	0	3	7	7
	Q4 2014	–2	0	0	31	5	35
	Q3 2014	–3	0	0	–5	4	–4
	Q2 2014	–1	0	0	–2	4	1
	Q1 2014	–2	0	0	–13	7	–8
NET PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY BEFORE PPA	**Q1 2015**	**30**	**13**	**31**	**258**	**–134**	**198**
	Q4 2014	**73**	**15**	**29**	**175**	**–154**	**139**
	Q3 2014	**69**	**9**	**31**	**344**	**–42**	**410**
	Q2 2014	**75**	**8**	**61**	**312**	**–27**	**429**
	Q1 2014	**39**	**8**	**39**	**257**	**6**	**348**
Purchase Price Allocation effect	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
Goodwill impairment	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	**Q1 2015**	**30**	**13**	**31**	**258**	**–134**	**198**
	Q4 2014	**73**	**15**	**29**	**175**	**–154**	**139**
	Q3 2014	**69**	**9**	**31**	**344**	**–42**	**410**
	Q2 2014	**75**	**8**	**61**	**312**	**–27**	**429**
	Q1 2014	**39**	**8**	**39**	**257**	**6**	**348**
Risk-weighted assets (RWA) (avg.) [2]	**Q1 2015**	20,470	534	8,662	93,828	10,575	134,069
	Q4 2014	19,525	558	8,487	89,111	9,788	127,468
	Q3 2014	19,816	617	8,461	85,530	9,752	124,175
	Q2 2014	20,052	623	8,227	83,405	10,157	122,464
	Q1 2014	19,391	604	8,401	81,149	10,783	120,328

Segment reporting (CONTINUED)

		RETAIL & CORPORATES	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CENTRAL EASTERN EUROPE (CEE)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST) [1]
Loans to customers (end of period)	**Q1 2015**	**44,311**	**599**	**12,812**	**58,472**	**1,317**	**117,511**
	Q4 2014	**43,208**	**588**	**12,567**	**56,378**	**990**	**113,732**
	Q3 2014	**43,100**	**599**	**12,921**	**57,748**	**1,180**	**115,548**
	Q2 2014	**43,157**	**635**	**13,049**	**57,127**	**1,712**	**115,680**
	Q1 2014	**42,812**	**636**	**13,125**	**55,166**	**1,822**	**113,560**
Direct funding (end of period) [3]	**Q1 2015**	**43,213**	**9,660**	**9,086**	**53,815**	**20,477**	**136,251**
	Q4 2014	**42,767**	**8,990**	**8,758**	**51,499**	**20,256**	**132,270**
	Q3 2014	**42,063**	**9,163**	**8,870**	**50,066**	**20,232**	**130,395**
	Q2 2014	**40,531**	**8,352**	**8,509**	**48,394**	**19,068**	**124,855**
	Q1 2014	**40,581**	**8,585**	**8,802**	**47,343**	**18,592**	**123,903**
Cost/income ratio in %	*Q1 2015*	*76.0*	*63.6*	*47.9*	*35.8*	*36.6*	*54.3*
	Q4 2014	*73.3*	*55.9*	*54.3*	*42.4*	*130.3*	*56.9*
	Q3 2014	*69.3*	*68.5*	*45.3*	*34.7*	*135.4*	*48.9*
	Q2 2014	*70.6*	*71.4*	*45.5*	*36.7*	*633.1*	*49.9*
	Q1 2014	*71.7*	*72.0*	*41.2*	*40.8*	*167.3*	*54.7*
Risk/earnings ratio in % [4]	*Q1 2015*	*12.8*	*n.m.*	*10.6*	*25.9*	*n.m.*	*23.0*
	Q4 2014	*n.m.*	*n.m.*	*5.6*	*28.0*	*n.m.*	*24.8*
	Q3 2014	*6.3*	*0.3*	*10.5*	*20.8*	*n.m.*	*17.6*
	Q2 2014	*1.4*	*n.m.*	*n.m.*	*23.8*	*n.m.*	*13.8*
	Q1 2014	*18.9*	*0.7*	*17.2*	*22.5*	*n.m.*	*22.0*

1) Quarterly figures based on unaudited recast data only.
2) Turkey consolidated on a pro-rata 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

Risk report

Major risks in Central and Eastern Europe

Russia

Country risk
Overall, the comments made in the 2014 Annual Report on general economic developments are still applicable against the background of low oil prices and EU sanctions.

Large sovereign exposures mainly result from management of excess liquidity at the Russian banking subsidiary.

Credit risk
The banking subsidiary in Russia accounts for about 17% (€13.6 billion) of lending volume in CEE. Measured by loans to customers, the bank in Russia is the largest bank in UniCredit's network in Central and Eastern Europe. In the first quarter of 2015, the proportion of defaulted loans (4.9%) was higher than at the end of 2014 (3.7%), reflecting the difficult environment. The provisioning charge rose to €35 million in the first quarter of 2015 (Q1 2014: €17 million), driven by additions to loan loss provisions in business with corporate customers.

The intra-group guarantee assumed by UniCredit Bank Austria AG in favour of its Russian banking subsidiary for a portfolio of corporate loans remained unchanged at €1.3 billion.

Management continues to focus on management and restructuring activities in connection with companies which defaulted on their loans, and to monitor and assure asset quality with a view to preventing a default by borrowers or reducing losses in the event of default.

Currency and liquidity 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, a development which recently continued. The liquidity position was unchanged compared with the comments made in the 2014 Annual Report. The bank is compliant with all external and internal liquidity limits and liquidity ratios.

Ukraine

Country risk
Overall, the comments made in the 2014 Annual Report on general economic developments and the situation of banks in particular are still applicable.

The Ukrainian economy and the country's independence can only be maintained if far-reaching structural reforms are carried out. Such reforms are a condition to be met for further aid payments from the International Monetary Fund (IMF), the EU and the US. While the IMF has in the meantime undertaken to make available a US$17.5 billion aid package, this alone cannot avert the country's insolvency. Ukraine's Minister of Finance has therefore approached creditors to negotiate a comprehensive rescheduling package by the end of May.

Operations in Crimea were closed. In the regions of Donetsk and Luhansk, 44 branches were closed permanently and 3 branches were closed at least temporarily.

Credit risk
As at 31 March 2015, the portfolio at the Ukrainian banking subsidiary Ukrsotsbank (USB) amounted to €2.5 billion (€1.7 billion after deduction of loan loss provisions), accounting for about 3% of lending volume in CEE. Moreover, as at 31 March 2015, loans and receivables with internationally active Ukrainian borrowers booked directly in UniCredit Bank Austria AG (Profit Center Vienna, PCV) totalled about €0.8 billion (€0.4 billion after deduction of loan loss provisions), of which about €0.3 billion is attributable to the immediate crisis region.

Within Ukraine, only €0.4 billion (€0.3 billion after deduction of loan loss provisions) is attributable to the eastern region (loans booked directly in Crimea and the Donbass region and loans booked in other regions to the extent that the borrower conducts the major part of its activities in the crisis region). The default ratio for the Ukrainian banking subsidiary is 72% (31 December 2014: 67%). As at 31 March 2015, the default ratio for volume with Ukrainian companies booked in the PCV was 75%. In the immediate crisis region, these ratios are higher, defaulted volume there is 95%.

The valuation of exposures in the eastern region of Ukraine (Crimea and Donbass) reflects collateral in the total amount of €172 million (of which €8 million was taken into account for the Profit Center Vienna and €164 million for volume booked at the local bank); the condition and soundness of such collateral cannot be assessed in a reliable manner.

Risk report (CONTINUED)

Currency risk
While the exchange rate had moved at a level of about 19 UAH per euro before 5 February 2015 (exchange rate as at 31 December 2014: 19.206 EUR/UAH), it rose to about 30 UAH per euro by the middle of February. In the meantime the exchange rate is moving around a level of 25 UAH per euro.

Currency risk at Ukrsotsbank (USB) was significantly reduced as the USD position was, in effect, closed (via debt forgiveness by UniCredit Bank Austria AG). For further details see the comments on "capital measures".

Liquidity risk
Deposits in UAH and in USD declined by about 13% each from the beginning of 2015 to the end of the reporting period.

The bank holds collateral (Ukraine government bonds) which can be used in the amount of about UAH 0.9 billion for UAH refinancing with the local central bank. In addition, there is a collateral-free National Bank of Ukraine (NBU) facility of UAH 0.4 billion. Bank Austria supports USB with a USD overnight facility, which is currently not used. Ukrsotsbank is currently not using any local central bank support.

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 (USB) in the amount of about US$250 million. Preparations are being made for a capital increase at Ukrsotsbank to further strengthen USB's capital base. As at the end of March 2015, Ukrsotsbank again complied with the minimum capital adequacy level defined by the NBU.

Currency risk

CHF risk

Essentially, the comments made in the 2014 Annual Report on credit risk are still applicable.

Risk-weighted assets rose in the first quarter of 2015, reflecting the increase in lending volume caused by exchange rate movements. According to current estimates for the Austrian portfolio, fluctuations of the €/CHF exchange rate in the range of 1:1 to 1.1:1 translate into RWA changes in the range of +€0.7 billion to −€0.3 billion.

The impact on the bank's liquidity results from increased margin calls of up to €2.2 billion in the first quarter of 2015, which must 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 €1.3 billion as at 31 March 2015, mainly driven by periodical adjustments to the hedge swaps on the basis of current exchange rates or early termination.

Legal risks associated with foreign exchange risks are discussed in detail in the "Legal risks" section.

Risk report (CONTINUED)

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.

Breakdown of sovereign debt securities by country and portfolio (€ million)

COUNTRY/PORTFOLIO	31 MARCH 2015 BOOK VALUE	31 DEC. 2014 BOOK VALUE
Austria	**9,934**	**9,585**
HFT financial assets/liabilities (net exposures)	0	0
Financial assets at FV through P&L	0	0
Available for sale	9,814	9,465
Loans and receivables	0	0
Held-to-maturity investments	119	119
Czech Republic	**2,004**	**1,939**
HFT financial assets/liabilities (net exposures)	62	73
Financial assets at FV through P&L	55	39
Available for sale	1,887	1,827
Loans and receivables	0	0
Held-to-maturity investments	0	0
Romania	**1,442**	**1,365**
HFT financial assets/liabilities (net exposures)	37	34
Financial assets at FV through P&L	0	0
Available for sale	1,405	1,331
Loans and receivables	0	0
Held-to-maturity investments	0	0
Bulgaria	**1,132**	**835**
HFT financial assets/liabilities (net exposures)	11	3
Financial assets at FV through P&L	0	0
Available for sale	1,116	757
Loans and receivables	5	6
Held-to-maturity investments	0	69
Hungary	**1,086**	**808**
HFT financial assets/liabilities (net exposures)	45	11
Financial assets at FV through P&L	0	0
Available for sale	1,041	791
Loans and receivables	0	0
Held-to-maturity investments	0	6
Spain	**1,015**	**678**
HFT financial assets/liabilities (net exposures)	0	0
Financial assets at FV through P&L	0	0
Available for sale	1,009	672
Loans and receivables	0	0
Held-to-maturity investments	6	6
Croatia	**843**	**859**
HFT financial assets/liabilities (net exposures)	3	4
Financial assets at FV through P&L	0	0
Available for sale	839	856
Loans and receivables	0	0
Held-to-maturity investments	0	0

Risk report (CONTINUED)

COUNTRY/PORTFOLIO	31 MARCH 2015 BOOK VALUE	31 DEC. 2014 BOOK VALUE
Slovakia	**805**	**693**
HFT financial assets/liabilities (net exposures)	52	15
Financial assets at FV through P&L	0	0
Available for sale	746	670
Loans and receivables	0	0
Held-to-maturity investments	7	7
Italy	**787**	**500**
HFT financial assets/liabilities (net exposures)	0	0
Financial assets at FV through P&L	0	0
Available for sale	787	499
Loans and receivables	0	0
Held-to-maturity investments	0	1
Luxembourg 1)	**692**	**632**
HFT financial assets/liabilities (net exposures)	0	0
Financial assets at FV through P&L	0	0
Available for sale	692	632
Loans and receivables	0	0
Held-to-maturity investments	0	0
Other countries	**1,854**	**1,663**
HFT financial assets/liabilities (net exposures) 2)	15	64
Financial assets at FV through P&L	0	0
Available for sale	1,827	1,587
Loans and receivables	0	0
Held-to-maturity investments	13	13
TOTAL	**21,594**	**19,555**
thereof:		
Russia	**497**	**421**
Slovenia	**306**	**318**
Portugal	**34**	**33**
Ukraine	**33**	**76**
Greece	**1**	**1**

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 MARCH 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	225	55	21,163	5	145	21,594
Total portfolio of debt securities	272	92	24,128	657	417	25,566
% Portfolio	82.57%	59.90%	87.71%	0.79%	34.85%	84.46%
	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.

Risk report (CONTINUED)

Breakdown of sovereign loans by country (€ million)

COUNTRY	31 MARCH 2015 BOOK VALUE	31 DEC. 2014 BOOK VALUE
Austria	5,933	5,754
Croatia	2,454	2,479
Indonesia	379	395
Serbia	325	289
Slovenia	234	237
Bosnia and Herzegovina	202	130
Gabon*)	185	169
Bulgaria	177	680
Philippines	107	108
Ghana*)	105	105
Other	748	749
TOTAL ON-BALANCE SHEET EXPOSURE	**10,849**	**11,095**

Sovereign loans are loans granted to central and local governments and other public sector entities.
*) These exposures are largely covered by guarantees from export credit agencies.

Credit risk

In the first quarter of 2015, net write-downs of loans and provisions for guarantees and commitments of Bank Austria were €210 million, more or less matching the Q1 2014 level (€208 million).

Contrary to developments in CEE, the total provisioning charge of €35 million in Austria (Q1 2014: €62 million) declined in almost all business segments, particularly in the Corporates subdivision.

In Central and Eastern Europe, net write-downs of loans and provisions for guarantees and commitments were €175 million (Q1 2014: €146 million).

The comparative figures for Q1 2014 have been recast to reflect the current structure and methodology. The segment data indicated above for Central and Eastern Europe are the segment reporting figures. Austria is defined as the sum of all other segments.

Legal risks

In addition to our disclosure made in the annual consolidated financial report dated 31 December 2014 we would like to point out that in Q1 2015 new developments occurred regarding the following legal risks:

Madoff

Austrian civil proceedings

Investors in the Primeo and Herald Madoff feeder funds have brought numerous civil proceedings, of which 205 with a claimed amount totaling €129 million plus interest remain. The claims in these proceedings are either that BA breached certain duties regarding its function as prospectus controller, or that BA improperly advised certain investors (directly or indirectly) to invest in those funds or a combination of these claims. The Austrian Supreme Court has issued 9 final decisions with respect to prospectus liability claims asserted in the legal proceedings. With respect to claims related to the Primeo feeder funds, all 6 final Austrian Supreme Court decisions have been in favour of BA. With respect to the Herald feeder funds, the Austrian Supreme Court has ruled three times with respect to prospectus liability, once in favour of BA and twice in favour of the claimant. While we cannot predict with certainty the impact of these decisions on the remaining Herald cases, future rulings may be adverse to Bank Austria.

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

Proceedings in the United States

Purported Class Actions

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 BA, 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 and the dismissal is now final.

Risk report (CONTINUED)

Certain legal developments in CEE arising out of disputes relating to foreign currency loans

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 has 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.

The Group has made provisions for these risks in various countries in the total amount of EUR 25.9 million.

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 Bank Austria for charging interest 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, Bank Austria will not apply that rate but a debit interest rate of 0.00001% – in line with Bank Austria'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.

Additional disclosures

Employees

Share-based payments

The Management Board and selected key management personnel of Bank Austria participate in UniCredit Group's incentive scheme for share-based payments. The share-based payment arrangements relate to Stock Options, Performance Shares and Restricted Shares based on shares in the parent company UniCredit S.p.A. (UCI).

UniCredit calculates the economic value of the share-based payment arrangements on a uniform basis for the entire Group and provides the Group companies with the relevant information. In the Bank Austria Group, the total amount recognised in the income statement for the first three months of 2015 is about €2 million.

Full-time equivalents

	Q1 2015	2014
TOTAL *)	**35,930**	**36,139**
of which: in Austria	*7,245*	*7,304*
of which: abroad	*28,684*	*28,835*

*) Average full-time equivalents of staff employed in the Bank Austria Group, excluding employees on unpaid sabbatical or maternity/paternity leave.

Events after the reporting period

On 1 April 2015, our Croatian banking subsidiary Zagrebačka banka d.d. acquired six leasing companies from UniCredit Leasing SpA.

Additional disclosures (CONTINUED)

Consolidated capital resources and risk-weighted assets

Consolidated capital resources

(€ million)

		31 MARCH 2015	31 DEC. 2014
Paid-in capital instruments (excl. own Common Equity Tier 1 instruments)		1,681	1,681
Reserves (excl. profit) and minority interests		13,754	13,183
Adjustments to Common Equity Tier 1		–1,052	–860
Transitional adjustments to Common Equity Tier 1	1)	–261	–539
Common Equity Tier 1 (CET1)		**14,122**	**13,465**
Additional Tier 1 capital and qualifying Additional Tier 1 instruments issued by subsidiaries		111	154
Adjustments to Additional Tier 1		0	0
Transitional adjustments to Additional Tier 1	1)	–111	–154
Additional Tier 1 (AT1)		**0**	**0**
Tier 1 capital (T1=CET1+AT1)		**14,122**	**13,465**
Tier 2 capital and qualifying Tier 2 instruments issued by subsidiaries		4,844	4,080
Adjustments to Tier 2 capital		43	96
Transitional adjustments to Tier 2 capital	1)	–132	–113
Tier 2 capital (T2)		**4,755**	**4,062**
Total regulatory capital (TC=T1+T2)		**18,876**	**17,527**

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

Risk-weighted assets

(€ million)

	31 MARCH 2015	31 DEC. 2014
a) Credit risk pursuant to standardised approach	72,962	68,896
b) Credit risk pursuant to internal ratings-based (IRB) approach	45,088	43,879
c) Other (contribution to default fund of a central counterparty [CCP])	286	220
Credit risk	118,335	112,995
Position, foreign exchange and commodity risk	6,658	4,643
Operational risk	12,084	12,068
Risk positions for credit value adjustments (CVA)	710	644
TOTAL RWAS	**137,787**	**130,351**

Capital ratios

		31 MARCH 2015	31 DEC. 2014
Common Equity Tier 1 ratio	1)	10.2%	10.3%
Tier 1 ratio	1)	10.2%	10.3%
Total capital ratio	1)	13.7%	13.4%

1) based on all risks

Deviating from IFRS 11, the Yapi Kredi sub-group companies continue to be included on a proportionate basis in the calculation of consolidated capital resources and risk-weighted assets for regulatory purposes.

The Management Board

Willibald Cernko	**CEO Support Services (Chairman)**
Carlo Vivaldi	**CEE Banking Division (Deputy Chairman)**
Helmut Bernkopf	**Commercial Banking Division (Retail & Corporates)**
Francesco Giordano	**CFO Finance**
Dieter Hengl	**Corporate & Investment Banking Division**
Jürgen Kullnigg	**CRO Risk Management**
Doris Tomanek	**Human Resources Austria & CEE**
Robert Zadrazil	**Private Banking Division**

Vienna, 4 May 2015

Willibald Cernko

Carlo Vivaldi

Helmut Bernkopf

Francesco Giordano

Dieter Hengl

Jürgen Kullnigg

Doris Tomanek

Robert Zadrazil

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Ratings

	LONG-TERM	SUBORDINATED LIABILITIES	SHORT-TERM
Moody's 1)	Baa2	Ba2	P-2
Standard & Poor's 2)	BBB+	BB+	A-2
Fitch Ratings	A	–	F1

Public-sector covered bonds of Bank Austria are rated Aaa by Moody's and mortgage bonds of Bank Austria are rated Aa1 by Moody's.

1) Grandfathered senior debt is rated Baa1, grandfathered subordinated debt is rated Ba2.
2) Grandfathered senior debt is rated BBB+, grandfathered subordinated debt is rated BB+.

Financial calendar

6 August 2015	Publication of the half-year results as of 30 June 2015
12 November 2015	Publication of the results as of 30 September 2015
All information is available electronically at http://ir-en.bankaustria.at	

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

Publisher and media owner:
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Internet: www.bankaustria.at
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Austrian bank routing code: 12000
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Editor:
Planning & Controlling Austria, External Reporting

Creative concept: Milk adv

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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:
Willibald Cernko (Chairman of the Management Board), Carlo Vivaldi (Deputy Chairman of the Management Board), Helmut Bernkopf, Francesco Giordano, Dieter Hengl, Jürgen Kullnigg, Doris Tomanek, Robert Zadrazil.

Supervisory Board of the media owner:
Erich Hampel (Chairman of the Supervisory Board), Paolo Fiorentino (Deputy Chairman of the Supervisory Board), Alessandro Decio, Olivier Nessime Khayat, Adolf Lehner, Alfredo Meocci, Roberto Nicastro, Vittorio Ogliengo, Josef Reichl, Karl Samstag, Wolfgang Sprißler, 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 Interim Report is prepared for the convenience of our English-speaking readers. It is based on the German original, which is the authentic version and takes precedence in all legal respects.