One Bank, One Team, One UniCredit.

Capital and balance sheet management

Transform

Enhanced service model

Ethics and Respect

Team 23

Compliance

Grow and strengthen client franchise

Sustainable results

Process optimisation

Paperless bank

Growth engines

Customer experience

Disciplined risk management

“Go-to” bank for SMEs

“Do the right thing!”

2019

Annual Financial Statements

Banking that matters.

Bank Austria

Member of UniCredit

One Bank, One UniCredit.

Our strategy is clear and long-term: UniCredit is a simple successful Pan European Commercial Bank, with a fully plugged in CIB, delivering a unique Western, Central and Eastern European network to its extensive and growing client franchise.

Contents

Team 23

Our new plan is called Team 23, in recognition of the outstanding work done together for Transform 2019. Team 23 is based on four strategic pillars:

- Grow and strengthen client franchise
- Transform and maximise productivity
- Disciplined risk management & controls
- Capital and balance sheet management

Transform 2019: a strategic plan delivered as promised

Transform 2019 was about restructuring and reshaping the Group, with an emphasis on strengthening capital and improving asset quality. We also strengthened our corporate governance in line with best-in-class European companies. We are the only large listed Italian company where the board of directors presents its own list of candidates. We also lifted voting restrictions and converted savings shares into common shares.

Our hard work was acknowledged by the ECB that, at the end of 2019, lowered our SREP **pillar 2 requirement by a further 25 basis points, to 175**. This is 75 basis points lower than in 2016, an achievement we are very proud of and another recognition of the outstanding work done by the team over these last three years.

SIGNIFICANT DE-RISKING

Gross NPEs down by more than **€50bn** since 2015, to

€25bn

with an end 2019
Gross NPE ratio of 5.0 per cent
and a **Net NPE ratio 1.8 per cent**

MATERIAL COST REDUCTION

€2.3bn

net cost reduction
since 2015 with C/I ratio reduced by more than
7 percentage points
to 52.7 per cent in 2019

IMPROVED ROTE

More than doubled our profitability with **underlying RoTE in 2019** of

9.2 per cent

up from 4 per cent in 2015

STRONG CAPITAL POSITION

Pro forma[1] CET1 ratio of

13.1 per cent

as at the end of 2019, equivalent to a pro forma[1] **MDA buffer** of **300 basis points**, **above** our **200 to 250 basis point** target range

[1] Pro forma 2019 CET1 ratio and MDA buffer including deduction of share buyback of €467m, subject to supervisory and AGM approval.

Team 23: a new strategic plan, further building on our pan European strengths

While Transform 2019 represented a strong cost efficiency and de-risking effort, Team 23 focuses on strengthening and growing our customer base. All our key strategic initiatives focus on customer experience, which we will monitor precisely while making sure we increase our process optimisation. We will also continue to manage the business with tight cost discipline, focusing on high asset quality and ensuring we maintain a very strong capital level at all times. We work on this from a position of strength, thanks to Transform 2019. We will deliver a recurring dividend with a mix of cash and share buybacks.

Grow and strengthen client franchise

Transform and maximise productivity

Disciplined risk management & controls

Capital and balance sheet management

Our strategy remains unchanged

UniCredit is a simple successful Pan European Commercial Bank, with a fully plugged in Corporate & Investment Banking (CIB), delivering a unique Western, Central and Eastern European network to its extensive and growing client franchise

As "One Bank, One UniCredit" we will continue to build on our existing competitive advantages

Truly local with **13 leading commercial banks*** and a unique reach through our fully plugged in CIB and international branch network

Provide "banking that matters" for all our 16 million clients across Europe. UniCredit is:

- Supporting our individual clients and the European mid-market corporate clients, that are the backbone of the European economy, as the second largest corporate lender in Continental Europe
- Ranked in the top three by assets in Italy, Germany and Austria and first by assets in CEE, on a consolidated basis
- We have a well-diversified business with a third of our lending coming from Italy, a third from Germany and Austria, and a third from CEE and CIB

A fully plugged-in CIB business, **focused on supporting the Group's clients**, with top of the league tables rankings, demonstrates our strong product offer and our ability to create significant cross-selling and synergies across the Bank

* Assuming full regulatory deconsolidation of Yapi.

Unique network: pan European footprint

Commercial banks

International branches and representative offices*

* Including UC Luxembourg and UC Ireland. Other International branches and representative offices In Asia and Oceania, North and South America, Middle East and Africa.

"Banking that matters" for our clients

16 m clients

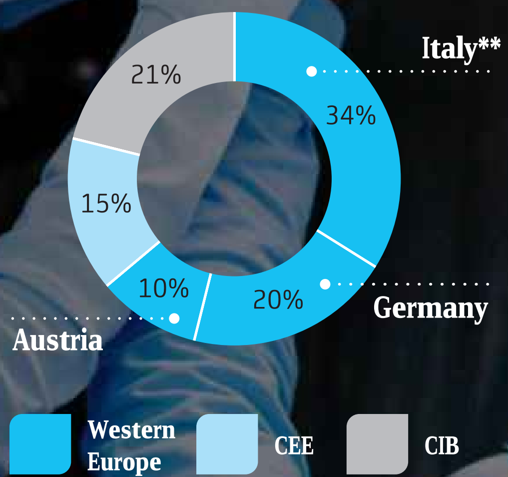
#2 for loans to corporates in Europe

#3 ranking for assets in IGA

#1 by total assets in CEE

Well-diversified business

>430 Commercial loans, bn



** Italy including Non Core and Group Corporate Centre.

Market-leading CIB

- **Most active player in EUR Bonds** since 2013 (cumulative)
- **#1** in EUR Bonds in Italy, Germany, Austria

- **#1 All Covered Bonds in EUR**
- **#1** EMEA Corporate Loans EUR denominated
- **#1** Syndicated Loans in Italy, Austria and CEE; #2 in Germany

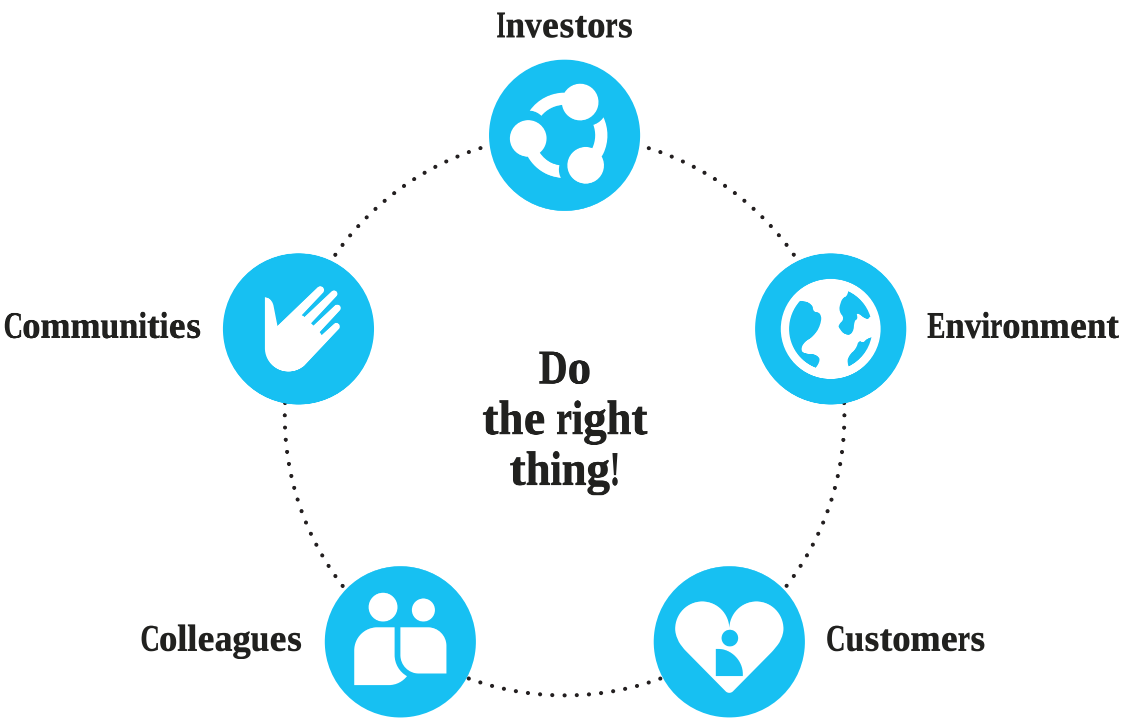
Source: Dealogic, period: 1 Jan-31 Dec 2019.

How we achieve results in UniCredit: Do the right thing!

At UniCredit, our ***corporate*** culture is based on two core values: Ethics and Respect. Our commitment to always “Do the right thing!” is our guiding principle for interactions with all our stakeholders: investors, customers, colleagues and communities.

In the fourth quarter of 2019, we announced new ESG targets as part of our long-term commitment to sustainability – part of our Group’s DNA and a key component of our business model. Building a sustainable future is an important challenge for both people and businesses. Every company has to do more than ‘business as usual’ – it is time to act and make an impact.

“Do the right thing!” to generate sustainable results



We adhere to the highest standards and principles with external monitoring and recognition. This include the Task Force on Climate-Related Financial Disclosures, Principles for Responsible Banking and OECD Business for Inclusive Growth Coalition. Our commitment to ESG places us in the 99th percentile of the FTSE Russell ESG ratings, a constituent of the FTSE4Good Index Series. Standard Ethics identified us as the only bank in Italy with an EE+ rating, strong compliance and the ability to manage key reputational risks.

UniCredit Leadership Team Meeting, Millennial Board presentation, Dec 2019

Environment

Every team member of UniCredit is committed to protect the environment: the entire UniCredit team was involved in "Climate day" on Friday September 20th, submitting more than 1,200 new ideas on what UniCredit can do concretely. All these suggestions will be implemented, under the leadership of the Group "millennial board", made of 10 millennial team members, who bring a tremendous energy and vision to our Group to "Do the right thing!". We are committed to reducing our direct environmental impact by further cutting greenhouse gas emissions. By 2023 all electricity consumption in Western Europe will come from renewable energy sources, by when we will also remove all single-use plastic from all our headquarters. We are working to make an ever bigger difference through our indirect emissions, partnering with our customers in the shift to a low carbon economy. As already announced, we will fully exit thermal coal mining projects by 2023 and not finance any new projects in thermal coal mining or coal fired power generation. We will increase our renewable energy sector exposure, granting more energy efficiency loans to our customers.

Social

We have committed € 1 billion to Social Impact Banking (SIB) initiatives throughout the Group between now and end 2023. This builds on our success in Italy, where we have already disbursed over 100 million euros. The programme is now being rolled out in 10 more markets. Art4Future is supporting SIB with the sale of a limited number of expensive pieces to provide the capital to extend more social loans and buy art pieces of young artists from our different countries.
In addition, we will continue to promote culture through important associations and our UniCredit Foundation will carry on addressing important social needs, while supporting study and research.

Governance

All companies looking to grow and thrive must also focus on diversity and inclusion. Different perspectives help improve processes and behaviours, bringing more sustainable organisations. Creating a positive and inclusive workplace is key to innovation and growth. This is why UniCredit is working on different initiatives to ensure diversity and inclusion is at the forefront throughout the Group, to increase the active participation by women and minorities at all levels of the bank.

Management Report

Bank Austria Consolidated Financial Statements

Management Report

Bank Austria at a glance

Income statement figures

(€ million)

	2019	2018 RECAST 1)	+/-
Net interest	960	959	0.1%
Dividends and other income from equity investments	179	155	15.4%
Net fees and commissions	692	702	-1.4%
Net trading, hedging and fair value income/loss	61	104	-41.0%
Operating income	1,941	1,978	-1.9%
Operating costs	(1,149)	(1,211)	-5.1%
Operating profit	792	767	3.2%
Net write-downs of loans and provisions for guarantees and commitments	(35)	66	n.m.
Net operating profit	757	834	-9.2%
Profit (loss) before tax	519	717	-27.7%
Total profit or loss after tax from discontinued operations	14	15	-6.7%
Net Profit attrib. to the owners of the parent company	698	638	9.4%
Cost/income ratio	59.2%	61.2%	-2.0 PP
Cost of risk	6 bp	-11 bp	+16 bp

Volume figures

(€ million)

	31-12-2019	31-12-2018 2)	+/-
Total assets	101,663	99,039	+2.6%
Loans and receivables with customers	63,258	62,599	+1.1%
Direct funding	68,882	68,299	0.9%
Loan / direct funding ratio	91.8%	91.7%	+0.2 PP
Equity	8,486	8,368	1.4%
Risk-weighted assets (overall) 3)	33,493	34,365	-2.5%

Capital ratios 4)

	31-12-2019	31-12-2018	+/-
Common Equity Tier 1 capital ratio	18.9%	18.6%	+0.4 PP
Tier 1 capital ratio	18.9%	18.7%	+0.2 PP
Total capital ratio	21.3%	21.4%	-0.0 PP
Leverage ratio	5.7%	6.0%	-0.3 PP

Staff

(Full-time equivalent)	31-12-2019	31-12-2018	+/-
Austria in Total	5,301	5,374	(73)

Offices

	31-12-2019	31-12-2018	+/-
BA AG - Privatkundenbank branches	122	123	(1)

Notes:
1) Comparative figures for 2018 recast to reflect the current structure and methodology. This refers mainly to the first-time adoption of IFRS 16 in 2019
2) Presented balance sheet figures have been restated with regard to effects from the first-time adoption of IAS 40 (corresponds to 1 January 2019). Regarding IFRS 16 and IAS 16 no retroactive adjustment was made (see detailed description in the Notes, part A)
3) RWA: total regulatory risk-weighted assets
4) RWA and capital ratios pursuant to Basel 3 according to the current state of the transitional provisions; capital ratios based on all risks, 2018 as published
n. m = not meaningful / PP = percentage point(s) / bp = basis point(s)

Management Report

Economic environment – market developments

Global economic downturn

Continuing political uncertainty, increasingly protectionist tendencies in international trade in response to the conflict between the US and China, the negotiations surrounding Brexit and the effects of the recent tightening in monetary policy by the US had a negative impact on global economic sentiment in the course of 2019, leading to a global economic slowdown. Global economic growth fell to slightly below 3.0 per cent, its lowest since the 2009 financial crisis. A waning appetite to invest as well as a falling demand for capital goods have exacerbated the weakness of global trade. The export-heavy industrial sector lost momentum. Private consumption was more resilient and bolstered economic growth, but there were increasingly clear signs over the course of the year that the weakness in industry, foreign trade and investment in the services sector was spreading. Meanwhile, a combination of the unfavourable trends in global trade, lower commodity prices and volatile capital flows plunged several large growth markets, including Argentina, Brazil, Mexico, South Africa and Turkey, into recession. Industrialised countries also experienced a slowdown in economic momentum. In the US, economic growth fell from 2.9 per cent in 2018 to an estimated 2.3 per cent, shored up only by private consumption. In the eurozone, the consequences of the weakness in global trade resulting from the comparatively high dependence on exports were felt more strongly and led to a decline in economic growth from 1.9 per cent to 1.2 per cent in 2019.

Renewed easing of monetary policy

The economic slowdown and low inflation, down to an average of just 1.2 per cent in 2019 owing to a fall in the price of oil of around 10 per cent to USD 64 a barrel, triggered a renewed easing of monetary policy in the eurozone for the second half of the year. In the US, in response to growing economic concerns, the Fed Funds Target Rate was lowered in three stages of 25 basis points each in 2019, ending the year at a margin rate of 1.50 to 1.75 per cent. In the eurozone, meanwhile, the key interest rate remained unchanged over the course of the year. The main refinancing instrument remains at zero per cent, but in mid-September 2019, the deposit rate was reduced from minus 0.4 to minus 0.5 per cent. At the same time, however, the European Central Bank created a two-tier categorisation system. For surplus reserves of up to six times the minimum reserve target, the interest rate is zero percent, with the minus 0.5 per cent deposit rate applying only to deposits above this threshold. The ECB has also once again implemented some unconventional measures. A new series of quarterly targeted longer-term refinancing operations (TLTROs) was launched in September 2019. In November, net purchases under the asset purchase programme (APP), which had been discontinued in late 2018, were again taken on in the amount of EUR 20 billion per month. In this monetary policy environment, European government bond yields had reached an all-time low by the middle of 2019. The yield on the ten-year Austrian federal bond also dropped below zero for the first time, falling as low as minus 0.46 per cent by the end of August. At the same time, the relaxed monetary policy boosted the equity markets. The Vienna Stock Exchange index ATX grew by 16 per cent between the start and the end of 2019.

Economic situation and market developments in Austria

After three years with growth rates above the 2 per cent mark, the rise in GDP decreased steadily over the course of 2019. Against the backdrop of the weakness in global trade, Austrian foreign trading lost momentum and the export-heavy Austrian industry even fell into recession in the middle of the year. However, strong domestic demand managed to keep economic growth at a level of 1.5 per cent overall in 2019. The slower pace of growth nonetheless had an adverse impact on the development of the Austrian labour market. The slowdown in employment growth brought the reduction in the unemployment rate over the course of the year to a standstill. On average over the year, however, the unemployment rate of 7.4 per cent or 4.6 per cent (Eurostat) was three tenths lower than in 2018. This was supported by a persistently strong level of private consumption, which benefited from a rise in real wages and fiscal stimuli such as the introduction of the “Familienbonus Plus” scheme. Lower demand from abroad and the general deterioration of economic sentiment led to a slowdown in momentum for investment activity, but gross fixed capital investments nonetheless saw an increase of more than 3 per cent year on year. Investment in vehicles saw a particularly strong increase, mitigating the noticeable loss of momentum in investments in equipment. Construction investments declined, although investments in housing construction rose significantly more than in the previous year. The strong momentum behind housing loans for households, which amounted to more than 5 per cent on average year on year, and the positive performance of corporate loans, which rose by more than 6 per cent, were therefore also the key drivers of the return of strong growth in lending of just over 5 per cent in Austria in 2019. In spite of the low-interest environment, deposits also rose sharply again by significantly more than 4 per cent on average over the year in 2019, driven almost solely by household deposits. The downside of a strong domestic economy is Austria’s comparatively high price buoyancy. Despite the decline from 2.1 per cent in 2018 to 1.5 percent on average over the year in 2019, inflation remains above the overall eurozone level.

Management Report

Business developments in 2019

Condensed income statement of Bank Austria [1)]

(Mio €)

	RECAST [2)]		CHANGE		RECONCILIATION [4)]		BANK AUSTRIA GROUP	
	2019	2018	+/- €	+/- %	2019	2018	2019	2018 [5)]
Net interest	960	959	1	0.1%	0	4	960	963
Dividends and other income from equity investments	179	155	24	15.4%	0	0	179	155
Net fees and commissions	692	702	(10)	-1.4%	0	4	692	706
Net trading, hedging and fair value income/loss	61	104	(43)	-41.0%	0	(1)	61	103
Net other expenses/income	49	58	(9)	-15.9%	0	1	49	59
Operating income	**1,941**	**1,978**	**(37)**	**-1.9%**	**0**	**8**	**1,941**	**1,986**
Payroll costs	(618)	(632)	14	-2.2%	0	0	(618)	(632)
Other administrative expenses	(487)	(529)	42	-7.9%	0	(32)	(487)	(561)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(44)	(50)	6	-12.3%	0	25	(44)	(25)
Operating costs	**(1,149)**	**(1,211)**	**62**	**-5.1%**	**0**	**(7)**	**(1,149)**	**(1,218)**
Operating profit	792	767	25	3.2%	0	1	792	768
Net write-downs of loans and provisions for guarantees	(35)	66	(101)	n.m.	0	0	(35)	66
Net operating profit	**757**	**834**	**(77)**	**-9.2%**	**0**	**1**	**757**	**835**
Provisions for risks and charges	67	(42)	110	n.m.	0	0	67	(42)
Systemic charges	(125)	(122)	(2)	1.8%	0	0	(125)	(122)
Integration/ restructuring costs	(174)	2	(176)	n.m.	0	0	(174)	2
Net income from investments	(8)	46	(54)	n.m.	0	0	(8)	46
Profit (loss) before tax	**519**	**717**	**(199)**	**-27.7%**	**0**	**1**	**519**	**718**
Income tax for the period	177	(78)	255	n.m.	0	0	177	(78)
Total profit or loss after tax from discontinued operations	14	15	(1)	-6.7%	0	0	14	15
Non-controlling interests	(11)	(16)	5	-29.6%	0	0	(11)	(16)
Net profit or loss [3)]	**698**	**638**	**60**	**9.4%**	**0**	**1**	**698**	**639**

n.m. = not meaningful
1) Bank Austria Group's income statement as presented in this table is a reclassified format corresponding to the format used for segment reporting
2) Figures 2018 recast to reflect the consolidation perimeter and business structure in 2019. This refers to the first-time adoption of IFRS 16 in 2019
3) Attributable to the owners of the parent company
4) Adjustments shown under "Reconciliation" are mainly due to the first-time adoption of IFRS 16
5) Figures as published as at 31 December 2018, but restated in accordance with IAS 40

Management Report

Details of the 2019 income statement

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

Segment reporting covers three business segments: Privatkundenbank, Unternehmerbank and Corporate & Investment Banking. The Privatkundenbank now includes the previous divisions Retail and Private Banking, it comprises the customer segments Retail Banking, Premium Banking, Small Business Banking (independent professionals and the self-employed and business customers with annual revenues of up to €3 million) as well as Wealth Management. Unternehmerbank as understood in this commentary is the sum of corporate customer business, leasing and factoring activities. The Corporate & Investment Banking business segment covers the customer segment of multinational 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. Those parts of the bank that are not assigned to any segment are reported in the Corporate Centre segment.

The item "Total profit or loss after tax from discontinued operations" reflects the results from real-estate holding companies which are still held by Bank Austria, but are classified as held for sale, including the results from the sale of real estate companies and properties owned by these companies.

Operating income reached €1,941 million in 2019 (-1.9% compared to the previous year's figure of €1,978 million). The decline was mainly due to net trading, hedging and fair value income/loss, where the previous year's result for this item was positively influenced by one-off effects and valuation factors, whereas 2019 was marked by negative valuation effects. Net interest remained at the previous year's level, while net fees and commissions fell just short of the previous year's level.

In terms of individual income components, **net interest** remains the largest income item, accounting for approximately half of operating income. At €960 million, the previous year's figure was maintained (+0.1%), in spite of the current environment of extremely low and in some cases negative interest rates and a respective pressure on margins.

Dividends and other income from equity investments amounted to €179 million and were 15.4% higher than the previous year's figure; this item mainly includes the pro-rata results from material equity investments such as the 3-Banken Group and Oesterreichische Kontrollbank.

Net fees and commissions (€692 million) declined slightly compared to 2018 (-1.4%). More than two-fifths of the net fees and commissions came from the securities business; despite the difficult market environment, the previous year's amount could be exceeded. Almost one-half of net fees and commissions came from payment transaction business, a significant generator of commissions, which fell just short of the previous year's level.

Net trading, hedging and fair value income/loss (€61 million) was significantly below (-41%) the previous year's figure, which was boosted by large, individual customer transactions and by positive valuation effects, while 2019 was marked by negative valuation effects (mainly CVA/credit value adjustments).

The income statement item **other operating income and expenses** includes items that are not attributable to the above-mentioned income items. Income of €49 million (compared to €58 million in the previous year) was generated in 2019.

In an environment of limited opportunities for increasing earnings, Bank Austria continues to focus on highly restrictive cost management. Since 2016, when the bank's holdings in Central and Eastern Europe were spun off, the bank has been able to achieve substantial cost savings every year. In the first half of 2019, **operating costs** were again significantly reduced by €-62 million or -5.1% to €1,149 million (previous year: €1,211 million).

At €618 million, **payroll costs** were €14 million or -2.2% below the previous year's figures, which was partly due to a reduction in personnel capacity (FTE) and a positive one-off effect in relation to social capital, which resulted in a decline overall despite ongoing increases under collective bargaining agreements.

The decrease in **other administrative costs** by -7.9% to €487 million results from Bank Austria's very stringent cost management, which illustrates the bank's special focus within the context of implementing the UniCredit Corporate Strategy "Transform 2019" which was concluded until the end of the reporting year. To some extent, these savings are also due to the relocation of all head office staff to the new location on the Austria Campus in 2018, which is already fully cost-effective in the current period, whereas in 2018 there were still one-off costs resulting from the relocation.

Management Report

The decrease in **depreciation** from €50 million to €44 million also reflects the optimization measures in real estate (concentration of head office staff at Austria Campus).

As a result of the developments and measures outlined above, the **cost/income ratio is** 59.2%, which is a significant improvement on the figure for 2018 (61.2%).

Operating profit reached €792 million and therefore improved by 3.2% due to the above-mentioned developments.

Net write-downs of loans and provisions for guarantees and commitments shows – after the positive contributions in previous years – only a slightly negative result, which is based on a continuing positive economic environment in 2019 and the bank's professional credit risk management. Overall, net write-downs of loans and provisions for guarantees and commitments amounted to €-35 million (compared with €66 million for the same period the previous year).

Cost of risk, expressed as the ratio of net write-downs of loans and provisions for guarantees and commitments to average loan volumes in basis points/bp (see also the glossary of alternative performance measures in the Notes), gives a figure of 6 basis points (-11 bp for the same period of the previous year). The divisions have the following cost of risk: Privatkundenbank -3 bp (previous year: -26 bp), Unternehmerbank 21 bp (previous year: 15 bp) and CIB division -4 bp (previous year: -26 bp).

Operating profit (**net operating profit after net write-downs of loans and provisions for guarantees and commitments**) was €757 million in 2019, down -9.2% on the previous year's figure of €834 million. The Austrian customer segments made the following contributions to operating performance: Privatkundenbank €+167 million (previous year: €+190 million), Unternehmerbank €+275 million (previous year: €+313 million) and CIB €+219 million (previous year: €+282 million).

Under **provisions for risks and charges** a total amount of €67 million was recognised for 2019 (previous year: €-42 million). This relates mainly to a net release of provisions for sanctions after having reached a settlement with US authorities in the first quarter of 2019.

Systemic charges remained at the previous year's level (€-125 million; €-122 million in 2018). Of the total amount, the bank levy accounted for €65 million (including a pro rata special payment of €46 million), and contributions to the deposit guarantee scheme and the resolution fund totalled €60 million. The pro rata special payment of the bank levy which is paid in four instalments in 2017–20 is based on the new regulation of the Austrian bank levy in 2016.

Under the item **integration/restructuring expenses**, an amount of €-174 million was recognised for the current financial year, mainly in connection with provisions set aside for the proposed actions relating to Bank Austria as part of UniCredit's strategic plan "Team 23" announced in December 2019. This item was recorded at €2 million in the previous year.

Net income from investments made a contribution of €-8 million (previous year: €+46 million), due in part to expenses regarding valuation of participations and positive effects from property sales.

In total, **profit (loss) before tax** of €519 million was generated from the above items. Compared with the 2018 financial year, this represents a decline of €199 million, with higher risk expenses – following the previous year's net releases – and the aforementioned restructuring provisions being the main drivers of the decline, partly offset by the release of provisions for sanctions previously mentioned.

Income tax amounted to €+177 million, a considerable increase compared to the previous year (€-78 million), mainly attributable to a one-off effect in connection with the recognition of deferred taxes.

Total profit or loss after tax from discontinued operations includes the contribution of €+14 million (in the previous year: €+15 million) from the real-estate holding companies ("Immo Holding"), including the results from the sale of property companies and properties held by these companies. The majority of these assets not required for operations have already been sold in previous years.

Non-controlling interests (minority interests) amounted to €-11 million (previous year: €-16 million).

Overall, net profit for 2019 (**Group net profit or loss attributable to the owners of Bank Austria**) of €698 million was generated in 2019, following €638 million in 2018. In an environment of extremely low interest rates and corresponding pressure on margins, combined with a continued positive development of credit risk, the bank once again posted strong results.

Management Report

Financial position and capital resources

IFRS 16 entered into force at the beginning of 2019, which required any rights of use asset and corresponding lease liabilities to be recognised. Furthermore, for the purpose of preparing the financial statements at 31 December 2019, Bank Austria has decided to change the valuation criteria for properties as follows:
• Properties used in business (as stipulated in IAS 16 „property, plant, and equipment") – transition from the cost model to the revaluation model.
• Properties held for investment (as stipulated in IAS 40 „Investment property ") - transition from the cost model to the fair value model.
A retroactive adjustment as at 1 January 2018 was carried out for assets valued in line with IAS 40.

Generally, Bank Austria Group's balance sheet at 31/12/2019 reflects the strategic target structure of an **Austrian universal bank** focused on traditional commercial banking business with customers. **Loans and receivables with customers** is the largest item on the asset side by far with a proportion of more than 60%. The Unternehmerbank and Corporate & Investment Banking business segments accounted for more than two-thirds of total lending volume, underscoring Bank Austria's leading position as a major lender to the Austrian business sector. Furthermore, the bank holds an important position in lending to Austrian retail customers. **Deposits from customers** represent more than half of liabilities. Approximately 60% consists of deposits from the Privatkundenbank and constitutes a solid refinancing basis for Bank Austria.

Major items in the statement of financial position

(€ million)

	31-12-2019	31-12-2018 RESTATED	CHANGE +/- € million	+/- %
Assets				
Cash and cash balances	270	98	171	+174.5%
Financial assets held for trading	1,016	783	233	+29.8%
Loans and receivables with banks	13,451	14,485	(1,034)	-7.1%
Loans and receivables with customers	63,258	62,599	659	+1.1%
Other financial assets	18,496	16,959	1,537	+9.1%
Hedging instruments	2,377	1,891	487	+25.7%
Other assets	2,795	2,225	570	+25.6%
TOTAL ASSETS	**101,663**	**99,039**	**2,624**	**+2.6%**
Liabilities and equity				
Deposits from banks	14,880	14,444	435	+3.0%
Deposits from customers	56,730	55,651	1,079	+1.9%
Debt securities in issue	12,049	12,402	(353)	-2.8%
Financial liabilities held for trading	1,065	770	295	+38.4%
Hedging instruments	2,243	1,546	698	+45.1%
Other liabilities	6,210	5,859	351	+6.0%
o/w pensions and other post-retirement benefit obligations	4,025	3,776	248	+6.6%
Equity	8,486	8,368	118	+1.4%
TOTAL LIABILITIES AND EQUITY	**101,663**	**99,039**	**2,624**	**+2.6%**

Note: Previous year's figure as at 31 December 2018 (corresponds to 1 January 2019) have been adjusted regarding the switch from the cost model to the fair value model in accordance with IAS 40. In comparison to the published financial statements as at 31 December 2018 total assets increased by €10 million, of which equity by €7 million.

Management Report

Reconciliation of the short version of the balance sheet (as shown on the previous page) to the balance sheet items of the consolidated interim financial statements

Assets (€ million)

	31-12-2019	31-12-2018
Cash and cash balances	270	98
Financial assets held for trading	1,016	783
Loans and receivables with banks	13,451	14,485
a) Financial assets at amortised cost	13,451	14,485
Loans and receivables with customers	63,258	62,599
a) Financial assets at amortised cost	62,156	61,397
b) Financial assets mandatorily at fair value	1,102	1,202
Other financial assets	18,496	16,959
a) Financial assets at amortised cost (banks)	799	799
b) Financial assets at amortised cost (customers)	330	324
c) Financial assets designated at fair value	0	-
d) Financial assets mandatorily at fair value	112	162
e) Financial assets at fair value through other comprehensive income	14,935	13,490
f) Investments in associates and joint ventures	2,319	2,183
Hedging instruments	2,377	1,891
a) Derivatives used for hedging	1,817	1,619
b) Fair value changes of the hedged items in portfolio hedge (+/-)	560	271
Other assets	2,795	2,225
a) Tangible assets	1,035	602
b) Intangible assets	3	3
of which goodwill	-	-
c) Tax assets	623	357
d) Non-current assets and disposal groups classified as held for sale	782	934
e) Other assets	353	330
TOTAL ASSETS	**101,663**	**99,039**

Liabilities and equity (€ million)

	31-12-2019	31-12-2018
Deposits from banks	14,880	14,444
Deposits from customers	56,730	55,651
Debt securities issued	12,049	12,402
Financial liabilities held for trading	1,065	770
Hedging instruments	2,243	1,546
a) Derivatives used for hedging	1,819	1,368
b) Fair value changes of the hedged items in portfolio hedge (+/-)	425	178
Other liabilities	6,210	5,859
a) Financial liabilities designated at fair value	103	247
b) Tax liabilities	54	55
c) Liabilities included in disposal groups classified as held for sale	573	540
d) Other liabilities	974	697
e) Provisions for risks and charges	4,507	4,320
of which pensions and other post-retirement benefit obligations	4,025	3,776
Shareholders' equity	8,486	8,368
a) Revaluation reserves	(1,682)	(1,305)
b) Other provisions	3,605	3,152
c) Share premium reserve	4,136	4,136
d) Share capital	1,681	1,681
e) Minority interests (+/-)	48	64
f) Net profit or loss	698	639
TOTAL LIABILITIES AND EQUITY	**101,663**	**99,039**

Note: Previous year's figure as at 31 December 2018 (corresponds to 1 January 2019) have been adjusted regarding the switch from the cost model to the fair value model in accordance with IAS 40. In comparison to the published financial statements as at 31 December 2018 total assets increased by €10 million, of which equity by €7 million.

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In comparison to 31/12/2018, **total assets** increased by €2.6 billion or 3% to €101.7 billion.

Loans and receivables with banks showed a decrease of €1.0 billion to €13.5 billion.

Loans and receivables with customers increased by €0.7 billion to €63.3 billion. A significant increase in growth was generated by the CIB and the Privatkundenbank divisions, in particular.

Non-performing gross loans amounted to €2.1 billion, a slight decrease compared to the previous year, due to continued excellent credit quality, which is also reflected in the further improvement of the gross NPL ratio to 3.2%.

Deposits from banks increased by €0.4 billion to €14.9 billion compared to the previous year.

Deposits from customers increased (€+1.1 billion) to €56.7 billion compared to the previous year. Deposits from the Privatkundenbank were in particular higher on the reporting date.

Securities in issue decreased slightly to €12.0 billion. Among other issues, three major Pfandbrief were issued in the reporting period, partially mitigating repayments.

The excellent refinancing basis through non-banks is documented overall in the summarised "**direct funding**" item (customer deposits + debt securities in issue + financial liabilities valued at fair value), which amounted to €68.9 billion as at 31/12/2019. This means that loans to non-banks are covered by deposits from non-banks and debt securities in issue to the extent of about 109%.

Other liabilities include provisions for pensions and similar obligations, which amounted to €4.0 billion. In the year 2019, the discount rate for social capital was reduced from 1.85% to 1.0%, which led to a substantial increase of around €0.2 billion in this provision for the accounting period. Creation of a restructuring provision also increased this item compared with the previous year while a provision for sanctions could be released in the first quarter of 2019 after a corresponding agreement with the US authorities.

As at 31/12/2019, **equity totalled** €8.5 billion, i.e. 1.4% above the level as at the end of 2018. The key elements of development in 2019 were the current annual profit of €698 million, the dividend payment and the aforementioned net effect of the reduction in the discount rate for social capital and the resulting increase in provisions for pensions and similar obligations which directly affected equity.

Management Report

Capital resources and risk-weighted assets

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

The regulatory provisions directly applicable upon entry into force of Regulation (EU) 2019/876 (CRR II) are reflected in the calculation of the equity ratios as at 31/12/2019.

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

Capital resources of Bank Austria Group decreased in comparison to 31/12/2018 from €7.3 billion **to €7.1** billion.

Common Equity Tier 1 capital (CET1) decreased slightly to €6.3 billion. The key drivers of this development were the effects already shown in social capital, the inclusion of the consolidated net profit (taking into account a planned dividend payment) and other valuation effects.

Due to conservative interpretation of Regulation (EU) 2019/876 (CRR II) Art. 494a starting from the second quarter 2019, instruments according to Art. 52 of Regulation (EU) 575/2013 issued through special purpose entities are no longer included as Additional Tier 1 according to the phase-out conditions of Regulation (EU) 575/2013, Art. 484. Amortization and foreign currency effects from subordinated instruments lead to a decrease in Tier 2 capital by €0.1 billion to €0.8 billion.

In comparison with the end of 2018, **risk-weighted assets** (RWA) decreased from €34.4 billion to **€33.5** billion, mainly due to a decline in credit risk (€-0.8 billion). In total, both developments resulted in an improvement of the core capital ratios, as shown in the table below. The ratios continue to exceed the legal requirements significantly.

Capital ratios (based on all risks)

	31-12-2019	31-12-2018
Common Equity Tier 1 (CET1) capital ratio	18.9%	18.6%
Tier 1 capital ratio	18.9%	18.7%
Total capital ratio	21.3%	21.4%

Without taking transitional provisions defined in the CRR into account, the Common Equity Tier 1 Ratio (fully loaded) also was 18.9% and the total capital ratio (fully loaded) was 21.3%.

The **Leverage Ratio** pursuant to the Delegated Regulation (EU) 2015/62, based on the current status of transitional arrangements, was 5.7% as at 31 December 2019. Without taking the transitional provisions defined in the CRR into account, the value is also 5.7%.

Permanent establishments

There are no permanent establishments.

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Non-financial performance indicators

As a member of UniCredit Group, Bank Austria does not prepare its own non-financial declaration in accordance with Section 267a of the Austrian Commercial Code (UGB), since it is included in UniCredit SpA's non-financial report pursuant to Section 267a (7) UGB. This report is available on UniCredit's website (https://www. unicreditgroup. eu / en. html).

Research and development

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

In the area of information and communication technology (ICT), investment at UniCredit level focuses on further developing digitisation, while maintaining stringent cost management and aligning itself with the Group's ICT strategy. The main objective is to enhance the customer experience and expand it to include digital channels in addition to automating internal processes. Moreover, the main focus for 2019 (in addition to the necessary regulatory and system maintenance measures) was on digitisation and further development of online channels (mobile banking, online sales, self-service devices). ICT expenses and investments (investment budgets) are capitalised at the UniCredit subsidiary UniCredit Services and charged to Bank Austria. UniCredit Services provides the entire Group with IT services, enabling UniCredit to benefit from Group-wide developments and joint IT platforms as well as unlocking significant synergies in the IT sector.

Corporate sustainability/sustainability management

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

Social commitment is an essential component of our sustainability strategy. In keeping with our guiding principle of "Doing what is important", we want to make an active contribution to improving the social framework and, by applying our environmental management system, we want to help ensure that future generations will find a truly sustainable and liveable environment.

The introduction of the UniCredit Social Impact Banking initiative (SIB) with the 3 pillars of "impact financing", "microfinancing" and "financial education" supports our aim of contributing to a better society.

Through impact financing, we support and finance businesses and non-profit organisations that generate real social improvements for the community. In addition to grants and low-interest loans, we offer additional support, including financial training.

We support the start-up and expansion of small businesses through microfinancing. In doing so, we not only enable access to financial resources, but also pass on financial expertise through a network of mentors. The aim of our extensive financial education programme is to support not only company founders, but also young people and young adults. With this target group in mind, our main focus is on students, supporting them through financial education workshops, an online platform and competitions. We also pass on our financial expertise to vulnerable groups, in particular young people and people at risk of social exclusion.

Community

In addition to long-term partnerships which we have developed over many years, it is particularly important for Bank Austria to offer a platform to as many new initiatives as possible – even smaller ones – in order to showcase its day-to-day work to a broader public. Every year, we hand out the Bank Austria Social Prize in each federal state, which comes with funding of €81,000. In 2019, we celebrated the 10th anniversary of the Bank Austria Social Prize. We used this anniversary year to make the prize even more attractive for our participating organisations: This year, for the first time, the winning projects not only received financial support, but they were also invited to use the donation platform www.impactory.org to advertise their projects and therefore reach out to even more people.

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Long-term partnerships which we have developed over many years with well-known charitable organisations are a particularly important aspect of Bank Austria's activities in the social sector, with the active involvement of employees and customers. This strategy, which is focused on continuity, underlines, for example, our cooperation with SOS Children's Villages. This involves us acting as house sponsors in Children's Villages throughout Austria. Caritas is another partner with which we have maintained close cooperation throughout Austria for over 25 years. This covers projects such as the integration through sport initiative "Käfig League", the Bank Austria Volunteers' Day and cooperation in disaster relief activities. Together with the Caritas Family Fund of Bank Austria, we have already helped over 650 Austrian families facing hardship through no fault of their own.

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

Promotion of the arts and culture is also an important part of our social commitment. Bank Austria has long been one of the most important private sponsors in Austria. We focus on long-term partnerships with renowned partners, such as the Bank Austria Art Forum, the Albertina or the Wiener Musikverein. We have also long promoted young talents, which we believe to be a sustainable investment in the future.

In order to reach as many projects here as possible as well as keeping our finger on the pulse in terms of support, for the past five years Bank Austria has been pursuing an innovative path that is unique in Austria in the field of cultural promotion: Every year, in cooperation with the *wemakeit* platform, we provide €100,000 for crowdfunding campaigns. As the projects each receive one third of their campaign total as bank sponsoring, a total project volume of three times the amount of the money used is supported. Over the last five years, the bank has helped create a total of 170 exciting projects and initiatives. With the support of around 14,000 people, we have been able to raise more than €1.5 million for the Austrian art and culture scene.

In sports, we focus on people with disabilities alongside conventional sponsoring activities. We are proud to have been a partner of the Austrian Paralympic Committee since its very beginnings and to support the dedicated sportsmen and sportswomen every year as well as the athletes of the Austrian wheelchair tennis team.

Disability

Inclusivity, i.e. recognition and appreciation of differences, is an integral part of Bank Austria's corporate culture. Therefore, disability has also been an important topic for the company for many years. Our two disability managers are responsible for planning and implementing a wide range of initiatives aimed at both employees and customers. They are supported by some 60 members of a disability employee network.

The initiatives already implemented for customers include a special bank card for visually impaired people, sections of Bank Austria's website which enable customers to listen to spoken information and read texts in simple language, and a shuttle service introduced in 2010 for customers with limited mobility. With the internationally recognised SmartBanking in sign language, our tried and tested Bank Austria consulting services have been available to the deaf via video calling since autumn 2015.

With its current 288 employees with disabilities, Bank Austria has for many years been one of only 22 per cent of Austrian companies that meet the statutory employment quota for people with disabilities.

We are delighted to have received the internationally renowned "Disability Matters Award 2018" as a flagship workplace for the integration of employees with disabilities. This prize is one of the most coveted and important international awards in terms of accessibility and inclusion.

In November 2019, we also won the Special Prize for Vienna as part of Austria's Leading Companies competition.

Commitment to the environment

The UniCredit Group has committed itself to making a decisive contribution to climate protection that goes far beyond "business as usual" and has set itself some very ambitious goals: These include: meeting all electricity consumption requirements in buildings entirely from renewable energies by 2023, removing all non-recyclable plastic articles from the break areas of office buildings in all countries by 2023, and reducing greenhouse gas emissions by 80% (based on 2008) by 2030.

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Through its numerous initiatives and projects, Bank Austria has been making a very significant contribution to this for years. This means, for example, that it has already significantly exceeded its interim target of minus 60% for CO_2 reduction in 2020 by 2019. Bank Austria is also taking a pioneering role in many other areas, such as the move towards paperless offices, the reduction in air travel and the reduction of waste.

This is made possible by adopting a structured approach, which, for instance, is supported by the ISO 14001 environmental management system, which was established in 2011. The benefits of this environmental management system, which covers not only the company headquarters but also all branch locations, is not only an environmental and social but also an operational one: a significant reduction in resource consumption also represents huge cost savings. A significant contribution to this reduction is being made by the move to the new corporate headquarters in 2018, built strictly according to the latest environmental standards, and also by the geothermal energy plant at the same location, which Bank Austria built at the same time.

In order to illustrate its efforts towards environmental protection and its significance once again, Bank Austria, together with a few other pioneering companies, also joined the "klima:aktiv pakt 2020" of the Austrian Ministry for Sustainability and Tourism in 2011. In this pact, the participating companies have voluntarily committed themselves to making climate protection efforts that go far beyond the Austrian climate targets for 2020.

Furthermore, Bank Austria also intends to make a significant contribution to the shift towards a low carbon economy. As a result, UniCredit Group will be withdrawing entirely from the financing of coal-fired power plant projects by 2023, and will be significantly expanding its already strong commitment to green bonds and the financing of renewable energy.

Customers

Great customer experience is key to customer satisfaction

This is why we measure and analyse customer feedback on our products and services using a structured approach. These measurements form the basis for identifying and implementing improvement measures, which are carried out using a permanent Customer Experience Task Force.

Customer feedback is measured and rated via two main categories: the conventional method of telephone surveys with around 9,000 interviews each year across all customer segments and online via MyFeedback immediately after contact with customers. In this case, feedback can be given simply and promptly using the own smartphone. Our customers use this facility to express their satisfaction in detail, for example after an advisory session, a visit to a branch or transactions via the online channels. In 2019, our customers gave more than twice as much feedback as in the previous year. Around 58,000 evaluations make it possible to respond quickly to our customers' wishes (as well as complaints).
The quality of the feedback on service and advice is reflected in the score cards of our staff and indicates a positive trend in 2019: Customer Orientation Index +3 (Q1-Q4).

Complaint management is the basis for improvement

Avoiding complaints as far as possible is an essential goal, and if correctly observed and interpreted, they also offer the potential to improve customer service further. Complaints are systematically recorded via several channels (branch, online banking, call centre, MyFeedback) and tested by a project that has been specially initiated and subjected to a continuous improvement process. We place high demands on ourselves when dealing with complaints, and this results, for example, in a maximum response time to complaints of 48 hours. 92% of complaints were resolved within 24 hours. Moreover, we have pooled expertise in our ombudsman's office – for example, for cases of social hardship, providing speedy, unbureaucratic assistance to customers facing social hardship, helping them find ways of reducing or deferring debt, and by setting up a specialist team for complaints concerning complex issues. We maintained close contact with consumer protection organisations, the Chamber of Labour, debtor associations and special interest groups in order to proactively prevent specific issues and find solutions together for our customers. Customer nuisances were significantly reduced in the second half of 2019 (-49%) in comparison to the first half year of 2019.

Employees

Working at the new Campus

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

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The building, designed by architect Boris Podrecca, was completed by Austrian real estate specialist developer SIGNA in around three years. The new corporate headquarters covers about 45 per cent of the Austria Campus area and is occupied on a long-term lease agreement.

Around 5,300 employees from 16 companies of Bank Austria Group and the resident UniCredit CEE units are working at the addresses of Rothschildplatz 1 and Rothschildplatz 4, using office space of approximately 100,000 m^2. Infrastructure facilities, a Bank Austria branch (with staff) and a separate self-service Bank Austria branch, a hotel with event centre and restaurants, a nursery and a health centre can be found nearby.

Across the whole of the Austria Campus, the greatest attention is focused on environmental and sustainability criteria. Examples include the reduction of expensive storage media to save energy, the use of new media to reduce hardware, printing using the FollowMe printing system and the implementation of an environmentally-friendly paper policy for efficient use of paper, which is also in line with the objective of largely avoiding paper in the future in the context of UniCredit's new strategy "Team 23".

Its own geothermal plant on the Austria Campus is one of Europe's largest geothermal energy systems in terms of size. It is used for cooling in summer and for heating in winter.

One specific measure taken is the audited *"Career and Family"* initiative, designed to support the different life styles of employees. The bank successfully submitted itself to its first external audit at the end of 2009. The re-audit, which was also successful, took place in 2018.

The target agreement covering a further three years focuses on providing an optimum infrastructure to best support working time flexibility and further expansion of remote working. Communication activities and special support services for managers are also at the heart of the initiatives supported by both management and the Works Council. Further activities to ensure equal opportunities for women and men are an integral part of the programme from the outset. The success of these initiatives depends to a large extent on management control: qualitative objectives and quantitative targets are defined with regard to (almost) any measure and the results are regularly measured.

Management Report

Human Capital Austria

The two values "ethics and respect" define our corporate culture, anchor our support for diversity, strengthen our "speak-up" culture and unite all of our employees. Together with the clear guiding principle of "Do the right thing!", we provide our employees with guidance on how to behave and make decisions at all levels and in all regions.

Our task is to create a positive working environment in which employees can get involved and actively contribute to our success. In 2019, we therefore placed great importance on supporting the work-life balance of all our employees and creating a positive working environment so that our employees can fully realise their potential. By supporting the work-life balance, continuously optimising the way we work and offering our employees comprehensive opportunities for further development, we want to create an environment that enables our employees to participate actively, grow and learn.

After the successful move to our new head office at the Austria Campus, in 2019 we also continued to set standards for modern working and cooperation in our new headquarters. By making working hours more flexible, we aim to achieve the greatest possible number of flexible working hours that can be tailored to individual needs, using a system of simplified rules that are fair to all. Trust, individual responsibility and mutual consideration, along with the option of time and place flexibility, are the foundation for results-oriented work and a viable work-life balance. Based on mutual understanding, trust and regular discussions, it is our goal and expectation to find solutions that meet both individual and business needs.

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

Assessment of staff performance: Sustainable differentiation, transparency, a feedback culture and commitment are the main drivers of our development and remuneration decisions. Our UniCredit Performance Management is a modern, fair and transparent performance evaluation and development system for all employees of Bank Austria. Each individual always has access to the evaluations and feedback documentation in his/her personal electronic archive. We use this process to strengthen the performance concept and inclusion within our bank and our group, always aware that this is based on our five fundamentals (Customers First – People Development – Cooperation & Synergies – Risk Management – Execution & Discipline) and that this is the most suitable way to implement the strengths and skills of our employees and to meet the need for future development.

Staff development: Digital learning methods are becoming increasingly important. While advancing digitisation opens up new channels for our customers to do banking business with us, it also offers our employees new ways of cooperating internally and learning. The UniCredit Academy therefore expanded its comprehensive learning media portfolio once again to include digital self-learning media, with the emphasis on self-determined learning. We are committed to providing all employees with further attractive opportunities for personal development, on a voluntary, flexible and digital basis. With the introduction of the learning platform goodhabitz.com, our employees have been able to access more than 80 exclusive online training courses this year. This is how goodhabitz.com complements the existing learning offerings by providing division-specific online training and training that supports the business units in the best possible way.

In addition, the Academy's learning portfolio was further expanded on the basis of the business priorities, such as

- optimum support for the new service model of our retail bank with an intensive change and leadership learning path for executives,
- successful rollout of the "#digitalBanking" learning path for customer advisers, piloted the previous year,
- implementation of a curriculum in cooperation with the Vienna University of Economics and Business (*Wirtschaftsuniversität Wien*) on "Advanced Data Analytics" for experts from the Finance and Risk Management areas.

The introduction of a new learning management system has improved the rollout of modern e-learning formats and ensured that compliance with minimum regulatory requirements is achieved efficiently. All of this supports our motto: #NeverStopLearning: Employees can learn on a self-determined basis and are not tied to specific time schedules, thereby increasing the return on learning for everyone.

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

Succession planning: Our targeted succession planning enables our experts and managers to pursue an attractive career within our company. Our Executive Development Plan (EDP) ensures that, in particular, critical positions can be refilled as internally as possible by means of carefully prepared short-term, medium and long-term planning, while supporting the development of our executives with targeted development initiatives, both divisionally and across divisions. Our Talent Management Review (TMR) offers us a pipeline of top talents, whose skills profile is a key factor in the success of our company and its transformation. Our established process of succession planning provides sustained support for the stability of Bank Austria through its personnel development.

Diversity and equal opportunities: Diversity inspires and creates the perfect environment for innovation, bringing together a variety of talents, experiences and perspectives. This creates a level of diversity that encourages open-minded thinking and supports mutual respect and tolerance for each other. This is why we are committed to a corporate culture of inclusion which, in our eyes, is the key to sustainable success. We are committed to promoting greater diversity by encouraging international cooperation and teamwork that extends across borders and roles. For instance, within the framework of management training, we raise awareness of unconscious bias. This helps fostering positive perceptions of diversity and equality of opportunity when making human resources decisions. Bank Austria's commitment to these values is further demonstrated by a series of events including those on gender, disability, resilience, generational diversity and much more. This was offered to our employees as part of our "Diversity & Inclusion Week", a voluntary programme offering further training and education.

Gender balance: UniCredit launched a group-wide Gender Balance Programme with a view to creating fair workplaces based on equal rights for men and women and ensuring that these values are firmly anchored in the corporate culture. This initiative is supported not least by the signing of the "Women in Finance Charter" by Jean Pierre Mustier in London in June 2018. The degree to which this objective is reached, especially at management level, is measured by means of an annual dashboard for the Strategy & Nomination Committee. The proportion of women on the Supervisory Board remains unchanged at 36%, and women also account for 33% of the extended Management Board (Executive Committee). Greater value is placed on having candidates of both genders in the appointment process for management positions who will be fairly assessed for each position, ensuring equal opportunities. Salary adjustments always consider gender-equal compensation.

Management Report

Outlook

Macro-economic environment 2020

The growth of the global economy is likely to continue to decrease in 2020, as the weakness in industry spreads to the service sector. There are four factors that could make the cyclical downturn even stronger. The persistently limited momentum of global trade, exacerbated by trade conflicts and political uncertainty, will be compounded by the growing danger of a recession in the US economy in the second half of the year. In addition, monetary policy can only provide a moderate stimulus in the ongoing downturn phase, and support from fiscal policy is likely to remain limited. For 2020, therefore, global growth is expected to decrease further to 2.7 per cent.

The US economic slowdown will have a large impact on global growth. Following its longest ever economic expansion, the US economy will lose considerable strength and could even enter a slight recession in the second half of 2020. On average over the year, the rise in GDP in 2020 will fall well short of its potential at just 1.1 per cent. Following the turnaround in interest rate policy over the course of 2019, the ongoing economic slowdown is likely to result in four further rate cuts by the Fed in 2020. The Fed could cut its key interest rate incrementally by 25 basis points a time, with the current rate of 1.75 per cent reaching a low of 0.75 per cent. Although the slowdown in economic growth in the eurozone is likely to continue to 0.8 per cent in 2020, the European Central Bank is expected to keep the key interest rate unchanged at zero per cent in 2020 and to leave the deposit rate at minus 0.5 per cent. Only in the event of an unexpectedly strong US downturn, with corresponding interest rate cuts by the Fed and a more significant economic slump in the eurozone with inflation expectations continuing to fall, would the ECB be called upon to support the ongoing bond-buying programme by reducing interest rates. In view of the already negative interest rates, however, the impact would probably be limited and, in reality, such a measure would only drive an unwelcome appreciation of the euro. The weakening of the US economy and the narrowing of the interest rate differential between the US and the eurozone tend to result in a stronger euro. However, upside potential is likely to be limited, with an annual average increase from USD 1.12 against the euro in 2019 to USD 1.14 in 2020.

The outlook for Austria

The latest economic data indicates that the Austrian economy will likewise enter 2020 more cautiously than it did 2019. A further economic slowdown is also looming. The ongoing weakness in global trade will continue to affect exports. Due to the lack of foreign demand, investment activity will be more subdued in 2020. Consumption will therefore be the main driver of growth. However, additional fiscal stimuli, including a reduction in health insurance premiums for low-income earners, will be unable to prevent a slight slowdown in consumer spending. Given the expected slowdown in growth to 1 per cent, the situation on the Austrian job market will not improve any further. An increase in the Austrian unemployment rate is expected for the first time since 2015, though it should only be a slight increase of 0.1 percentage point in 2020 to 7.5 per cent or 4.7 per cent (Eurostat). The weaker economic climate will also keep inflation contained at 1.5 per cent on average in 2020, particularly as the expected fall in the price of oil to USD 57 a barrel should help to mitigate rising prices in Austria.

The positive domestic economy will also continue to provide a favourable business environment for financing operations in Austria. However, the weaker export business is expected to slow growth in lending, among other things. Given a good cash position, this is expected to apply more heavily to the demand for corporate loans. By contrast, household demand for financing, especially for residential loans, will only be slightly weaker than in the previous year. On the investment side, the low interest rate environment will continue to determine performance in 2020. Furthermore, much of the reinvestment will probably be short-term.

Management Report

Medium and long-term objectives

We are part of UniCredit, a successful pan-European commercial bank with a simple business model, fully plugged-in Corporate & Investment Banking and a unique network in Western, Central and Eastern Europe that we make available to our broadly diversified customer base.

With "Transform 2019", we have laid the foundation to be a pan-European winner. "Transform 2019" has shown that UniCredit has been successful in achieving long-term sustainable results and exceeding its key objectives. These achievements also form the basis for the UniCredit 2020-2023 Strategic Plan. In December 2019, UniCredit presented its new "Team 23" strategic multi-year plan. UniCredit is committed to generating sustainable returns by leveraging its extensive and growing pan-European customer base and maximising productivity through continuous cost control and more efficient business processes.

The new "Team 23" plan is based on conservative macroeconomic assumptions and rests on four pillars:
1. Expansion and strengthening of the client franchise,
2. Transformation and maximisation of productivity,
3. Disciplined risk management and controls and
4. Capital and balance sheet management.

Cost control combined with improving the customer experience remains a focal point of the "Team 23" plan. Process improvements such as paperless retail banking will provide the Group with significant cost savings by 2023. Eliminating paper will enable the bank to carry out straight-through processing, resulting in faster transactions, enabling the exchange of digital documents between the bank and its customers, and providing a greater number of digital contracts that will enable increased use of digital signatures, making processes simpler and faster for customers. We also anticipate increasing integration of online and offline channels, with transactions being switched to direct channels in line with the changing behaviour of our customers. We will be where our customers are, providing them with great service across all our channels – so our network will evolve accordingly.

The reorganisation of the allocation of responsibilities on the Management Board of Bank Austria – since 1 January 2019, two new Management Board divisions have been introduced, namely the **Privatkundenbank** and the **Unternehmerbank**, and the COO and Human Capital divisions have been assigned to the CEO's area of responsibility – has provided us with a solid foundation for future growth.

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

- As Unternehmerbank (an entrepreneurs' bank), we are the most important financial partner for corporate customers in Austria and are continuing to expand our number one position in Austrian corporate banking – as part of a leading European banking group – with a broad spectrum of expertise and competence and through UniCredit's international network. Our digital services for companies won the award for the most innovative financial service in 2018 at the Alpbach Financial Symposium. And in 2019, our "Treasury Business Trader" won the Alpbach award as the most innovative financial service in 2019.
- As a leading partner for Private Banking customers, we offer a recognised and outstanding range of products and services - either in Bank Austria's Premium Banking with an entry threshold of €300,000 of freely available investment volume or in our subsidiary Schoellerbank, the Wealth Management Competence Centre of UniCredit in Austria.
- A new service model was implemented for retail customers that takes changing customer needs into account. It includes fewer, but significantly larger and modern branches with longer opening hours and improved consulting services for our customers. Both our real estate experts and our investment experts provide advice either in person at our branches or via video link. Expert consulting services can also be accessed from any location via SmartBanking.
- Further development of the business model with regard to focused customer service and a sustained low cost structure, with increased emphasis on digitisation and corresponding investments in the IT structure.
- Further exploiting potential with regard to the broad customer base and the Group's market leadership position in many business areas and regions by unlocking Group synergies and taking advantage of cross-selling opportunities,
- consistently reducing the cost base through a significantly leaner Corporate Centre.

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

Management Report

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

Our **Alexa banking skill** provides an additional innovative service as part of our multi-channel strategy. We are the only bank in Austria to offer a digital voice assistant for non-personalised services such as exchange rate information, branch opening hours or general market, financial and economic information – for customers who would like to use this service. The **Homestory app** enables our customers to arrange and complete mortgage financing entirely on their smartphone from the comfort of their own home.

With regard to revenue, we intend to continue expanding Bank Austria's leading market position in the three business areas of Corporate Customers, Corporate & Investment Banking and providing services to wealthy private clients. Bank Austria's growth trajectory focuses on asset management. Our service for wealthy retail customers has therefore been expanded considerably and the consultation service has been expanded with additional locations. At the same time, Schoellerbank, in association with UniCredit Wealth Management, is becoming the expert centre for particularly wealthy customers. Retail banking activities focus on consistently expanding branches and the digital marketplace – comprising the online shop and the online branch – giving them equal weight as channels for product sales and advisory services.

Collectively, UniCredit recognises that to do well, we must do good. We therefore want to be the drivers and facilitators of change, to make our society fairer and to foster inclusivity. Through our **Social Impact Banking initiative**, we are pooling and increasing our provision of special loans, passing on our economic and financial expertise and the commitment of our employees.

Further information

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

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

Management Report

Development of business segments

Privatkundenbank

(€ million)

	2019	2018 1)	CHANGE	
			+/- € million	+/- %
Operating income	904	891	13	1.4%
Operating costs	(742)	(750)	8	-1.1%
Operating profit	162	141	20	14.5%
Net write-downs of loans	5	48	(43)	-89.0%
Net operating profit	167	190	(22)	-11.8%
Profit (loss) before tax	**128**	**147**	**(19)**	**-13.1%**
Total Financial Assets 2)	65,615	61,877	3,738	6.0%
Loans to customers	18,791	18,191	600	3.3%
Deposits from customers	33,198	32,430	768	2.4%
Ø Risk-weighted assets (RWA) 3)	8,860	7,968	892	11.2%
ROAC 4)	8.0%	10.0%	-2.0 PP	n.m.

1) In segment reporting, the comparative figures for 2018 were recast to reflect the current structure and methodology (see segment reporting section in the notes to the consolidated financial statements)
2) Total Financial Assets: sum of total financial assets held by customers, i.e. sum of deposits from customers, assets under management (fund and asset management products) and assets under custody (direct capital market investments/safe-custody business).
3) Average risk-weighted assets (all risks) under Basel 3
4) Calculation of allocated capital based on 12.5% CET1 ratio

n.m. = not meaningful
These comments also apply to the segment tables on the following pages.

Operating profit
Despite the continuing difficult market environment, the Privatkundenbank (retail bank) significantly improved its operating profit, with €162 million in 2019 after €141 million in 2018. Operating income was up by €13 million (+-1.4%), mainly due to an increase in net interest. Stringent cost management led to a slight reduction in operating costs to €742 million (-1.1% compared to the previous year), as cost savings were able to compensate for ongoing cost developments (collective bargaining adjustments and inflation-related increases in other operating expenses).

Net write-downs of loans and provisions for guarantees and commitments
Thanks to an environment that remained positive in terms of risk, the figure was again positive at €5 million. The comparative figure for the previous year was €48 million.

Profit before tax
After taking into account the positive net write-downs of loans and provisions for guarantees and commitments and non-operating expenses of €-40 million (mainly systemic charges and restructuring expenses), the Privatkundenbank's profit before tax was €128 million (-13% compared to the previous year). The decline compared with the previous year is mainly due to the normalisation of net loan losses.

Loans and receivables with customers/customer deposits
At €18.8 billion, the loan volume was at the previous year's level, with new business in the construction and residential business continuing to develop positively. Customer deposits increased by €0.8 billion to €33.2 billion.

Privatkundenbank consists of the customer segments **Retail banking, Premium Banking, Small Business Banking** (Professionals and Business Customers with an annual turnover of up to € 3 million) as well as **Wealth Management,** with Wealth Management being concentrated in Schcoellerbank. Also included in Retail Banking are subsidiaries active in credit card business.

Management Report

Wealth Management Austria is responsible for product management at both UniCredit Bank Austria and Schoellerbank. The wealth management segment is concentrated at Schoellerbank, which is regarded as a specialist in investment and pension planning. Its core competence is asset management, where experts invest their customers' money according to the motto "invest, don't speculate". This traditional bank also supports its customers – who have already entrusted it with some EUR 13 billion – in making all the financial decisions in their life: from covering basic financial services to financial planning, estate succession and foundation management. The bank's many years of experience and expertise have yielded many satisfied and loyal customers as well as all the key awards in the finance sector: Schoellerbank is frequently recognised in independent international industry tests; it has not only been Austria's most widely awarded private bank for many years, but this also continues to underscore its expertise and leading role in the Austrian private banking market. The company's own investment company and its innovative products also contribute considerably to its success. With 10 locations, Schoellerbank – a wholly-owned subsidiary of UniCredit Bank Austria AG − is also the only private bank represented throughout Austria.

The Privatkundenbank furthermore serves and advises customers through tailor-made service models from the corresponding segments – Retail Banking, Premium Banking and Small Business Banking.

In the Premium Banking segment, the range for wealthy private customers was significantly expanded: the entry threshold has been lowered from a previous investment volume of €500,000 to €300,000 and the range of advisory services has been significantly expanded with 17 additional locations within the Bank Austria branch network, particularly in Vienna.

The Small Business Banking segment serves business customers and independent professionals with an annual turnover of up to €3 million. Numerous growth initiatives were launched in 2019 in this segment. We also benefit from our collaboration with strong partners here.

The branch network was also modernised on an ongoing basis in the reporting period and our customers benefited from extended opening hours. Most of our branches provide advisory services by appointment from 8 am to 7 pm. In addition, customers of Privatkundenbank, business customers and independent professionals and self-employed can take advantage of our video advisory services wherever they are. This service is also available to deaf customers in sign language.

As a result of the ongoing low interest rate environment and volatile markets caused by geopolitical tensions, the focus in the investment area was on the expert-managed investment models *VermögensManagement 5Invest* and *Premium*. Our product range is complemented by the flexible investment model *UNIVERS EXKLUSIV* with a flat fee agreement. In investment and real-estate financing, we rely on our experts who support our advisers either locally or via video.

As a result of our customers' growing need to carry out daily transactions via digital channels, Bank Austria also continues to rely on the gradual expansion of its digital product range and services. After the introduction of **24You** – Bank Austria's new user-friendly, optimised online banking service – in the last quarter of 2018, the focus for the financial year 2019 was on the development of a group-wide app for the mobile sector. Digital services are also constantly being added to and optimised, such as the latest the payment option on Apple devices (*Apple Pay*). This makes it easy and convenient for our customers to pay in shops, apps and online. The strong focus on the expansion of our digital sales channels allows us to focus on our core business and simplifying processes.

Management Report

Unternehmerbank

(€ million)

	2019	2018	CHANGE	
			+/- € million	+/- %
Operating income	525	554	(28)	-5.1%
Operating costs	(195)	(201)	6	-2.8%
Operating profit	330	353	(23)	-6.5%
Net write-downs of loans	(55)	(40)	(15)	38.2%
Net operating profit	275	313	(38)	-12.1%
Profit (loss) before tax	**282**	**260**	**22**	**8.4%**
Loans to customers	26,448	26,568	(120)	-0.5%
Deposits from customers	15,308	15,069	239	1.6%
Ø Risk-weighted assets (RWA)	10,166	9,140	1,026	11.2%
ROAC	17.1%	16.6%	+0.5 PP	n.m.

Operating profit
In 2019, net interest of €323 million was recorded in what continued to be a difficult interest-rate environment, 5.5% below the previous year's level. Fee and commission income remained nearly unchanged. Net trading, hedging and fair value income/loss were significantly lower, driven by valuation effects. A further reduction in operating costs of €6 million (-2.8%) to €195 million was again achieved through stringent cost management and other cost reduction measures, resulting in an operating profit of €330 million (-6.5% compared to the previous year).

Net write-downs of loans and provisions for guarantees and commitments
Net loan losses amounted to €-55 million (previous year €-40 million), which, with moderate risk costs of 21 bp, demonstrates the ongoing high quality of the credit portfolio.

Profit before tax
Non-operating income and expenses amounted to €7 million (previous year: €-53 million) and, in addition to systemic charges in 2019, mainly included a share of the release of the provision for sanctions following an agreement with US authorities in the first quarter of 2019. After these non-operating income and expenses were taken into account, profit (loss) before tax amounted to €282 million, 8.4% above the previous year's figure.

Loans and receivables with customers/customer deposits
Lending volume, at €26.4 billion (31/12/2018: €26.6 billion) decreased slightly; with €15.3 billion, customer deposits were 1.6% above the previous year's figure (€15.1 billion).

The slight slowdown of the previously very strong economic situation in Austria was already evident in 2019 with regard to Bank Austria's corporate banking: The companies' investment activity declined somewhat compared to the previous periods. The real estate and construction sector remained an exception, where Bank Austria has been pursuing a cautious and risk-aware growth path for some time. In other industries, such as the manufacturing industry, we were able to grow our market share even in the current environment due to our many years of excellent customer relations and innovative solutions. As a result, Bank Austria's market share of corporate financing in Austria remained relatively stable and at a good level overall. Although there was a slight increase in financing operations over the course of the year with public sector customers, Bank Austria is increasingly in competition with financing institutions from the public sector and is under considerable price pressure in the current low-interest environment.

In 2019, Bank Austria was particularly successful in using its comprehensive payment transaction expertise with corporate customers. Significant additional income was achieved compared to the previous year, which clearly exceeds the performance of the overall market. Another success story of the past year concerned interest rate hedging – many companies trust Bank Austria's solutions in order to secure the advantages of the current low-interest environment for their financing operations on a sustainable basis.

With these results, corporate banking has also contributed to making the Group's "Transform 2019" project a success. The new "Team 23" multi-year plan will primarily focus on business with SMEs, further consolidating our customer relations and risk-aware growth for our customers.

With a nationwide presence throughout Austria and advisors renowned for their reliability and expertise, Bank Austria remains THE strategic financial partner for Austrian companies. A continuous increase in customer satisfaction and sustained high profitability speak for themselves.

Management Report

Corporate & Investment Banking (CIB)

(€ million)

	2019	2018	CHANGE	
			+/- € million	+/- %
Operating income	373	404	(31)	-7.6%
Operating costs	(160)	(164)	3	-2.0%
Operating profit	213	240	(27)	-11.4%
Net write-downs of loans	7	42	(35)	-84.2%
Net operating profit	219	282	(63)	-22.2%
Profit (loss) before tax	**215**	**260**	**(45)**	**-17.4%**
Loans to customers	18,295	17,858	437	2.4%
Deposits from customers	8,371	8,310	61	0.7%
Ø Risk-weighted assets (RWA)	9,430	9,571	(141)	-1.5%
ROAC	13.5%	16.2%	-2.6 PP	n.m.

Operating profit
In the CIB business segment, operating profit in 2019 was €213 million, -11.4% below the comparable figure for the previous year. Operating income showed a decline of €31 million or -7.6% to €373 million, due to all revenue components. Net interest was lower due to the margin pressure in the lending business. Fees also declined, especially loan fees, Net trading, hedging and fair value income/loss was affected by negative valuation adjustments. At the same time, operating costs were reduced by 2.0% to €160 million thanks to strict cost management and efficiency-increasing measures.

Net write-downs of loans and provisions for guarantees and commitments
In 2019 – following the extraordinarily high result in the previous year due to write-backs – the loan portfolio's ongoing excellent quality meant that the loan risk contribution was again slightly positive this year. The net amount 2019 of €+7 million compares to the previous year's amount of €+42 million.

Profit before tax
The CIB Division's profit before tax amounted to €215 million, down €-45 million compared to the previous year. Both periods were, however, partly influenced by positive one-off items, such as the very high positive loan loss result in the previous year and a share in the release of the provision for sanctions following an agreement with US authorities in the current year. In 2019, non-operating expenses also include a substantial allocation to restructuring provisions.

Loans and receivables with customers/customer deposits
In comparison to the end of 2018, lending volume increased further to €18.3 billion. Customer deposits, at €8.4 billion, slightly exceeded the previous year's amount.

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

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

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

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

Management Report

The CIB business area further strengthened its leading market position among multinational corporates in 2019. In addition to providing intensive services to Austrian multinational corporates, CIB also continued to work on the extended core markets such as Scandinavia on a sustainable basis. Positive development is underpinned by further growth not only in business volumes but also in client base, despite a persistently challenging and highly competitive market environment. CIB Austria significantly strengthened its position in Debt Capital Markets, as well as in securities and custody account business throughout 2019. Intensified cooperation of CIB product lines with other segments in Bank Austria resulted in another increase in the proactive provision of product know-how and specific services to corporate clients in Bank Austria.

Management Report

Vienna, 18 February 2020

Robert Zadrazil
CEO
Chief Executive Officer
(Chairperson)

Gregor Hofstätter-Pobst
CFO Finance

Jürgen Kullnigg
CRO Risk Management

Mauro Maschio
Privatkundenbank

Günter Schubert
Corporate & Investment
Banking Division

Susanne Wendler
Unternehmerbank

Consolidated Financial Statements

Consolidated Income Statement

Consolidated income statement

(€ million)

ITEMS	YEAR 2019	2018 RECAST 2)	2018 1)
10. Interest income and similar revenues	1,381	1,585	1,585
of which: interest income calculated with the effective interest method	*1,196*	*1,236*	*1,236*
20. Interest expenses and similar charges	(421)	(621)	(621)
30. Net interest margin	**960**	**963**	**963**
40. Fees and commissions income	901	900	900
50. Fees and commissions expenses	(209)	(195)	(195)
60. Net fees and commissions	**692**	**706**	**706**
70. Dividend income and similar revenues	6	7	7
80. Net gains (losses) on trading	31	70	70
90. Net gains (losses) on hedge accounting	(1)	(2)	(2)
100. Gains (Losses) on disposal and repurchase of:	13	14	14
a) financial assets at amortised cost	-	-	-
b) financial assets at fair value through other comprehensive income	13	14	14
c) financial liabilities	-	-	-
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss:	14	21	21
a) financial assets/liabilities designated at fair value	(3)	-	-
b) other financial assets mandatorily at fair value	17	20	20
120. Operating income	**1,715**	**1,778**	**1,778**
130. Net losses/recoveries on credit impairment relating to:	(33)	96	96
a) financial assets at amortised cost	(33)	95	95
b) financial assets at fair value through other comprehensive income	-	1	1
140. Gains/Losses from contractual changes with no derecognition	-	-	-
150. Net profit from financial activities	**1,683**	**1,874**	**1,874**
160. Net premiums	-	-	-
170. Other net insurance income/expenses	-	-	-
180. Net profit from financial and insurance activities	**1,683**	**1,874**	**1,874**
190. Administrative expenses:	(1,392)	(1,312)	(1,312)
a) staff costs	(770)	(643)	(643)
b) other administrative expenses	(622)	(669)	(669)

1) Figures as published as at 31 December 2018.
2) Figures as published as at 31 December 2018, but restated in accordance with IAS 40 (corresponds to 1 January 2019).

Consolidated Income Statement

(€ million)

ITEMS	YEAR 2019	YEAR 2018 RECAST 2)	YEAR 2018 1)
200. Net provisions for risks and charges:	61	(55)	(55)
a) commitments and financial guarantees given	-	(13)	(13)
b) other net provisions	61	(42)	(42)
210. Net value adjustments/write-backs on property, plant and equipment	(92)	(48)	(63)
220. Net value adjustments/write-backs on intangible assets	(1)	(3)	(3)
230. Other operating expenses/income	82	82	82
240. Operating costs	**(1,341)**	**(1,336)**	**(1,351)**
250. Gains (Losses) of equity investments	174	159	159
260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	(5)	(14)	(1)
270. Goodwill impairment	-	-	-
280. Gains (Losses) on disposals on investments	8	34	34
290. Profit (Loss) before tax from continuing operations	**519**	**718**	**716**
300. Tax expenses (income) of the year from continuing operations	177	(78)	(79)
310. Profit (Loss) after tax from continuing operations	**696**	**640**	**638**
320. Profit (Loss) after tax from discontinued operations	14	15	15
330. PROFIT (LOSS) OF THE YEAR	**710**	**655**	**653**
340. Minority profit (loss) of the year	(11)	(16)	(16)
350. PARENT COMPANY'S PROFIT (LOSS) OF THE YEAR	**698**	**639**	**637**

1) Figures as published as at 31 December 2018.
2) Figures as published as at 31 December 2018, but restated in accordance with IAS 40 (corresponds to 1 January 2019).

Consolidated Statement of Comprehensive Income

Consolidated statement of comprehensive income

(€ million)

ITEMS	AS AT 31-12-2019	AS AT 31-12-2018
PROFIT (LOSS) FOR THE PERIOD	**710**	**653**
Other comprehensive income after tax not reclassified to profit or loss	**(314)**	**(151)**
Equity instruments designated at fair value through other comprehensive income	-	-
Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)	-	-
Hedge accounting of equity instruments designated at fair value through other comprehensive income	-	-
Property, plant and equipment	67	-
Intangible assets	-	-
Defined-benefit plans	(365)	(151)
Non-current assets and disposal groups classified as held for sale	-	-
Portion of valuation reserves from investments valued at equity method	(16)	-
Other comprehensive income after tax reclassified to profit or loss	**(61)**	**(180)**
Foreign investments hedging	-	-
Foreign exchange differences	-	(1)
Cash flow hedging	(53)	(71)
Hedging instruments (non-designated items)	-	-
Financial assets (different from equity instruments) at fair value through other comprehensive income	(10)	(112)
Property, plant and equipment	-	-
Non-current assets and disposal groups classified as held for sale	-	-
Part of valuation reserves from investments valued at equity method	2	5
Total other comprehensive income after tax	**(376)**	**(331)**
COMPREHENSIVE INCOME	**334**	**322**
Minority consolidated comprehensive income	-	-
Parent Company's consolidated comprehensive income	**334**	**322**

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

(€)

POSITIONS	AS AT 31-12-2019	AS AT 31-12-2018
Earnings per share from profit (loss) after taxes from continuing operations	1.38	1.33
Earnings per share from profit (loss) after taxes from discontinued operations	0.06	0.06

*) The first time adoption of IAS 40 has an insignificant effect on the earnings per share.

Statement of Financial Position

Assets

(€ million)

	AMOUNTS AS AT		
	31-12-2019	31-12-2018 RECAST 2)	31-12-2018 1)
10. Cash and cash balances	270	98	98
20. Financial assets at fair value through profit or loss:	2,230	2,147	2,147
a) financial assets held for trading	1,016	783	783
b) financial assets designated at fair value	-	-	-
c) other financial assets mandatorily at fair value	1,215	1,365	1,365
30. Financial assets at fair value through other comprehensive income	14,935	13,490	13,490
40. Financial assets at amortised cost:	76,736	77,005	77,005
a) loans and advances to banks	14,250	15,284	15,284
b) loans and advances to customers	62,485	61,721	61,721
50. Hedging derivatives	1,817	1,619	1,619
60. Changes in fair value of portfolio hedged items (+/-)	560	271	271
70. Equity investments	2,319	2,183	2,183
80. Insurance reserves charged to reinsurers	-	-	-
90. Property, plant and equipment	1,035	602	601
100. Intangible assets	3	3	3
110. Tax assets:	623	357	355
a) current	8	31	31
b) deferred	615	326	324
120. Non-current assets and disposal groups classified as held for sale	782	933	926
130. Other assets	353	330	330
Total assets	**101,663**	**99,039**	**99,029**

1) Figures as published as at 31 December 2018.
2) Figures as published as at 31 December 2018, but restated in accordance with IAS 40 (corresponds to 1 January 2019).

Statement of Financial Position

Liabilities and shareholders' equity

	AMOUNTS AS AT		
	31-12-2019	31-12-2018 RECAST 2)	31-12-2018 1)
10. Financial liabilities at amortised cost:	84,009	82,497	82,497
a) deposits from banks	14,880	14,444	14,444
b) deposits from customers	57,080	55,651	55,651
c) debt securities in issue	12,049	12,402	12,402
20. Financial liabilities held for trading	1,065	770	770
30. Financial liabilities designated at fair value	103	247	247
40. Hedging derivatives	1,819	1,368	1,368
50. Value adjustment of hedged financial liabilities (+/-)	425	178	178
60. Tax liabilities:	54	55	52
a) current	48	50	50
b) deferred	6	5	2
70. Liabilities associated with assets classified as held for sale	573	540	540
80. Other liabilities	624	697	697
90. Provision for employee severance pay	-	-	-
100. Provisions for risks and charges:	4,507	4,320	4,320
a) commitments and guarantees given	186	196	196
b) post-retirement benefit obligations	4,025	3,776	3,776
c) other provisions for risks and charges	296	348	348
110. Technical reserves	-	-	-
120. Valuation reserves	(1,682)	(1,305)	(1,305)
130. Redeemable shares	-	-	-
140. Equity instruments	-	-	-
150. Reserves	3,605	3,153	3,148
160. Share premium	4,136	4,136	4,136
170. Share capital	1,681	1,681	1,681
180. Treasury shares (-)	-	-	-
190. Minority shareholders' equity (+/-)	48	64	64
200. Profit (Loss) of the year (+/-)	698	639	637
Total liabilities and shareholders' equity	**101,663**	**99,039**	**99,029**

1) Figures as published as at 31 December 2018.
2) Figures as published as at 31 December 2018, but restated in accordance with IAS 40 (corresponds to 1 January 2019).

Statement of Changes in Equity

Statement of changes in Equity as at 31-12-2019

	BALANCE AS AT 31-12-2018	IAS 40 (FV Method) RESTATEMENT 31-12-2018	BALANCE AS AT 01-01-2019	ALLOCATION OF PROFIT FROM PREVIOUS YEAR	
				RESERVES	DIVIDENDS AND OTHER ALLOCATIONS
Issued capital: a) ordinary shares	1,681	-	1,681	-	-
b) other shares	-	-	-	-	-
Share premium	4,136	-	4,136	-	-
Reserves: a) other reserve	3,153	-	3,153	639	(201)
b) foreign currency reserve	(1)	-	(1)	-	-
Cashflow Hedge Reserve	77	-	77	-	-
Revaluation Reserve FA @FVTOCI	321	-	321	-	-
Revaluation Reserve associates and joint ventures	32	-	32	-	-
Revaluation reserve tangible assets	-	-	-	-	-
Pension and similar liabilities IAS 19	(1,735)	-	(1,735)	-	-
Net profit or loss for the period	637	3	639	(639)	-
Shareholders' Equity Group	**8,301**	**3**	**8,304**	**-**	**(201)**
Shareholders' Equity minorities	64	-	64	-	(29)
Total Shareholders' Equity	**8,365**	**3**	**8,368**	**-**	**(230)**

Statement of Changes in Equity

(€ million)

CHANGES IN THE PERIOD					
	SHAREHOLDERS' EQUITY TRANSACTIONS				
CHANGES IN RESERVES	CHANGES IN CONSOLIDATION SCOPE	OTHER	TOTAL	COMPREHENSIVE INCOME	SHAREHOLDERS' EQUITY GROUP AS AT 31-12-2019
-	-	-	-	-	1,681
-	-	-	-	-	-
-	-	-	-	-	4,136
(12)	-	27	27	-	3,605
-	-	-	-	-	(1)
-	-	-	-	(53)	25
-	-	-	-	(10)	311
-	-	(2)	(2)	(14)	16
-	-	-	-	67	67
-	-	-	-	(365)	(2,100)
698	-	-	-	-	698
686	**-**	**25**	**25**	**(376)**	**8,438**
11	-	2	2	-	48
697	**-**	**27**	**27**	**(376)**	**8,486**

Statement of Changes in Equity

Statement of changes in Equity as at 31-12-2018

	BALANCE AS AT 31-12-2017	FIRST-TIME ADOPTION IFRS 9	FIRST-TIME ADOPTION IAS 40 FV Method	BALANCE AS AT 01-01-2018	ALLOCATION OF PROFIT FROM PREVIOUS YEAR: RESERVES	ALLOCATION OF PROFIT FROM PREVIOUS YEAR: DIVIDENDS AND OTHER ALLOCATIONS
Issued capital:						
a) ordinary shares	1,681	-	-	1,681	-	-
b) other shares	-	-	-	-	-	-
Share premium	4,135	-	-	4,135	-	-
Reserves:						
a) other reserve	2,711	62	4	2,776	653	(379)
b) foreign currency reserve	-	-	-	-	-	-
Cashflow Hedge Reserve	149	-	-	149	-	-
Revaluation Reserve FA @FVTOCI	500	(64)	-	436	-	-
Revaluation Reserve associates and joint ventures	36	-	-	36	-	-
Revaluation reserve tangible assets	-	-	-	-	-	-
Pension and similar liabilities IAS 19	(1,584)	-	-	(1,584)	-	-
Net profit or loss for the period	653	-	-	653	(653)	-
Shareholders' Equity Group	**8,281**	**(3)**	**4**	**8,282**	**-**	**(379)**
Shareholders' Equity minorities	62	-	-	61	(16)	-
Total Shareholders' Equity	**8,342**	**(3)**	**4**	**8,343**	**(16)**	**(379)**

*) Figures as published as at 31 December 2018, but restated with regard to the first time adoption of IAS 40

Statement of Changes in Equity

(€ million)

CHANGES IN THE PERIOD					
	SHAREHOLDERS' EQUITY TRANSACTIONS				
CHANGES IN RESERVES	CHANGES IN CONSOLIDATION SCOPE	OTHER	TOTAL	COMPREHENSIVE INCOME	SHAREHOLDERS' EQUITY GROUP AS AT 31-12-2018 *)
-	-	-	-	-	1,681
-	-	-	-	-	-
-	-	2	2	-	4,136
65	(6)	43	37	-	3,153
-	-	-	-	(1)	(1)
-	-	-	-	(71)	77
-	-	-	-	(115)	321
35	-	(44)	(44)	5	32
-	-	-	-	-	-
-	-	-	-	(151)	(1,735)
637	-	-	-	-	637
737	**(6)**	**-**	**(5)**	**(333)**	**8,301**
16	-	-	-	2	64
753	**(6)**	**-**	**(6)**	**(331)**	**8,365**

Statement of Cash Flows

(€ million)

	AS AT	
	31.12.2019	2018 RESTATED 1)
A. OPERATING ACTIVITIES		
1. Non-cash items included in net profit and adjustments to reconcile net profit to cash flows from operating activities:	**446**	**611**
- profit (loss) of the period (+/-)	710	655
- gains/losses on financial assets held for trading and on other financial assets/liabilities at fair value through profit or loss (-/+)	(19)	(59)
- gains (losses) on hedge accounting (-/+)	1	2
- net losses/recoveries on impairments (+/-)	24	(70)
- net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-)	98	63
- net provisions for risks and charges (incl. personnel) and other expenses/income (+/-)	(9)	72
- unpaid duties, taxes and tax credits (+/-)	(178)	76
- impairments/write-backs after tax on discontinued operations (+/-)	(6)	1
-other adjustments (+/-)	(175)	(129)
2. Liquidity generated/absorbed by financial assets:	**(2,331)**	**3,098**
- financial assets held for trading	(227)	252
- financial assets designated at fair value	-	-
- other financial assets mandatorily at fair value	166	173
- financial assets at fair value through other comprehensive income	(1,455)	1,280
- financial assets at amortised cost	245	1,630
- other assets	(1,061)	(237)
3. Liquidity generated/absorbed by financial liabilities:	**2,308**	**(3,543)**
- financial liabilities at amortised cost	1,499	(2,814)
- financial liabilities held for trading	295	(234)
- financial liabilities designated at fair value	(147)	(54)
- other liabilities	660	(441)
Net liquidity generated/absorbed by operating activities	**422**	**166**
B. INVESTMENT ACTIVITIES 3)		
1. Liquidity generated by:	**109**	**234**
- sales of equity investments	18	-
- collected dividends on equity investments	38	39
- sales of property, plant and equipment	47	106
- sales of intangible assets	-	-
- sales of subsidiaries and business units (less cash disposed)	7	89
2. Liquidity absorbed by:	**(127)**	**(133)**
- purchases of equity investments	-	-
- purchases of property, plant and equipment	(126)	(128)
- purchases of intangible assets	(1)	(3)
- purchases of subsidiaries and business units (less cash acquired)	-	(2)
Net liquidity generated/absorbed by investment activities	**(17)**	**101**

Statement of Cash Flows

(€ million)

	AS AT	
	31.12.2019	2018 RESTATED 1)
C. FUNDING ACTIVITIES		
- issue/purchase of equity instruments	-	-
- dividend distribution to shareholders and non controlling interests 2)	(231)	(399)
- sale/purchase of minority control	-	
- Proceeds from issues of subordinated liabilities	-	-
- Payments for repayment of subordinated liabilities	(1)	
Net liquidity generated/absorbed by funding activities	**(232)**	**(399)**
NET LIQUIDITY GENERATED/ABSORBED IN THE YEAR	**171**	**(132)**
CASH AND CASH EQUIVALENTS AT END OF PREVIOUS PERIOD	**98**	**230**
Cash flows from operating activities	422	166
Cash flows from investment activities	(17)	101
Cash flows from funding activities	(232)	(399)
Effects of changes in scope of consolidation	-	-
Effects of exchange rate changes	-	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**270**	**98**
PAYMENTS FOR TAXES, INTEREST AND DIVIDENDS		
Income taxes received (+)/ paid (–) from operating activities	(1)	(4)
Interest received	1,381	1,585
Interest paid	(421)	(621)
Dividends received	38	39

1 Figures as published as at 31 December 2018, but restated in accordance with IAS 40 (corresponds to 1 January 2019) and change of presentation.
2) Of the dividend payments as of 31 December 2019, dividends were distributed to the owner in the amount of €201 million (previous year: €379 million)
3) Of which: cash flow from investing activities from discontinued operations in the amount of €8 million.

Statement of Cash Flows

Consolidated cash flow statement (indirect method)

(€ Million)

	31-12-2018
NET PROFIT OR LOSS	**653**
Non-cash items included in net profit and adjustments to reconcile net profit to cash flows from operating activities	
Depreciation, amortisation, net write-downs of loans and changes in fair values	(31)
Increase in staff-related provisions and other provisions	143
Gains / losses on disposal of intangible assets, property, plant and equipment, and investments	(49)
Increase / decrease in other non-cash items	(111)
SUB-TOTAL	**604**
Increase / decrease in operating assets and liabilities after adjustment for non-cash components	
Financial assets held for trading	209
Financial assets designated at fair value	-
Financial assets mandatorily at fair value	179
Financial assets at fair value through other comprehensive income	1,280
Financial assets at amortized cost	1,698
Other asset items	(362)
Financial liabilities at amortized cost	(2,741)
Financial liabilities held for trading	(235)
Financial liabilities designated at fair value	(54)
Other liabilities items	(432)
CASH FLOWS FROM OPERATING ACTIVITIES 2)	**146**
Proceeds from	
disposal of investments	-
disposal of property, plant and equipment, intangible assets and investment property	106
sales (less cash disposed of) of subsidiaries	89
dividends received	39
Payments for investments in	
equity instruments	-
plants, intangible assets	(131)
Subsidiaries and acquisition of business units (less cash acquired)	(2)

Statement of Cash Flows

(€ million)

		31-12-2018
CASH FLOWS FROM INVESTING ACTIVITIES 2) 3)		**101**
Proceeds from capital increase		-
Dividends paid		(379)
Proceeds from issues of subordinated liabilities		-
Payments for repayment of subordinated liabilities		-
CASH FLOWS FROM FINANCING ACTIVITIES		**(379)**
CASH AND CASH EQUIVALENTS AT END OF PREVIOUS PERIOD		**230**
Cash flows from operating activities		146
Cash flows from investing activities		101
Cash flows from financing activities		(379)
Effects of changes in scope of consolidation		-
Effects of exchange rate changes		-
CASH AND CASH EQUIVALENTS AT END OF PERIOD 1)		**98**
PAYMENTS FOR TAXES, INTEREST AND DIVIDENDS		
Income taxes received (+)/ paid (–) from operating activities		(4)
Interest received	***from operating activities***	1,585
Interest paid	***from operating activities***	(621)
Dividends received	***from investing activities***	39

1) Cash and cash equivalents consist of cash of € 97 million and balances with central banks of € 0.8 million.
2) Due to the entry into force of IFRS 9, the classification scheme and method of calculating cash flow from operating activities and cash flow from investing activities was changed.
3) Of which: cash flow from investing activities from discontinued operations in the amount of €33 million.

Notes to the Consolidated Financial Statements

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

A – Accounting methods

A – Accounting methods

A.1 – Information on the company

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

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

The consolidated financial statements of Bank Austria for the 2019 financial year and the comparative information have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), and endorsed by the European Commission up to 31 December 2019, pursuant to EU Regulation 1606/2002. SIC and IFRIC interpretations and the disclosure requirements according to Section 245a UGB (Austrian Business Code) and Section 59a BWG (Austrian Banking Act) as well as the guidelines specified by the parent company UniCredit S.p.A. in their Accounting Manual are regarded as binding on the Group.

The following documents have been used to interpret and support the application of IFRSs, even though they have not all been endorsed by the European Commission:
- Framework for the Preparation and Presentation of Financial Statements issued by the IASB in 2010;
- Implementation Guidance, Basis for Conclusions and any other documents prepared by the IASB or the IFRS Interpretations Committee supplementing the IFRS;
- ESMA (European Securities and Markets Authority) and Consob (Italian stock market supervisory authority) documents on the application of specific IFRS provisions;
- Interpretative documents on the application of IFRS in Austria prepared by the Austrian Financial Reporting and Advisory Committee (AFRAC).

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

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

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

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

Risk and uncertainty due to use of estimated figures

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

The parameters used to estimate the above-mentioned figures in the balance sheet, income statement and the statement of comprehensive income could change rapidly in ways that are currently unforeseeable, such that effects on future carrying amounts cannot be ruled out.

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

A – Accounting methods

Uncertainty affecting estimates is generally inherent in the measurement of:
- fair value of financial instruments not listed in active markets (A.7);
- loans and receivables, investments and, in general, any other financial assets/liabilities (C);
- post-employment benefit obligations and other employee benefits (A.6.7.1);
- provisions for risks and charges (A.6.7, C.20) and contingent liabilities (C);
- other intangible assets (A.6.3, C.9);
- impairments of financial instruments (A.5.3.3);
- deferred tax assets (C.10).
- Property, plant and equipment (A.6.2, C.8)

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

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

A.3 – Consolidation principles

This section outlines the consolidation criteria and principles used to prepare the consolidated accounts at 31 December 2019.

Consolidated Accounts

The financial information in the consolidated financial statements includes the parent company, UniCredit Bank Austria AG, together with its subsidiaries, joint ventures and associates as at 31 December 2019.

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

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

Subsidiaries

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

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

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

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

A – Accounting methods

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

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

Joint ventures

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

Jointly controlled companies such as these are included accounted for in the consolidated financial statements, using the equity method, if they are material for the Bank Austria Group.

Associates

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

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

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

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

A – Accounting methods

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

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

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

New and amended financial reporting standards adopted in 2019
The following new and amended accounting guidelines were applied for the first time by the Group from 1 January 2019 onwards.

IFRS 16 "Leasing relationships" (in force since 1 January 2019)
The standard IFRS 16, which entered into force on 1 January 2019, and the recognition proceedings of which were concluded by the European Union on 31 October 2017, changes the previous international accounting principles and interpretations on leasing contracts and in particular IAS17.

IFRS 16 introduces a new definition for leasing relationships and confirms the current distinction between two types of leases (operating and finance leases) in relation to the accounting policies to be applied by the lessor. With regard to the accounting rules to be applied by the lessee, the new accounting standard for all types of leasing transactions establishes the recognition as an asset (corresponding to the right of use of the underlying asset) with the simultaneous recognition of the liability for the future payments provided for in the leasing agreement.

At initial recognition, such an asset is assessed on the basis of the cash flows of the leasing agreement. After the initial recognition, the right of use is assessed on the basis of the valuation rules for assets in accordance with IAS16, IAS38 or IAS40 and therefore applies the acquisition cost model (less any accumulated depreciation and any accumulated impairment losses), the revaluation model or the fair value model.

In relation to the first-time application of IFRS 16, Bank Austria has decided to apply the modified retrospective approach in accordance with IFRS 16 and accounts for the accumulated effect of the initial application as of 1 January 2019. The leasing liability is calculated as the present value of the future leasing payments as of 1 January 2019 and the right of use is recognised at the same amount. In addition, on 1 January 2019, provisions for risks and charges are activated for maintenance in the right of use. The interest rate for discounting the leasing rates and for calculating the right of use corresponds to the lessee's incremental borrowing rate, as this was defined as the best indicator. The incremental borrowing rate is calculated "point in time" and not on an average basis.

Bank Austria decided not to make any adjustment to the previous year's period with regard to IFRS 16. IFRS 16 is not applied to leases for intangible assets, short-term leases (<12 months) and low-value assets (<€5,000). The standard essentially regulates leasing relationships in relation to property, plant and equipment such as real estate, business premises and motor vehicles.

On 1 January 2019, Bank Austria issued a right of use from leasing contracts amounting to €370 million. At the same time, leasing liabilities amounting to €366 million were discontinued. The difference is attributable to a provision for maintenance.

Changes to the valuation method for assets in accordance with IAS 16 and IAS 40
For the 2019 annual financial statements, Bank Austria has decided to convert assets measured in IAS 16 from the acquisition cost model to the revaluation model and for assets measured in IAS 40 to the fair value model, whereupon a retroactive adjustment was carried out on 1.1.2018 for assets measured in IAS 40 in accordance with IAS 8. The adjustments made are insignificant.

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

A – Accounting methods

The change is effective for financial years starting on or after 1 January 2019 and therefore one year after the initial application of IFRS 9. Bank Austria does not have any such transactions.

Amendments to the "Annual Improvements to IFRS (2015-2017 Cycle)"
On 12 December 2017, the IASB issued amendments under the Annual Improvements to IFRS project. Changes were made to the four standards as a result of the Annual Improvements to IFRSs (2015-2017). IFRS 3 clarifies that, when a company acquires control over a combined activity, the shares previously held in the business must be revalued. IFRS 11 clarifies that, when a company acquires control over business operations, the shares previously held in the business must be revalued. IAS 12 clarifies that the income tax effects of the collection of dividends are to be shown in the operating result. This applies regardless of how the tax burden arose. IAS 23 clarifies that third-party funds that are to be specifically allocated to the procurement or creation of a qualifying asset are to be excluded from general borrowing costs only as long as the condition for their intended final use has not yet been met. The adoption of the standards in EU law took place in the first quarter of 2019 and has no relevance for Bank Austria.

Amendments to IAS 19: Plan amendments, curtailment or settlement
On 7 February 2018, the IASB published changes to IAS 19 (Plan Amendment, Curtailment or Settlement – Amendments to IAS 19). According to IAS 19, pension obligations are to be assessed based on up-to-date assumptions in the case of plan amendments, curtailment or settlement. This change clarifies that, after such an event, service expenses and net interest for the rest of the period must be considered based on updated assumptions. The changes were applied from 1 January 2019 and have no impact on Bank Austria.

Amendments to IAS 28 with regard to long-term investments in associates and joint ventures
On 12 October 2017, the IASB published amendments to IAS 28 in order to clarify that a company applies IFRS 9, "Financial instruments", including the impairment regulations on long-term investments in associates or joint ventures that make up part of the net investment in this associated company or joint venture but that are not balanced according to the equity method. The amendments are effective for financial years beginning on or after 01 January 2019. Bank Austria does not have any such transactions.

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

The existing accounting method of the group regarding the uncertain handling of income tax is in line with the requirements of the IFRIC 23 uncertainties with regard to the handling of income tax, which came into force on 1 January 2019.

The amount of the expected tax liability or tax receivable reflects the amount that represents the best estimate, taking into account tax uncertainties, if any. Deferred taxes also reflect uncertainty in the assessment.

Changes to IFRS 9, IAS 39 and IFRS 7 "interest rate benchmark reform"
On 26 September 2019, the IASB adopted amendments to IFRS 9 (Financial instruments), IAS 39 (Financial instruments: Recognition and Assessment) and IFRS 7 (Financial instruments: Information). The Board hereby responds to uncertainties in connection with the potential effects of the IBOR reform on financial reporting. The amendments aim to ensure that hedge accounting relationships (hedge accounting) continue, despite the expected redemption of different benchmark interest rates. In particular, the amendments relate to certain simplifications in relation to regulations concerning hedge accounting documentation and are obligatory for all hedging relationships that are directly affected by the reform of the benchmark interest rate.

The amendments are required to be applied for annual periods beginning on or after 1 January 2020. Early application of the changes is permitted. Bank Austria is already applying the changes described here (in particular the Euribor benchmark reform in accordance with the EONIA/ESTER conversion). Assets, liabilities and associated hedging transactions in accordance with the volumes listed in the table, which are based on interest rates affected by the reform, continue to be assessed as effective in accordance with IAS 39.

A – Accounting methods

Nominal amounts in million €

		Index USD Libor	Index CHF Libor	Index JPY LIBOR	Other
Fair Value Hedge	Asset	229	1	295	743
	Liabilities	1,186	-	5	-
Cash Flow Hedge	Asset	737	7,571	1,288	-
	Liabilities	-	-	-	-

In order to analyse the interest rate benchmark reform further and the respectively necessary preparations for this from a business, operational and legal perspective, Bank Austria has set up a correspondingly comprehensive project in which the necessary steps are being taken in connection with the impact of the benchmark reform, including the findings and new market standards (European Working Group on risk free rates).

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

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

Amendments to IFRS 3 Business combinations
On 22 October 2018, the IASB adapted the criteria to define business operations. Resources ("inputs") and at least one substantive process are needed in order to classify a business operation, which collectively contribute to the ability to generate outputs. Changes include guidelines and examples when there is a substantive process.

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

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

Changes to IAS 1 and IAS 9 with regard to the definition of materiality
The IASB issued a "Definition of material (changes to IAS 1 and IAS 8)" in order to sharpen the definition of "material" and to harmonise the various definitions in the framework concept and in the standards themselves. Information is material if it can be reasonably expected that its omission, erroneous presentation or concealment could influence the decisions of the primary recipients that are made based on this conclusion. The amendments are required to be applied for annual periods beginning on or after 1 January 2020. Premature application is permitted.

Changes to the reference to the framework concept in IFRS standards
Together with the revised framework concept, the IASB also issued changes to the reference to the framework concept in IFRS standards. This includes changes to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32. Not all changes shall apply however to the updating of this announcement with regard to the references to the framework concept or quotations contained therein. Some announcements are only updated to indicate the version of the framework concept they refer (the IASC framework concept assumed by the IASB in 2001, the IASB framework concept of 2010 or the new, revised framework concept of 2018) or to indicate that the definitions of the standard were not updated in harmony with the new definitions developed in the revised framework concept. These amendments, provided they are up to date, are to be applied to financial years starting on or after 1 January 2020. The effect of this change must still be analysed.

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A.5 – Significant accounting policies

A.5.1 – Business combinations

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

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

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

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

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

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

Business combinations under common control (e.g. transfers of entities to and from other subsidiaries of UniCredit S.p.A. outside the Bank Austria Group) are not within the scope of application of IFRS 3 and are accounted for using the continuance of book values accounting method, with any effects directly recognised in equity.

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

A.5.2 – Foreign currency translation

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

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

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

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

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

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

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exchange component of a gain or loss on a monetary item is recognised in the income statement if the gain or loss on the monetary item is recognised in the income statement.

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

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

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

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

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

Exchange rates used for foreign currency translation *)

(Exchange rate in currency/€)

		2019		2018		CHANGE IN %	
		AVERAGE	END OF	AVERAGE	END OF	AVERAGE	END OF
US Dollar	USD	1.1195	1.1234	1.1810	1.1450	-5.21%	-1.89%
British Pound	GBP	0.8778	0.8508	0.8847	0.8945	-0.78%	-4.89%
Japanese Yen	JPY	122.0060	121.9400	130.3960	125.8500	-6.43%	-3.11%
Swiss Franc	CHF	1.1125	1.0854	1.1550	1.1269	-3.68%	-3.68%

*) The main exchange rates are listed.

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A.5.3 – Financial instruments

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

Initial recognition and measurement

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

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

Classification and subsequent assessment of financial assets

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

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

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

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

Derecognition

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

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

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

A financial asset must be derecognised when the contractual rights to the cash flows from the financial asset expire or the contractual rights to receive the cash flows of the financial asset are transferred to a non-Group counterparty. Rights to cash flow are considered to be transferred even if contractual rights to receive the asset's cash flow are retained

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but there is an obligation to pay this cash flow to one or more entities and all the following conditions are fulfilled (pass-through agreement):
- The Group is obliged to transfer all cash flows received in the future, and may not invest them, except for liquidity invested for the short period between the date of receipt and that of payment, provided that the interest accrued in that period is also paid.
- there is no obligation on the Group to pay amounts not received from the original asset;
- sale or pledge of the original asset is not allowed, unless it secures the obligation to pay cash flow;

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

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

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

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

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

Securities lending transactions – which are either collateralised by other securities, or remain uncollateralised – are recorded as liability obligations which are not included on the balance sheet.

A.5.3.2 – Categories of financial instruments

Financial assets valued at amortised cost

A financial asset is assessed at amortised cost, if:
- it is held to collect contractual cash flows ("hold" business model)
- and its cash flows exclusively consist of interest payments and repayments. (SPPI conformity)

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

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

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

Upon disposal, the accumulated profits and losses are also recognised in the item "Profits and losses on disposals of financial assets at amortised cost". Amounts that result from the adjustment of the carrying amounts of the financial assets, before the deduction of accumulated amortisation, are recognised in the item "Income/expenses due to contractual changes

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(without derecognition)". The effects of contractual changes on the expected loss are recorded in contrast in the item "Impairments on financial assets at amortised cost".

Financial assets at fair value through profit or loss

Financial assets held for trading

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

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

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

Financial assets at fair value through profit or loss

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

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

Other financial assets mandatorily at fair value

A financial asset is required to be classified at fair value if the classification rules are not satisfied for measurement at amortised cost or at fair value through profit or loss. Above all, this includes the following financial assets:
- loans and bond issues that are not assigned to a "hold" or "hold and sell" business model
- loans and bond issues that do not meet the SPPI criterion
- shares in a mutual fund;
- equity instruments for which Bank Austria does not exercise the option of accounting as at fair value through profit or loss

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

Financial assets at fair value through other comprehensive income

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

These balance sheet item also includes equity instruments for which Bank Austria exercises the option of accounting at fair value through other comprehensive income.

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

In the case of debt instruments, the collection of interest income takes place using the effective interest method and thus analogous to the treatment of instruments recognised at amortised cost. Gains and losses arising from changes in fair value are recognised in the statement of comprehensive income ("other comprehensive income") and shown in the statement of financial position in the balance sheet under accumulated other comprehensive income.

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Furthermore, the impairment regulations of IFRS 9 must be considered for these instruments. Upon de-recognition of the financial asset, the amount previously accumulated in other comprehensive income is reclassified in the income statement ("recycling").

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

Derivatives

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

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

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

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

If an embedded derivative is spun-off, then the host contract must be treated according to the IFRS provisions, and the derivative must initially be measured at fair value. Subsequent changes in fair value are recognised in profit or loss.

Financial liabilities valued at amortised cost

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

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

Financial liabilities held for trading

Financial liabilities held for trading purposes include:
- Derivatives, with the exception of derivatives designated as hedging instruments;
- Delivery obligations from short sales;
- Financial liabilities with short-term resale intent;
- Part of a portfolio of identified financial instruments that are managed together, and for which there is evidence of a recent pattern of short-term profit-taking.

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

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Financial liabilities designated at fair value

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

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

For instruments designated under the fair value option, the changes in fair value arising from the credit risk of the financial liability are recognised in the statement of comprehensive income and recognised in the equity item "revaluation reserve" in the statement of financial position, unless this causes or increases mismatches in valuation or recognition ("accounting anomaly" / "accounting mismatch"). In the latter case, all fair value changes are recognised in profit or loss.

A.5.3.3 – Impairment of financial instruments

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

Depending on the change in credit risk between the credit risk at the time of initial recognition and the respective current credit risk on the valuation date, these instruments are categorised either in Level 1, Level 2 or Level 3:

- Level 1 includes all newly added financial instruments, and those for which no significant increase in default risk since the initial recognition has been determined, and instruments with a low default risk ("low credit risk exemption" for securities with an "investment grade" credit rating).
- Level 2 includes instruments for which a significant increase in risk has been identified since initial recognition, but where there have been no defaults yet, and which are therefore classified as "performing".
- Level 3 is assigned to the non-performing portfolio, which is made up of defaulted risk positions pursuant to Article 178 of Regulation (EU) No. 575/2013. See also: Instruments with an already impaired credit rating. ("POCI").

Bank Austria's current definition of default, which is also used for regulatory purposes, has been adopted for the definitions of the terms "performing" and "non-performing". The risk report is referred to in relation to the further categorisation of credit quality. The amount of expected credit losses to be recognised depends on the level of allocation. For Level 1 instruments, a credit loss equal to the expected 12-month credit loss ("1 year ECL") is recognised. For Level 2 and 3 instruments, on the other hand, a credit loss amounting to the lifetime credit loss expected ("lifetime ECL") is recognised. The credit risk parameters used are generally based on the regulatory IRB models, and are adapted in relation to IFRS9-specific requirements (e.g. consideration of future-oriented macroeconomic information).

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

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

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

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The amount of loan loss provisions for Level 3 financial instruments is determined by the difference between the carrying amount and the present value of the expected future cash flows, discounted at the original effective interest rate.

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

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

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

For impaired instruments, consideration is also given to the adjustment of a point-in-time calibration, forward-looking information, and the application of multiple scenarios.

Definition of parameters and risks
Specific methods have been developed at Bank Austria to determine expected credit losses. The methods are mainly based on the input parameters PD, LGD, EAD and the effective interest rate:
- PD (Probability of Default): Likelihood of a loan default during a defined period e.g. one year
- LGD (Loss Given Default): Loss ratio of the outstanding credit amount in the event of a loan default
- EAD (Exposure at Default): Estimate of the credit amount at the time of the loan default
- The effective interest rate is the discount rate that reflects the fair value of the money.

Credit risk parameters are calibrated for regulatory purposes over a horizon encompassing the entire cycle ("through the cycle, TTC"). It is therefore necessary that these parameters for IFRS 9 purposes be calibrated point-in-time (PIT) and forward-looking (FL), so that they reflect the current situation and the expectations of future economic performance. Consequently, the values used for regulatory purposes for PD, LGD and EAD are adjusted, in order to take the requirements of IFRS 9 into consideration. The major adjustments include
- an elimination of regulatory conservative factors,
- a "point in time" calibration instead of the regulatory "through the cycle" adaptation,
- the consideration of forward-looking, macroeconomic information and
- the modelling of credit risk parameters over the life of the instrument (multi-year perspective).

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

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

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

Special features of the group of foreign currency loans
The foreign currency credit portfolio, or repayment vehicle credit portfolio, with final maturity in the retail customer segment was analysed collectively as a special group of financial instruments, with the result that the entire portfolio (following the application of IFRS 9) was assigned to Level 2, and the modelling of the expected credit loss considers some additional specific factors that are not relevant for the remaining credit portfolio. The vast majority of this portfolio relates to loans denominated in Swiss francs.

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

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

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

Consideration of forward-looking information

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

The Bank selected three macroscenarios based on the economic environment in order to determine forward-looking information: a basic scenario, a positive scenario and a negative scenario. The basic scenario is considered the most likely and therefore forms a central reference point. The positive and negative scenarios represent possible alternative developments, which are better or worse than the basic scenario.

- The **basic scenario** reflects the macroeconomic development expected in the Group. The global economy slowed down in the course of the year 2019. In 2020, a further slowdown in the economic growth of the Eurozone and most CEE countries is expected, before a slight improvement occurs in subsequent years. While gross domestic product (GDP) growth in the Eurozone was recorded at 1.2% in 2019, it is expected to be 0.8% / 1.0% and 1.5% in the next few years (2020/2021/2022). The corresponding expectations for Austria are 1.0% / 1.3% and 1.6% (1.5% in 2019). Interest rates in the Eurozone will remain at a historically low level, and a slight increase is forecast for 2022. The scenario assumes that the 3-month EURIBOR will remain slightly negative, and will remain on average at around the current value in 2020 and 2021 (-0.40% at the end of 2019), before increasing slightly (to -0.35%) in 2022.

- The **positive scenario** is based on the event that the positive growth from 2019 will experience a slight weakening both globally and in Europe in 2020, supported by the global economic trend and a corresponding economic policy. In this scenario, growth in the Eurozone is consolidated – above all as a result of Germany's contribution – and shows signs of further acceleration in the next 3 years, vis-à-vis the basic scenario, which is expected to decrease in the next 3 years at a higher annual rate than the real GDP: between +0.3% and +0.6% higher than the basic scenario in the period from 2020 to 2022. In detail, it is assumed that the growth rate for the real GDP of the Eurozone will be 1.1% in 2020, and then increase to 1.6% in 2021 and to 1.7% in 2022. For Austria, the assumed values in this period are 1.3% (2020) and 1.9% (2021/2022). The 3-month Euribor remains negative in this scenario for the following 3 years, but is generally on a slow and steady increase from -0.4% in 2020 to -0.2% in 2022 (due to a less expansive ECB monetary policy, compared to the baseline scenario).

- The **negative scenario** is one of the scenarios used as part of the ICAAP (Internal Capital Adequacy Assessment Program). A scenario has been selected which represents every macroeconomic and financial risk for the Group that is considered to be among the most relevant with regard to business activities and regions. The "widespread contagion" scenario is based on the assumption that the political risk in the European Union is increasing. The reason for this is a government crisis in Italy, which has lead to new elections, a heavily Eurosceptic parliament, and a new government which largely takes a confrontational course vis-à-vis the EU. The scenario includes other aspects, such as rising tensions between the central government in Spain and the region of Catalonia. This leads to an increase in the risk premiums of various asset classes and to slowing down growth both in the Eurozone and in CEE states. In detail, annual GDP growth in the Eurozone would be negative for 2020 and 2021 at -0.6%, while in 2022 it would increase to +0.7%. In Austria, the same development was expected, with negative values for 2020/21 at -0.4%/-0.1% and an increase to 1.0% for 2022. The short-term interest rates measured by the 3-month Euribor would remain significantly negative over the entire 3-year horizon (on average at -0.50% in 2020 and up to -0.70% in 2022), assuming that in this scenario the ECB would continue its expansive monetary policy, including the continuation of the bond purchase programme.

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

"Forward-looking information" and the described scenarios are also taken into account when calculating expected loan defaults for impaired assets.

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

Depreciation ("write-off")
With regard to IFRS 9, non-performing loan portfolios are analysed, and the following characteristics regarding depreciation events are identified:
- No factual expectation regarding the recovery due to the high credit age and the economic/legal situation.
- Lack of recoverability due to insolvency proceedings, legal action/execution.
- Significant difficulties in the recovery of a guarantee due to the economic/legal framework

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

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

The application of the requirements under IFRS 9 also resulted in adjustments to the internal procedural rules. This relates in particular to the process for determining the expected credit losses and the associated technical accounting representation of the credit risk provisions.

Above all, the calculation process for the expected credit losses includes the previously described adjustments of the input parameters for the multi-year consideration of the credit losses, and the consideration of the forward-looking macroeconomic information, in particular in the use of multiple scenarios.

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

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

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

Instruments with an already impaired credit rating ("POCI")
Pursuant to IFRS 9, loans and receivables measured at amortised cost or at fair value through other comprehensive income and classified as distressed at the date of acquisition are to be classified as impaired or credit impaired ("POCI") instruments.

At Bank Austria, "POCI" currently only includes loans of which the contractual cash flows have been significantly changed in the context of new negotiations of impaired instruments.

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

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

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Guarantees and credit derivatives in the same class

Guarantees and credit derivatives are initially and subsequently recognised under "Other liabilities", so long as these are classed as guarantees pursuant to IFRS 9 (i.e. contracts under which the purchaser of the guarantee makes ongoing payments and therefore receives compensation for losses suffered as a result of default by a third-party debtor if a protection event occurs). On first recognition guarantees given are recognised at fair value, which usually corresponds to the amount received when the guarantee is issued. After initial recognition, guarantees given are recognised at the greater of the initially recognised value, net of any amortised portion, and the estimated amount required to meet the obligation. The effects of valuation, related to any impairment of the underlying, are recognised in the item "Write-downs and write-backs due to impairment of other financial transactions" in the income statement.

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

Finance leases

In the case of finance leases, all risks and opportunities associated with the property shall transfer to the lessee. Recognition in the lessor's accounts is as follows:
- Statement of Financial Position: Value of the receivable, less the lease payments already collected
- in profit or loss, interest received.

Operating leasing

For operating leasing, the opportunities and risks associated with the subject of the lease will remain with the lessor – who will remain the economic owner of the subject of the lease – and will be accounted for on the balance sheet.
The accounting of finance leases and operating leasing agreements with the lessee has been carried out since 1 January 2019 in accordance with IFRS 16.

Hedge accounting

The bank uses hedging instruments to hedge market risks (interest-rate, currency and other price risks) in underlying transactions. Hedge accounting is applied for most of these security instruments.

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

A hedging relationship meets the requirements for accounting if the hedging relationship is formally defined and documented. The documentation also includes the risk management objective, the strategy with regard to hedging, and a description of how the future and retroactive effectiveness of the hedging instrument are assessed. It is necessary to assess the hedge's effectiveness, at inception and in subsequent periods, in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Bank Austria applies the hedge accounting regulations pursuant to IAS 39. In order for hedge accounting to be recognised as such pursuant to IAS 39, hedges must be effective to a great extent. A hedge is regarded as highly effective if, at the inception of the hedge and in subsequent periods, the effectiveness of the hedge is within a range of 80–125 percent.

The effectiveness is assessed on each reporting date. If the assessment does not indicate the effectiveness of the hedge, hedge accounting is discontinued from then on in respect of the hedge, and the hedging derivative is reclassified as a held-for-trading instrument.

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

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

Hedging derivatives are measured at fair value. Specifically:

- **Micro fair value hedge** – Any changes in the market value of the hedging derivative are recognised in the profit and loss account, under "Fair value adjustments in hedge accounting". Profit or loss from the change in the hedged risk in the underlying transaction is also recognised in the same item and at the same time changes the carrying amount of the hedged underlying transaction as a "basis adjustment". If the hedging relationship is terminated for reasons other than the sale of the hedged underlying transaction, measurement depends on the type of the hedged underlying transaction. In the case of an interest-bearing underlying transaction, the "basic adjustment" is amortised over the remaining term of the

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underlying transaction as interest income or interest expenditure. The difference in fair value of the hedging derivative since the latest effectiveness testing date is recognised in profit or loss under the item "Fair value adjustments in hedge accounting". If the hedged item is sold or repaid, the portion of fair value which is still unamortised is at once recognised through profit or loss in the item "Gains and losses on disposal or repurchase". The micro fair value hedge at Bank Austria serves to hedge changes in market value from individual fixed-interest items in the assets or liabilities side against changes in the market interest rate. This hedging therefore in particular takes place with interest swaps, caps, floors and swaptions. When initiating the hedge relationship, the prospective efficacy is verified using a critical terms match. Subsequently, ongoing efficiency is proven by a retrospective efficacy test. If changes in market value from an underlying transaction and hedge derivative of the hedge relationship are outside of the 80/125% efficiency corridor in the retrospective consideration, the hedge relationship must be wound up and the instruments balanced separately.

- **Cash Flow Hedge** – the effective part of the market value of the hedging transaction (e.g.: cross-currency swaps, interest rate swaps), is recognised at equity in other comprehensive income under "Revaluation reserves" according to IAS 39". The ineffective portion of the gain or loss is recognised through profit or loss in the item "Fair value adjustments in hedge accounting". If a cash flow hedge is no longer considered effective or is terminated for other reasons, the accumulated value gain or loss of the hedge recorded until that point shall remain under revaluation reserves until the hedged future transaction occurs or is no longer considered probable. In the first case, the recorded valuation results upon the occurrence of the hedged future transaction are recorded in each item in which the valuation effect of the hedged transaction is reflected, or they change, provided the transaction leads to an asset or liability being recorded. In the last case, the valuations results recorded in the reserve will be transferred into the profit and loss account, and will be recognised under the item "Fair value adjustments in hedge accounting". The fair value changes recorded in item "Revaluation reserves" are also disclosed in the Statement of Comprehensive Income.
  Cash flow hedges are used by Bank Austria for protecting future variable cash flows against changes in market rates. They hedge the exposure to variability in cash flows which result from assets or liabilities or from planned transactions and have an effect on profit or loss. Changes in the fair values of derivatives designated as hedging instruments are divided into a portion that is determined to be an effective hedge, and into an ineffective portion. The effective portion of any gain or loss on the hedging instrument is included in the cash flow hedge reserve and recognised in profit or loss in the same period in which the change in the value of the underlying transaction is recognised in profit or loss. This neutralises the effect on profit or loss. The effectiveness of cash flow hedges is measured on a regular basis in accordance with IAS 39.

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

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

Equity investments

The principles governing the recognition and measurement of equity investments under IFRS 10 and IFRS 11 are given in detail in Part A.3 – Consolidation principles. Remaining investments in equity instruments that are not subsidiaries, associates or joint ventures are classified as "at fair value through other comprehensive income".

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Repo transactions and securities lending

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

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

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

Liabilities, debt securities in issue and subordinated loans

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

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

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

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

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

Loan securitisations

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

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

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

Asset encumbrance

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

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

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

- Phase 1 planning period (2020-2022):
  The 2020 budget figures for net profit and risk-weighted assets were used for 2020, and currently available multi-year planning figures were used for subsequent years.

- Phase 2 (2023-2027):
  Return on equity converges towards the rate of cost of capital in this phase.

- Phase 3 – perpetual annuity:
  Calculation of the present value of a perpetual annuity on the assumption of a long-term growth rate which takes the sustained long-term economic growth expected by UniCredit Bank Austria AG for the euro area into account (unchanged compared to the previous year at 2%).

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

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

As the parameters and data used to test carrying amounts for impairment are significantly influenced by the overall economic environment and by market conditions, which may be subject to rapid unpredictable changes, the results of future impairment tests may differ from those which were used for the 2019 financial statements.

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A.6 – Information on other financial statement line items

A.6.1 – Cash and cash equivalents

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

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

The item includes:
- land;
- Buildings
- furniture and fixtures;
- plant and machinery;
- other machinery and equipment;
- and is divided between
- assets used in the business and
- assets held as investments.

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

This category also includes assets that are rented out and are activated by the group as a right of use or are leased by the group as a lessor as part of an operating lease.

Property, plant and equipment also include leasehold improvements relating to assets which can be separately identified. The improvements are classified according to the specific sub-items relating to the asset type (e.g. plants). Leasehold improvements are usually borne in order to make leased premises fit for the expected use.

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

Change to the valuation criteria for property used for operating purposes (IAS 16) and investment property (IAS 40)
Bank Austria has a real estate portfolio including land and buildings in the amount of EUR 380 million as at 31 December 2019, of which EUR 189 million is attributable to property held for operating purposes and EUR 191 million is attributable to investment property.

Bank Austria has decided to change the valuation criteria for the preparation of the financial statements as at 31 December 2019 as follows:
- Property held for operating purposes (regulated by IAS 16 "Property, plant and equipment") – conversion from the acquisition cost model to the revaluation model.
- Investment property (regulated by IAS 40 "Investment property") – conversion from the acquisition cost model to the fair value model.

The change to the valuation criteria for current values enables a clearer presentation of the value of the property at the time of preparation of the financial statements, thereby eliminating the time delay in connection with the application of the acquisition cost model. The presentation of voluntary changes to the accounting principles (accounting methods) is governed by IAS 8, which states that these changes must generally be presented retrospectively.

However, this general rule also allows for exceptions. In accordance with IAS 8 (17), for the purposes of valuation of property, plant and equipment, regulated in IAS 16, the conversion from the acquisition cost model to the revaluation model is to be considered as normal application in terms of the continuity of the revaluation model. As a result, the revaluation model was applied prospectively and non-retroactively, and therefore without adjustments to the opening balance sheet values for the comparative year and the comparative data and without adjustments to the interim financial statements before the date of the change. As a result, the conversion from the valuation at acquisition cost to the revaluation model for the property used for operating purposes, governed by IAS 16, required the relevant fair value to be calculated as at 31 December 2019.

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The differences between the acquisition cost model and the revaluation model are reported as follows:
- If negative: In the profit or loss statement,
- If positive: Under other comprehensive income in the statement of comprehensive income and accumulated in the equity in the revaluation reserve item, unless an impairment was reported for this asset. In this case, the positive difference between the fair value and the carrying amount is recognised in the profit or loss statement until the impairment loss is fully reversed.

As the valuation criteria were changed at the end of the year, depreciation for the 2019 financial year was calculated using the acquisition cost model without change. From 2020 onwards, property held for operating purposes, assessed in accordance with the revaluation model of IAS 16, will continue to depreciate in accordance with the useful life.

In accordance with IAS 8, a retroactive application of the change to the accounting principles is required for investment property. As a result, the carrying amount of the land and buildings held as financial investments was adjusted to the fair value of 1 January 2018 and the difference was allocated to retained earnings. The measurement at fair value which, instead of being recognised under depreciation and impairment, will be recognised in the 2018 and 2019 profit and loss statement, led to an adjustment of the comparative data.
From 2020 on, investment property will be measured at fair value, and changes in value will be recognised in the profit and loss statement.

The market value of the properties were determined by independent experts. Based on the significance of the individual real estate items, either:
- "Full/on-site" assessments were performed, based on a physical inspection of the property by the expert, or
- "Desktop" reports were prepared, which are based on an assessment that was carried out without a physical inspection of the property and are therefore based solely on the reference market value.

The sale price, discount rate and capitalisation interest rate for the properties in the portfolio were estimated for the preparation of the appraisals of the properties.

Impact of the change to the valuation criteria
In the consolidated financial statements as at 31 December 2019, the change in the valuation criteria for properties led to a positive overall effect on equity in the amount of €74 million after taking the tax effect into account (equivalent to around 1.2% of the CET1r):
- For property held for operating purposes, the effect after taking the tax effect recognised in equity into account as at 31 December 2019 was €67 million and €-2 million in the profit and loss statement.
- For investment property, the effect after taking the tax effect recognised in equity into account as at 31 December 2019 was €7 million (€4 million as at 1 January 2018 and €3 million as at 1 January 2019) and €+2 million in the profit and loss statement.

Tangible assets, with the exception of real estate, recognised as real estate assets in accordance with IAS 2 ("inventories") and investment property under construction (IAS 40), are not affected by this change in the valuation criteria.

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

- Buildings: max. 50 years
- Movables: max. 25 years
- Electronic equipment: max. 15 years
- Other: maximum 10 years

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

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

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

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A.6.3 – Intangible assets

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

A.6.4 – Non-current assets and disposal groups classified as held for sale

Non-current assets or groups of associated assets/liabilities (i.e. so-called "disposal groups", which may also be cash-generating units), the sale of which is highly probable, are recognised on both sides of the balance sheet in the item "assets held for sale" at the lower of the carrying amount and the fair value less disposal costs.

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

The valuation results of assets and groups of assets held for sale, which are booked as offsetting items in the other valuation changes in equity not affecting net income, are shown separately in the statement of comprehensive income.

A.6.5 – Income tax

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

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

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

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

Deferred tax assets and deferred tax liabilities are measured using the tax rates expected to apply to the period when the asset's carrying amount is realised or the liability is settled, and the amounts recognised are reviewed regularly to take account of changes in legislation.

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

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

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

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Pursuant to the group taxation rules introduced in Austria, Bank Austria has formed a group of companies. F 12(2018: There is a profit and loss transfer agreement with 12 (2018: 12) Group members. a tax compensation agreement with 149 Group members (2018: 149). These agreements and arrangements do not include foreign companies.

A.6.6 – Other assets

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

A.6.7 – Other liabilities, provisions for risks and charges and contingent liabilities

A.6.7.1 – Long-term former employee benefits
For retirement provisions – i.e. provisions for employee benefits payable after the completion of employment – a distinction is made between defined-contribution plans and defined-benefit plans according to the economic nature of the plan.

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

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

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

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

Under a commitment to provide defined benefits, UniCredit Bank Austria AG recognises a pension provision for the entitlements of employees who retired before the pension reform which took effect 31 December 1999, and – as a special feature of UniCredit Bank Austria AG's staff regulations – for the future benefits, equivalent to those under mandatory insurance, earned by pensioners for whom UniCredit Bank Austria AG has assumed the obligations of the mandatory pension insurance scheme pursuant to Section 5 of the Austrian General Social Insurance Act (ASVG) if they left the company to retire by 31 December 2016.

The claims arising from the provisions for social capital that employees can assert have different durations. The following durations (weighted) were calculated as at 31 December 2019.

Pensions:	13.5 years
Severance:	8.8 years
Anniversary bonus:	5.7 years
Total:	**13 years**

The present value of pension obligations and severance-payment obligations as well as anniversary bonuses is determined with due regard to internal service regulations, on the basis of the following actuarial assumptions:
- Discount rate: 1.00% p.a. (2018: 1.85% p.a.)
  This percentage is the rounded percentage according to the Mercer Yield Curve (MYC) as at 31/12/2019 based on the cash flows determined for the pension plan for active employees and pensioners. The duration for the pension plan is 13.46 years (2018: 12.74 years); the weighted duration for pension, severance-payment and service anniversary bonus plans is 13.0 years (2018: 12.4 years).
- Collective agreement dynamic 2.08% p.a. (2018 2.05% p.a.)
  (Assumption of increases for employees and non-Bank Austria ASVG pensioners; the percentage rate applied for Bank Austria ASVG was 1.53% (Previous year 1.4%).
- Career trends include regular salary increases under the current collective bargaining agreement for employees of Austrian banks and the effects of the transitional rules under the 2005 reform of Bank Austria's staff regulations. Non-regular salary increases are calculated at 0.17% p.a. (2018: 0.25% p.a.) (assumption of increases for employees).

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- Pension increase (BA - ASVG: 1.53% p.a. (2018: 1.40% p.a.). Calculated on the basis of the effective average increase in pensions over the last 18 years.
- Pension increase (other): 2.08% p.a. (2018: 2.05% p.a.). Calculated on the basis of the effective average real pension increases, taking into account a long-term expected inflation rate of 1.90%.
- No discount for staff turnover.
- AVÖ-2018 P mortality tables for employees (Aktuarverein Österreich, mortality tables for employees) (2018: AVÖ-2018 P for employees)

Sensitivity analysis

(€ millions)

		EFFECT ON DEFINED BENEFIT OBLIGATION	
		31-12-2019	31-12-2018
Discount rate	-0.25%	133	117
	0.25%	(126)	(112)
Salary increase rate	-0.25%	(7)	(7)
	0.25%	8	7
Pension increase rate	-0.25%	(118)	(105)
	0.25%	124	110

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

A.6.7.2 – Other provisions

Provisions for risks and charges are recognised when

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

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

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

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

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

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

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

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

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

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A.6.7.3 – Share-based payments

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

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

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

A.6.7.4 – Other long-term employee benefits

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

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

A.6.8 – Equity (€ million)

Equity is comprised of paid-in capital (capital provided by the owners; subscribed capital plus capital reserves), other reserves (retained earnings, profit carried forward), reserves from foreign currency translation, valuation reserves and actuarial gains/losses in accordance with IAS 19 and Group Net Profit.

The valuation reserves include the cash flow hedge reserve, the financial assets valuation reserve @FVTOCI, the financial assets reserve @FVTOCI for associated companies and joint ventures, as well as the valuation reserve for property, plant and equipment.

A.6.9 – Net interest

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

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

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

A.6.10 – Fees and commissions

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

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

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A.6.11 – Dividends

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

A.6.12 – Gains and losses on disposal of financial assets and liabilities

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

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

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

A.6.14 – Impairments

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

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

Write-downs on assets held under leasing transactions are part of this item.

A.6.16 – Profit (loss) on equity investments

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

A.6.17 – Gains and losses on disposal of investments

This item includes profits/losses from the sale of land, buildings and other assets held as financial investments.

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A.7 – Information on fair value

A.7.1 – General overview

Fair value is the price at which an asset would be sold or a liability transferred in an orderly transaction between market participants on the measurement date (i.e. a Disposal Price).

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

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

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

If the observable prices in an active market for the identical item held by another party as an asset, or other observable inputs, such as the quoted price in a market that is not active for the identical item held by another party as an asset are not available, the Group should use another valuation technique, such as:
i) an income approach (e.g. a present value technique that takes into account the future cash flows that a market participant would expect to receive from holding the liability or equity instrument as an asset);
ii) a market approach (e.g. using quoted prices for similar liabilities or equity instruments held by other parties as assets).

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

These procedures use input factors based on prices obtained for the instrument being valued in recent transactions or on prices/quotes for instruments with similar characteristics in terms of their risk profile.

These prices/quotations are decisive for determining significant parameters relating to credit risk, liquidity risk and price risk of the valued instrument.

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

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

As a further guarantee of the objectivity of valuations derived from valuation models, the Group employs:
- independent price verifications (IPVs);
- fair value adjustments (FVAs).

Within the context of the independent price verification, the valuation parameters for the prices of trading items are regularly checked by the engagement-independent risk management units in UniCredit Group's relevant centre of competence. This verification calls for comparing and adjusting the daily price in line with valuations obtained from independent market participants. For instruments that are not quoted in an active market, prices provided by information providers (market data providers) as reference values are used for the verification described above. Prices that are considered representative for the instrument to be measured are therefore weighted more heavily.

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

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

A.7.2 - Fair value hierarchy

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

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

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

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

(€ million)

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	AMOUNTS AS AT 31-12-2019			AMOUNTS AS AT 31-12-2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets at fair value through profit or loss	-	1,848	382	7	1,582	559
a) Financial assets held for trading	-	998	18	-	776	7
b) Financial assets designated at fair value	-	-	-	-	-	-
c) Financial assets mandatorily at fair value	-	850	364	7	806	552
2. Financial assets at fair value through other comprehensive income	13,673	1,165	97	11,839	1,551	100
3. Hedging derivatives	-	1,817	-	-	1,619	-
4. Property, plant and equipment	-	-	380	-	-	13
5. Intangible assets	-	-	-	-	-	-
Total	**13,673**	**4,831**	**859**	**11,846**	**4,752**	**672**
1. Financial liabilities held for trading	-	1,047	18	-	759	10
2. Financial liabilities designated at fair value	-	102	1	-	245	1
3. Hedging derivatives	-	1,819	-	-	1,368	-
Total	**-**	**2,967**	**19**	**-**	**2,373**	**12**

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A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3)

(€ million)

	CHANGES IN 2019							
	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS							
	TOTAL	OF WHICH: A) FINANCIAL ASSETS HELD FOR TRADING	OF WHICH: B) FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	OF WHICH: C) FINANCIAL ASSETS MANDATORILY AT FAIR VALUE	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	HEDGING DERIVATIVES	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
1. Opening balances	**559**	**7**	**-**	**552**	**100**	**-**	**147**	**-**
2. Increases	**66**	**11**	**-**	**56**	**12**	**-**	**270**	**-**
2.1 Purchases	11	11	-	-	-	-	62	-
2.2 Profits recognised in	7	-	-	7	9	-	100	-
2.2.1 Income statement	7	-	-	7	-	-	17	-
- of which unrealised gains	7	-	-	7	-	-	-	-
2.2.2 Equity	X	X	X	X	9	-	84	-
2.3 Transfers from other levels	23	-	-	23	-	-	67	-
2.4 Other increases	25	-	-	25	3	-	42	-
3. Decreases	**244**	**-**	**-**	**244**	**14**	**-**	**37**	**-**
3.1 Sales	16	-	-	16	-	-	18	-
3.2 Redemptions	-	-	-	-	2	-	-	-
3.3 Losses recognised in	5	-	-	5	12	-	19	-
3.3.1 Income statement	5	-	-	5	-	-	19	-
- of which unrealised losses	*5*	-	-	*5*	-	-	*3*	-
3.3.2 Equity	X	X	X	X	12	-	-	-
3.4 Transfers to other levels	213	-	-	213	-	-	-	-
3.5 Other decreases	10	-	-	10	1	-	-	-
of which: business combinations	-	-	-	-	-	-	-	-
4. Closing balances	**382**	**18**	**-**	**364**	**97**	**-**	**380**	**-**

1), 3) Increases/decreases in financial assets are recognised in the income statement in the following items:
- Gains and losses on financial assets held for trading;
- Fair value adjustments in hedge accounting;
- Gains and losses on financial assets at fair value through profit or loss.

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

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A.4.5.3 Annual changes in liabilities measured at fair value on a recurring basis (level 3)

(€ million)

	CHANGES IN 2019		
	FINANCIAL LIABILITIES HELD FOR TRADING	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	HEDGING DERIVATIVES
1. Opening balances	**10**	**1**	**-**
2. Increases	**7**	**-**	**-**
2.1 Issuance	7	-	-
2.2 Losses recognised in	-	-	-
2.2.1 Income statement	-	-	-
- of which unrealised losses	-	-	-
2.2.2 Equity	X	-	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	**-**	**-**	**-**
3.1 Redemptions	-	-	-
3.2 Purchases	-	-	-
3.3 Profits recognised in	-	-	-
3.3.1 Income statement	-	-	-
- of which unrealised gains	-	-	-
3.3.2 Equity	X	-	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
of which: business combinations	-	-	-
4. Closing balances	**18**	**1**	**-**

1), 2) Increases/decreases in financial liabilities are recognised in the income statement in the following items:
- Gains and losses on financial liabilities held for trading;
- Fair value adjustments in hedge accounting;
- Gains and losses on financial liabilities at fair value through profit or loss.

Assets valued at fair value: Transfers between Levels of the fair value hierarchy (Level 1 and Level 2)

In the fiscal year 2019, there were transfers from Level 1 to Level 2 of €2 million and from Level 2 to Level 1 of €495 million.

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A.7.3 - Day-One Profit / Loss

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

In accordance with IFRS 9, a Day-One Profit / Loss is considered to exist if the transaction value differs from the fair value.

The balance of value adjustments to take account of various model risks amounted to € 34.1 million as of 31 December 2019 (31 December 2018: €16.4 million).

A.7.4 – Additional information on fair value

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

Fixed income securities

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

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

Structured financial products

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

Asset-backed securities

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

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

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

OTC derivatives

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

Equity instruments

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

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

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

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

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

Fair value adjustments
The base fair value assessments have to be adjusted for factors not included in the base NPV that a market participant would consider in order to arrive at the derivative instrument's fair value. Such adjustments, within the Bank Austria Group, include:
- Credit and Debit Valuation Adjustment (CVA/DVA)
- Funding Valuation Adjustment (FuVA)
- Model risk
- Close-out risk
- Market liquidity risk
- Other adjustments

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

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

UniCredit CVA/DVA methodology is based on the following input:
- Expected exposure profiles derived by simulation techniques
- PD and sectoral information of customers
- CDS availability for customers

In general, a bilateral CVA calculation based on market-implied values for PD and LGD (CDS) is used for performing counterparties. There are exceptions for Specific Wrong Way Risk, which are calculated on a unilateral basis.

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

Funding Valuation Adjustment
The valuation of derivatives also includes Funding Valuation Adjustments (FuVAs), which take into account the effects of funding, particularly for unsecured derivative transactions.

The FuVA methodology of Bank Austria is based on the following input:
- Expected exposure profiles derived by simulation techniques
- PD and sectoral information of customers
- CDS availability for customers
- Funding spread

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

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

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

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

In accordance with the "Group Market Risk Governance Guidelines", all pricing models developed by the trading divisions of the companies are tested and validated centrally and independently of market risk units of the holding company. This guarantees an appropriate separated between the offices that are responsible for development and validation. The purpose of this independent control framework is to assess model risk arising from models' theoretical soundness, calibration techniques where needed, and the appropriateness of the model for a specific product in a defined market.

In addition to daily marking to market or marking to model, Independent Price Verification (IPV) shall be performed. The independent price verification (IPV) provides a fair value for every non-liquid instrument. The sensitivity analysis for Level 3 positions in relation to the unobservable model input factor is based on the following categories of model input factors:
Credit spreads (SP): for instruments exposed to issuer risk the unobservable input is mainly the issuer credit spread.
Interest rates (IR): in the absence of liquid interest rate swap markets the term structure of the yield curve is proxied.
Equity (EQ): in the absence of active markets, approximate values are used.
The reasonable alternative estimate for the model input is disclosed in the column "Range".

The sensitivity analysis for Bank Austria shows that the main Level 3 items are loans measured at fair value, equity funds and share options.

The sensitivities to changes in unobservable parameters for the various categories of Level 3 financial instruments measured at fair value are shown in the following table, with the change in value for derivatives on equities, commodities and foreign exchange being indicated in the event of a 1% shift in the underlying volatility; for interest rate derivatives, the change in the underlying curves by 1 basis point is indicated; for credit derivatives, the change in credit spread by 1 basis point or the effect of a 5% shift in the repayment rate on the CVA is indicated; for bonds, the change in credit spread by 1 basis point is indicated; for equities, the change in underlying volatility by 1% is indicated; fund quotations indicate the change in net asset value by 1%.

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(€ million)

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	AS AT 31-12-2019 FAIR VALUE ASSETS LEVEL 3	FAIR VALUE MOVEMENTS GIVEN REASONABLE POSSIBLE ALTERNATIVES	
1. Financial assets at fair value through profit or loss	382	+/-	1.1
a) Financial assets held for trading	18	+/-	0.6
b) Financial assets designated at fair value	-	+/-	-
c) Financial assets mandatorily at fair value	364	+/-	0.5
2. Financial assets at fair value through other comprehensive income	97	+/-	-
3. Hedging derivatives	-	+/-	-
4. Property, plant and equipment	380	+/-	-
5. Intangible assets	-	+/-	-
Total A	**859**	**+/-**	**1.1**
1. Financial liabilities held for trading	18	+/-	0.6
2. Financial liabilities designated at fair value	1	+/-	-
3. Hedging derivatives	-	+/-	-
Total B	**19**	**+/-**	**0.6**

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

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

Option pricing model

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

Discounted cash flow

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

Hazard rate model

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

Market approach

A valuation technique that uses prices and other information arising in market transactions involving identical or similar (i.e. similar) assets, liabilities or groups of assets and liabilities, such as business operations.

Adjusted NAV

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

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

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

Volatility

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

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

Correlation

Correlation is a measure of the relationship between the movements of two variables. Changes in the degree of correlation can have a strong favourable or unfavourable effect on the fair value of an instrument, depending on the nature of the correlation.

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

Dividends

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

Interest rate curve

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

Credit spreads

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

Loss Given Default (LGD)/recovery rate

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

Prepayment rate (PR)

The PR is the estimated rate at which forecast prepayments of principal of the related debt instrument are expected to occur. Voluntary non-scheduled payments (early repayments) change the future cash flows for the investor and thus also

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the fair value of the instrument. The greater the change in early repayment, the greater the change in the weighted average maturity of the instrument; this affects the valuation positively or negatively, depending on the type of instrument and the direction of the change in the weighted average maturity.

Probability of default (PD)
The probability of default is an estimate of the probability that debts cannot be paid when due. The PD of an obligor not only depends on the risk characteristics of that particular obligor but also on the economic environment and the degree to which it affects the obligor.

Financial instruments that are not measured at fair value on the balance sheet - e.g. loans and advances to customers and credit institutions and liabilities to customers and credit institutions - are not managed on a fair value basis.

The fair value of these instruments is essentially calculated for reporting purposes only (with the exception of loans and securities, which according to IFRS 9 must be recognised at fair value) and has no impact on the balance sheet or income statement.

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

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

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

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

Liabilities
The fair value of liabilities, recorded at amortised cost, is determined using the Discounted Cash Flow model as previously described for loans and receivables. The bank's own credit spread is determined using Bank Austria's subordinated and non-subordinated risk curves.

Classification into the levels of the fair value hierarchy is performed as described under A.7.2.

Financial assets at fair value through other comprehensive income
As the financial assets measured at fair value with no effect on income mainly relate to securities, the fair value for this category of assets is determined in accordance with the explanations in "Further disclosures on fair value - fixed-interest securities".

Cash and cash balances
Due to its short-term nature, the cash reserve is reported in the consolidated balance sheet at amortised cost.

Debt securities in issue
The fair value of securitised liabilities carried at amortised cost is determined using the discounted cash flow method.

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The following table shows the relevant unobservable parameters for the measurement of financial instruments classified at fair value Level 3 in accordance with the definition in IFRS 13

PRODUCT CATEGORIES			VALUATION TECHNIQUES	UNOBSERVABLE PARAMETERS	UNCERTANITY RANGE	
Derivatives	Financial Instruments	Equity & Commodities	Option Pricing Model	Volatility	2%	11%
				Correlation	2%	20%
			Option Pricing Model/ Discounted Cash Flows	Dividends Yield	0%	20%
		Foreign Exchange	Option Pricing Model	Volatility	0%	7%
			Discounted Cash Flows	Interest rate (bps)	0.32	37.6
		Interest Rate	Discounted Cash Flows	Swap Rate (bps)	0.3	37.6
			Option Pricing Model	Interest Rate Volatility	2%	35%
				Correlation	0%	20%
	Credit Derivatives		Hazard Rate Model	Credit Spread (bps)	1.3	329.3
				Recovery rate	0%	5%
Debt Securities and Loans		Corporate/ Government/Other	Market Approach	Credit Spread (bps)	0.7	76.5
Equity Securities		Unlisted Equity & Holdings	Market Approach	Price (% of used value)	0%	37%
Units in Investment Funds		Real Estate & Other Funds	Adjusted NAV		1%	11%

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A.8 – Group of consolidated companies and changes in the group of consolidated companies of the Bank Austria Group in 2019

A.8.1 - Information on fully consolidated companies

Investments in subsidiaries (consolidated line by line)

NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2019 HOLDING %	2019 VOTING RIGHTS % *)	2018 **) HOLDING %	2018 **) VOTING RIGHTS % *)
"BF NINE" Holding GmbH	VIENNA	EUR 35,000	100.00		100.00	
AI Beteiligungs GmbH	VIENNA	EUR 35,000	100.00		100.00	
Allegro Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
ALMS Leasing GmbH.	VIENNA	EUR 36,000	100.00		100.00	
Alpine Cayman Islands Ltd.	GEORGE-TOWN	EUR 798	100.00		100.00	
ALV Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
ANTARES Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Arno Grundstücksverwaltungs Gesellschaft m.b.H.	VIENNA	EUR 36,337	100.00		100.00	
Austria Leasing GmbH	VIENNA	EUR 36,336	100.00		100.00	
BA Alpine Holdings Inc. (US)	WILMINGTON	USD 74,435,918	100.00		100.00	
BA Betriebsobjekte GmbH	VIENNA	EUR 5,630,000	100.00		100.00	
BA CA SECUND Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BA Eurolease Beteiligungsgesellschaft m.b.H.	VIENNA	EUR 363,364	100.00		100.00	
BA GebäudevermietungsgmbH	VIENNA	EUR 36,336	100.00		100.00	
BA GVG-Holding GmbH	VIENNA	EUR 18,168	100.00		100.00	
BA Immo-Gewinnscheinfonds1	VIENNA		Liquidated on 04.12.2019		99.00	
BA/CA-Leasing Beteiligungen GmbH	VIENNA	EUR 454,000	100.00		100.00	
BA-CA Andante Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BACA CENA Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BA-CA Finance (Cayman) Limited	GEORGE-TOWN	EUR 15,000	100.00		100.00	
BA-CA Finance II (Cayman) Limited	GEORGE-TOWN	EUR 15,000	100.00		100.00	
BACA HYDRA Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BACA KommunalLeasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BACA Leasing Carmen GmbH	VIENNA		Sold on 01.02.2019		100.00	
BA-CA Leasing Drei Garagen GmbH	VIENNA	EUR 35,000	100.00		100.00	
BA-CA Leasing MAR Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BACA Leasing und Beteiligungsmanagement GmbH	VIENNA	EUR 18,287	100.00		100.00	
BA-CA Markets & Investment Beteiligung Ges.m.b.H.	VIENNA	EUR 127,177	100.00		100.00	
BA-CA Presto Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BA-CA Wien Mitte Holding GmbH	VIENNA	EUR 35,000	100.00		100.00	
BAL CARINA Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BAL HESTIA Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BAL HORUS Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BAL HYPNOS Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	

*) Voting rights are disclosed only if different from the percentage of holding.
**) Figures for FY 2018 have been adjusted.

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			2019		2018 **)	
NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	HOLDING %	VOTING RIGHTS % *)	HOLDING %	VOTING RIGHTS % *)
BAL LETO Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BAL OSIRIS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
BAL SOBEK Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
Bank Austria Creditanstalt Leasing Immobilienanlagen GmbH	VIENNA	EUR 36,500	100.00		100.00	
Bank Austria Finanzservice GmbH	VIENNA	EUR 490,542	100.00		100.00	
Bank Austria Hungaria Beta Leasing Kft.	BUDAPEST	HUF 30,000,000	100.00		100.00	
Bank Austria Leasing ARGO Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
Bank Austria Leasing HERA Immobilien Leasing GmbH	VIENNA	EUR 36,337	100.00		100.00	
Bank Austria Leasing Ikarus Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Bank Austria Leasing MEDEA Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
Bank Austria Real Invest Client Investment GmbH	VIENNA	EUR 145,500	94.95		94.95	
Bank Austria Real Invest Immobilien-Kapitalanlage GmbH	VIENNA	EUR 5,000,000	94.95		94.95	
Bank Austria Real Invest Immobilien-Management GmbH	VIENNA	EUR 10,900,500	94.95		94.95	
Bank Austria Wohnbaubank AG	VIENNA	EUR 18,765,944	100.00		100.00	
Baulandentwicklung Gdst 1682/8 GmbH & Co OEG	VIENNA		100.00		100.00	
Beteiligungsverwaltungsgesellschaft der Bank Austria Creditanstalt Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
Brewo Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,337	100.00		100.00	
CABET-Holding-GmbH	VIENNA	EUR 290,909	100.00		100.00	
CABO Beteiligungsgesellschaft m.b.H.	VIENNA	EUR 35,000	100.00		100.00	
CA-Leasing Senioren Park GmbH	VIENNA	EUR 36,500	100.00		100.00	
CA-Leasing Zeta Kft.	BUDAPEST	HUF 3,000,000	100.00		100.00	
CALG 307 Mobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
CALG 443 Grundstückverwaltung GmbH	VIENNA	EUR 36,336	100.00		100.00	
CALG 445 Grundstückverwaltung GmbH	VIENNA	EUR 18,168	100.00		100.00	
CALG 451 Grundstückverwaltung GmbH	VIENNA	EUR 36,500	100.00		100.00	
CALG Alpha Grundstückverwaltung GmbH	VIENNA	EUR 36,500	100.00		100.00	
CALG Anlagen Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
CALG Anlagen Leasing GmbH & CO Grundstückvermietung und -verwaltung KG	MUNICH	EUR 2,326,378	99.90		99.90	
CALG Delta Grundstückverwaltung GmbH	VIENNA	EUR 36,336	100.00		100.00	
CALG Gamma Grundstückverwaltung GmbH	VIENNA	EUR 36,337	100.00		100.00	
CALG Grundstückverwaltung GmbH	VIENNA	EUR 36,500	100.00		100.00	
CALG Immobilien Leasing GmbH	VIENNA	EUR 254,355	100.00		100.00	
CALG Minal Grundstückverwaltung GmbH	VIENNA	EUR 18,286	100.00		100.00	
card complete Service Bank AG	VIENNA	EUR 6,000,000	50.10		50.10	
Cards & Systems EDV-Dienstleistungs GmbH	VIENNA	EUR 75,000	55.00		55.00	
Castellani Leasing Gmbh	VIENNA	EUR 1,800,000	100.00		100.00	

*) Voting rights are disclosed only if different from the percentage of holding.
**) Figures for FY 2018 have been adjusted.

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NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2019 HOLDING %	2019 VOTING RIGHTS % *)	2018 **) HOLDING %	2018 **) VOTING RIGHTS % *)
Charade Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Chefren Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
Civitas Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Communa - Leasing Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,337	100.00		100.00	
Contra Leasing-Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
DC Bank AG	VIENNA	EUR 5,000,000	50.10		50.10	
DC elektronische Zahlungssysteme GmbH	VIENNA	EUR 35,000	50.10		50.10	
Diners Club CS s.r.o.	BRATISLAVA	EUR 995,000	50.10		50.10	
Diners Club Polska Sp.z.o.o.	WARSAW	PLN 7,500,000	50.10		50.10	
DiRana Liegenschaftsverwertungsgesellschaft m.b.H.	VIENNA	EUR 17,500	100.00		100.00	
DLV Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
DUODEC Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Eurolease AMUN Immobilien Leasing Gesellschaft m.b.H.	VIENNA		Sold on 20.11.2019		100.00	
Eurolease ANUBIS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Eurolease ISIS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Eurolease MARDUK Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Eurolease RA Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Eurolease RAMSES Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,336	100.00		100.00	
Expanda Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
FactorBank Aktiengesellschaft	VIENNA	EUR 3,000,000	100.00		100.00	
FINN Arsenal Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
FMC Leasing Ingatlanhasznosító Kft.	BUDAPEST		Sold on 12.12.2019		100.00	
FMZ Savaria Szolgaltato	BUDAPEST	HUF 3,000,000	75.00		75.00	
FMZ Sigma Projektentwicklungs GmbH	VIENNA	EUR 35,000	100.00		100.00	
Folia Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,336	100.00		100.00	
Fugato Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,336	100.00		100.00	
GALA Grundstückverwaltung Gesellschaft m.b.H.	VIENNA	EUR 27,434	100.00		100.00	
Gebäudeleasing Grundstücksverwaltungs-gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Gemeindeleasing Grundstückverwaltung Gesellschaft m.b.H.	VIENNA	EUR 18,333	100.00		100.00	
Grundstücksverwaltung Linz-Mitte GmbH	VIENNA	EUR 35,000	100.00		100.00	

*) Voting rights are disclosed only if different from the percentage of holding.
**) Figures for FY 2018 have been adjusted.

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NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2019 HOLDING %	2019 VOTING RIGHTS % *)	2018 **) HOLDING %	2018 **) VOTING RIGHTS % *)
HERKU Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
HONEU Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,336	100.00		100.00	
Human Resources Service and Development GmbH	VIENNA	EUR 18,168	100.00		100.00	
HVB-Leasing Jupiter Kft.	BUDAPEST		Merged on 01.09.2019		100.00	
HVB-Leasing Rocca Kft.	BUDAPEST		Merged on 01.09.2019		100.00	
Immobilien Holding GmbH	VIENNA	EUR 36,336	100.00		100.00	
Immobilien Rating GmbH	VIENNA	EUR 50,000	95.92		95.92	
Immobilienleasing Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
INTRO Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,336	100.00		100.00	
ISB Universale Bau GmbH	BERLIN	EUR 6,288,890	100.00		100.00	
Jausern-Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,336	100.00		100.00	
Kaiserwasser Bau- und Errichtungs GmbH und Co OG	VIENNA	EUR 36,336	99.80		99.80	
KLEA ZS-Liegenschaftsvermietung G.m.b.H.	VIENNA		Merged on 19.09.2019		100.00	
KSG Karten-Verrechnungs- und Service-gesellschaft m.b.H.	VIENNA	EUR 44,000	50.00		50.10	
Kunsthaus Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
Kutra Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,337	100.00		100.00	
Lagermax Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
Lagev Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
LARGO Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
LEASFINANZ Alpha Assetvermietung GmbH	VIENNA	EUR 35,000	100.00		100.00	
LEASFINANZ Bank GmbH	VIENNA	EUR 36,500	100.00		100.00	
LEASFINANZ GmbH	VIENNA	EUR 218,019	100.00		100.00	
Legato Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Lelev Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
LINO Hotel-Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
Lipark Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Liva Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
M. A. V. 7., Bank Austria Leasing Bauträger GmbH & Co. OG.	VIENNA	EUR 3,707	100.00		100.00	
MBC Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Mcl Re Ljubljana, Poslovni Najem Nepremi Nin, D.O.O.	LJUBLJANA		Sold on 14.03.2019		100.00	

*) Voting rights are disclosed only if different from the percentage of holding.
**) Figures for FY 2018 have been adjusted.

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NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2019 HOLDING %	2019 VOTING RIGHTS % *)	2018 **) HOLDING %	2018 **) VOTING RIGHTS % *)
Menuett Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,337	100.00		100.00	
MM Omega Projektentwicklungs GmbH	VIENNA	EUR 35,000	100.00		100.00	
Mögra Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Nage Lokalvermietungsgesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
NÖ. HYPO LEASING ASTRICTA Grundstück-vermietungs Gesellschaft m.b.H.	VIENNA	EUR 36,337	95.00		95.00	
Oct Z Immobilien Leasing Gesellschaft m.b.H	VIENNA	EUR 36,500	100.00		100.00	
OLG Handels- und Beteiligungsverwaltungs-gesellschaft m.b.H.	VIENNA	EUR 36,336	100.00		100.00	
Palais Rothschild Vermietungs GmbH & Co OG	VIENNA	EUR 2,180,185	100.00		100.00	
Paytria Unternehmensbeteiligungen Gesellschaft m.b.H.	VIENNA	EUR 36,336	100.00		100.00	
PELOPS Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,337	100.00		100.00	
Piana Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
POLLUX Immobilien GmbH	VIENNA	EUR 36,500	100.00		100.00	
Posato Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Prelude Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
PRO WOHNBAU GmbH	VIENNA	EUR 23,621,113	100.00		100.00	
Projekt-Lease Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
QUADEC Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Quart Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Quint Z Immobilien Leasing Gesellschaft m.b.H	VIENNA	EUR 36,500	100.00		100.00	
RANA-Liegenschaftsverwertung GmbH	VIENNA	EUR 72,700	99.90		99.90	
Real Invest Europe d BA RI KAG	VIENNA		75.64		75.64	
Real Invest Immobilien GmbH	VIENNA	EUR 36,400	94.00	94.90	94.00	94.90
Real Invest Property GmbH & Co SPB Jota KG	VIENNA		42.30	72.75	42.30	72.75
Real-Lease Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Real-Rent Leasing Gesellschaft m.b.H.	VIENNA	EUR 73,000	100.00		100.00	
Regev Realitätenverwertungsgesellschaft m.b.H.	VIENNA	EUR 726,728	100.00		100.00	
RE-St. Marx Holding GmbH	VIENNA		Disposal on 01.03.2019		100.00	
RIGEL Immobilien GmbH	VIENNA		Merged on 19.09.2019		100.00	
RSB Anlagenvermietung Gesellschaft m.b.H.	VIENNA	EUR 36,337	100.00		100.00	
Schoellerbank Aktiengesellschaft	VIENNA	EUR 20,000,000	100.00		100.00	
Schoellerbank Invest AG	SALZBURG	EUR 2,543,549	100.00		100.00	
SECA-Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
SEDEC Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	

*) Voting rights are disclosed only if different from the percentage of holding.
**) Figures for FY 2018 have been adjusted.

A – Accounting methods

			2019		2018 **)	
NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	HOLDING %	VOTING RIGHTS % *)	HOLDING %	VOTING RIGHTS % *)
Sext Z Immobilien Leasing Gesellschaft m.b.H	VIENNA	EUR 36,500	100.00		100.00	
Shopping Palace Bratislava, v.o.s.	BRATISLAVA		42.30	72.75	42.30	72.75
Sigma Leasing GmbH	VIENNA	EUR 18,286	100.00		100.00	
SIRIUS Immobilien GmbH	VIENNA		Merged on 19.09.2019		100.00	
Sonata Leasing-Gesellschaft m.b.H.	VIENNA	EUR 36,336	100.00		100.00	
Spectrum Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,336	100.00		100.00	
Stewe Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,337	100.00		100.00	
Success 2015 B.V.	AMSTERDAM	EUR 1	100.00		100.00	
Terz Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
TREDEC Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Treuconsult Beteiligungsgesellschaft m.b.H.	VIENNA	EUR 365,000	94.95		94.95	
UCLA Immo-Beteiligungsholding Gmbh & Co KG	VIENNA	EUR 10,000	100.00		100.00	
Ufficium Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,337	100.00		100.00	
Unicom Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
UniCredit AURORA Leasing GmbH	VIENNA	EUR 219,000	100.00		100.00	
UniCredit Bank Austria AG	VIENNA	EUR 1,681,033,521	100.00		100.00	
UniCredit Center am Kaiserwasser GmbH	VIENNA	EUR 35,000	100.00		100.00	
UniCredit Garagen Errichtung und Verwertung GmbH	VIENNA	EUR 57,000	100.00		100.00	
UniCredit Gustra Leasing GmbH	VIENNA	EUR 35,000	100.00		Added to scope of consolidation on	
UniCredit Hamred Leasing GmbH	VIENNA	EUR 35,000	100.00		100.00	
UniCredit KFZ Leasing GmbH	VIENNA	EUR 648,000	100.00		100.00	
UniCredit Leasing (Austria) GmbH	VIENNA	EUR 17,296,134	100.00		100.00	
UniCredit Leasing Alpha Assetvermietung GmbH	VIENNA	EUR 35,000	100.00		100.00	
UniCredit Leasing Fuhrparkmanagement GmbH	VIENNA	EUR 364,000	100.00		100.00	
UniCredit Leasing ImmoTruck Zrt.	BUDAPEST	HUF 350,000,000	100.00		100.00	
UniCredit Leasing Kft.	BUDAPEST	HUF 30,000,000	100.00		100.00	
UniCredit Leasing Mars Kft.	BUDAPEST		Sold on 02.04.2019		80.00	
UniCredit Leasing Technikum GmbH	VIENNA	EUR 35,000	100.00		100.00	
UniCredit Leasing Uranus Kft.	BUDAPEST		Sold on 02.04.2019		80.00	
UniCredit Leasing Versicherungsservice GmbH & Co KG	VIENNA	EUR 36,500	100.00		100.00	
UniCredit Luna Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
UniCredit Mobilien und KFZ Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
UniCredit Pegasus Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
UniCredit Polaris Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	

*) Voting rights are disclosed only if different from the percentage of holding.
**) Figures for FY 2018 have been adjusted.

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NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2019 HOLDING %	2019 VOTING RIGHTS % *)	2018 **) HOLDING %	2018 **) VOTING RIGHTS % *)
UniCredit Rent d.o.o. Beograd	BELGRAD	RSD 3,285,948,900	100.00		100.00	
UniCredit TechRent Leasing GmbH	VIENNA	EUR 36,336	100.00		100.00	
UniCredit Zega Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
UniCredit-Leasing Hospes Ingatlanhasznosító Kft.	BUDAPEST		Disposal on 01.02.2019		100.00	
UniCredit-Leasing Luna Ingatlanhasznosító Kft.	BUDAPEST		Sold on 02.04.2019		80.00	
UniCredit-Leasing Neptunus Ingatlanhasznosító Kft.	BUDAPEST		Disposal on 01.02.2019		100.00	
UNIVERSALE International Realitäten GmbH	VIENNA	EUR 32,715,000	100.00		100.00	
Vape Communa Leasinggesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
WOM Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,336	100.00		100.00	
Z Leasing Alfa Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing ARKTUR Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing AURIGA Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing CORVUS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing DORADO Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing DRACO Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing Gama Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing GEMINI Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing HEBE Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing HERCULES Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing IPSILON Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing Ita Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	

*) Voting rights are disclosed only if different from the percentage of holding.
**) Figures for FY 2018 have been adjusted.

A – Accounting methods

NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2019 HOLDING %	2019 VOTING RIGHTS % *)	2018 **) HOLDING %	2018 **) VOTING RIGHTS % *)
Z Leasing JANUS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing KALLISTO Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing KAPA Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing LYRA Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing NEREIDE Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing OMEGA Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing PERSEUS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing SCORPIUS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing TAURUS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 73,000	100.00		100.00	
Z Leasing VENUS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing VOLANS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Zapadni Trgovacki Centar d.o.o.	RIJEKA	HRK 20,000	100.00		100.00	

*) Voting rights are disclosed only if different from the percentage of holding.
**) Figures for FY 2018 have been adjusted.

A.8.2 - Breakdown of minority interests

Non-controlling interests

(€ million)

	31-12-2019	31-12-2018
card complete Service Bank AG 1)	29	48
DC Bank AG 1)	11	11
Other entities	17	20
Consolidation adjustments	(9)	(15)
TOTAL	**48**	**64**

1) Classified as "Held for Sale

A – Accounting methods

Investments in subsidiaries with material non-controlling interests, 2019

NAME	TOTAL ASSETS	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	FINANCIAL LIABILITIES	SHAREHOLDERS' EQUITY	SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	NON-CONTROLLING INTERESTS %
card complete Service	663,874	1	590,004	71,945	246,171	57,992	28,938	49.90

1) card complete Service Bank AG: classified as a "held for sale" investment.

Investments in subsidiaries with material non-controlling interests, 2018

NAME	TOTAL ASSETS	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	FINANCIAL LIABILITIES	SHAREHOLDERS' EQUITY	SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	NON-CONTROLLING INTERESTS %
card complete Service	690,689	1	583,831	105,666	254,719	96,605	48,206	49.90

1) card complete Service Bank AG: classified as a "held for sale" investment.

A – Accounting methods

(€ thousand)

NET INTEREST MARGIN	OPERATING INCOME	OPERATING COSTS	TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	TOTAL PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	PROFIT (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS	NET PROFIT OR LOSS (1)	OCI (2)	COMPREHENSIVE INCOME (3) = (1) + (2)	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	DIVIDENDS PAID TO NON-CONTROLLING INTERESTS
7,009	84,632	(60,240)	15,527	13,112	-	13,112	-	13,112	6,543	25,812

(€ thousand)

NET INTEREST MARGIN	OPERATING INCOME	OPERATING COSTS	TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	TOTAL PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	PROFIT (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS	NET PROFIT OR LOSS (1)	OCI (2)	COMPREHENSIVE INCOME (3) = (1) + (2)	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	DIVIDENDS PAID TO NON-CONTROLLING INTERESTS
6,992	100,581	(62,151)	37,610	30,534	-	30,534	-	30,534	15,237	15,232

A – Accounting methods

A.8.3 - Joint ventures and associated companies

NAME	METHOD OF ACCOUNTING	MAIN OFFICE/ OPERATIONAL HQ	NATURE OF RELATIONSHIP	DATE OF PUBLICATION [3]
ARWAG Holding-Aktiengesellschaft	At equity	VIENNA	5	30-09-2014 1)
Bank für Tirol und Vorarlberg Aktiengesellschaft	At equity	INNSBRUCK	1	30-09-2019
BKS Bank AG	At equity	KLAGENFURT	1	30-09-2019
CBD International Sp.z.o.o.	At equity	WARSAW	5	31-12-2019
Fides Leasing GmbH	Joint Venture	VIENNA	2	31-12-2019
HETA BA Leasing Süd GmbH	Joint Venture	KLAGENFURT	2	31-12-2019
NOTARTREUHANDBANK AG	At equity	VIENNA	1	30-09-2019
Oberbank AG	At equity	LINZ	1	30-09-2019
Oesterreichische Kontrollbank Aktiengesellschaft	At equity	VIENNA	1	30-09-2019
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H.	At equity	VIENNA	1	31-12-2017 2)
Österreichische Wertpapierdaten Service GmbH	At equity	VIENNA	3	31-12-2018
Palatin Grundstückverwaltungs Gesellschaft m.b.H.	Joint Venture	STOCKERAU	2	31-12-2019
PSA Payment Services Austria GmbH	At equity	VIENNA	2	31-12-2018
Purge Grundstücksverwaltungs-Gesellschaft m.b.H. in Liqu.	Joint Venture	VIENNA	2	30-09-2019 2)
"UNI" Gebäudemanagement GmbH	At equity	LINZ	5	30-09-2019
WKBG Wiener Kreditbürgschafts- und Beteiligungsbank AG	At equity	VIENNA	1	31-12-2018

1) Reclassification according to IFRS 5 as "held for sale" investments.
2) Disposal in 2019
3) The most recent financial statements used for consolidation.

Nature of relationship:
1 = Banks
2 = Financial entities
3 = Ancillary banking entities services
4 = Insurance enterprises
5 = Non-financial enterprises
6 = Other equity investments

Voting rights are disclosed only if different from the percentage of holding.

A – Accounting methods

(€ thousand)

2019				2018			
ISSUED CAPITAL	HOLDING %	VOTING RIGHTS %	CARRYING AMOUNT € THSD	ISSUED CAPITAL	HOLDING %	VOTING RIGHTS %	CARRYING AMOUNT € THSD
EUR 3,000,000	34.38	-	22,603	EUR 3,000,000	34.38	-	22,603
EUR 68,062,500	47.38	46.85	754,466	EUR 68,062,500	47.38	46.85	694,769
EUR 85,885,800	29.78	30.30	350,341	EUR 85,886,000	29.78	30.30	339,217
PLN 100,500	49.75	-	1,180	PLN 100,500	49.75	-	750
EUR 36,000	50.00	-	143	EUR 36,000	50.00	-	101
EUR 36,500	50.00	-	1,645	EUR 36,500	50.00	-	1,558
EUR 8,030,000	25.00	-	9,984	EUR 8,030,000	25.00	-	8,339
EUR 105,768,000	27.17	27.29	786,389	EUR 105,820,000	27.17	27.29	736,333
EUR 130,000,000	49.15	-	401,016	EUR 130,000,000	49.15	-	388,436
-	Verkauft am 25.04.2019	-	-	EUR 11,628,000	50.00	-	15,587
EUR 100,000	29.30	-	58	EUR 100,000	29.30	-	46
EUR 36,336	50.00	-	92	EUR 36,336	50.00	-	93
EUR 285,000	24.00	-	6,500	EUR 285,000	24.00	-	6,420
-	Liquidiert am 05.09.2019	-	-	EUR 36,336	50.00	-	1
EUR 18,168	50.00	-	64	EUR 18,168	50.00	-	33
EUR 15.550,309	21.54	-	6,134	EUR 15.550.309	21.54	-	6,203

1) Reclassification according to IFRS 5 as "held for sale" investments.
2) Disposal in 2019
3) The most recent financial statements used for consolidation.

Nature of relationship:
1 = Banks
2 = Financial entities
3 = Ancillary banking entities services
4 = Insurance enterprises
5 = Non-financial enterprises
6 = Other equity investments

Voting rights are disclosed only if different from the percentage of holding.

A – Accounting methods

Investments in associates and joint ventures: accounting information 2019*)

NAME	TOTAL ASSETS	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	NON-FINANCIAL ASSETS	FINANCIAL LIABILITIES
Under significant influence					
BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT	12,137,366	1,039,633	10,617,564	480,169	10,099,780
BKS BANK AG	8,795,376	589,527	8,057,834	148,015	7,327,615
NOTARTREUHANDBANK AG	2,560,550	4	2,559,693	853	2,504,885
OBERBANK AG	22,924,276	674,018	21,799,229	451,029	19,334,376
OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT	32,513,339	194,424	32,190,798	128,117	30,081,824

*) Data as of 30 September 2019

Investments in associates and joint ventures: accounting information 2018*)

NAME	TOTAL ASSETS	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	NON-FINANCIAL ASSETS	FINANCIAL LIABILITIES
Under significant influence					
BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT	11,233,339	628,936	10,136,296	468,107	9,334,425
BKS BANK AG	8,184,364	308,013	7,732,774	143,577	6,797,581
NOTARTREUHANDBANK AG	2,539,546	3	2,537,426	2,117	2,490,455
OBERBANK AG	21,341,556	234,465	20,499,179	607,912	17,729,662
OESTERREICHISCHE HOTEL- UND TOURISMUSBANK GESELLSCHAFT M.B. H.	979,747	986	972,729	6,032	940,800
OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT	27,997,694	397,760	27,469,278	130,656	25,472,831

*) Data as of 30 September 2018

A – Accounting methods

(€ thousand)

NON-FINANCIAL LIABILITIES	NET EQUITY	TOTAL REVENUES	NET INTEREST MARGIN	OPERATING COSTS	TAX EXPENSE (INCOME)	PROFIT (LOSS)	PROFIT (LOSS) AFTER REVALUATION RESERVE	DIVIDENDS RECEIVED
355,537	1,682,050	393,076	131,248	(50,474)	(32,949)	118,364	110,200	4,838
241,896	1,225,865	275,489	131,726	(75,890)	(9,619)	85,034	82,066	2,941
15,729	39,936	14,258	13,473	(6,180)	(2,400)	6,580	6,580	-
695,999	2,893,901	733,359	353,620	(240,424)	(57,138)	235,938	222,816	10,554
1,615,615	815,900	442,450	91,493	(72,825)	(13,946)	47,696	35,379	16,081

*) Data as of 30 September 2019

(€ thousand)

NON-FINANCIAL LIABILITIES	NET EQUITY	TOTAL REVENUES	NET INTEREST MARGIN	OPERATING COSTS	TAX EXPENSE (INCOME)	PROFIT (LOSS)	PROFIT (LOSS) AFTER REVALUATION RESERVE	DIVIDENDS RECEIVED
321,344	1,577,570	331,978	122,083	(57,888)	(16,058)	92,874	99,842	4,398
234,416	1,152,367	262,480	125,617	(73,093)	(10,813)	69,895	100,047	2,715
15,736	33,354	14,278	13,404	(6,149)	(2,259)	5,879	5,879	-
902,204	2,709,690	685,915	322,769	(188,963)	(42,210)	223,560	188,633	8,635
7,772	31,175	18,803	4,250	(2,900)	(1,449)	2,645	2,645	750
1,734,553	790,310	379,640	79,265	(69,014)	(11,717)	40,064	36,162	16,082

*) Data as of 30 September 2018

A – Accounting methods

Consolidated companies and changes in consolidated companies of the Bank Austria Group in 2019

	CONSOLIDATED COMPANIES	COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD	TOTAL
Opening balance	**229**	**16**	**245**
Additions	**1**	**-**	**1**
Newly established companies	-	-	-
Acquired companies	1	-	1
Other changes	-	-	-
Changes in UniCredit Group	-	-	-
Disposals	**-16**	**-2**	**-18**
Companies sold or liquidated	-8	-2	-10
Mergers	-5	-	-5
Changes in UniCredit Group	-3	-	-3
CLOSING BALANCE	**214**	**14**	**228**

The changes in the group of consolidated companies mainly relate to the sale of leasing companies and a further simplification of the structure of the UniCredit Bank Austria Group's holdings.

The disposal result from disposals from the consolidated group in the 2019 financial year amounts to € 1.6 million.

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List of subsidiaries and associates not consolidated because the equity investments are not material*)

NAME	MAIN OFFICE/ OPERATIONAL HQ	HOLDING %
"Neue Heimat" Gemeinnützige Wohnungs-und Siedlungsgesellschaft, Gesellschaft mit beschränkter Haftung	Wiener Neustadt	27.00
"MARTIANEZ COMERCIAL, SOCIEDAD ANONIMA"	Puerto de la Cruz	100.00
Alfa Holding Ingatlanszolgaltato Kft.	Györ	95.00
BA WORLDWIDE FUND MANAGEMENT LTD	Tortola	94.95
BA-CA Investor Beteiligungs GmbH	Vienna	89.26
Bank Austria Real Invest Asset Management GmbH	Vienna	94.95
Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H. in Liqu.	Vienna	30.61
ELINT Gesellschaft m.b.H. u. Co OG.	Vienna	89.26
ELINT Gesellschaft m.b.H.	Vienna	89.26
FONTANA Hotelverwaltungsgesellschaft m.b.H.	Vienna	100.00
GELAND Alpha Beteiligungs GmbH	Vienna	89.26
GEWOG Gemeinnützige Wohnungsbau-Gesellschaft m.b.H.	Vienna	25.00
M.A.I.L. Real Estate Management Jota Bratislava s.r.o.	Bratislava	94.95
Palais Rothschild Vermietungs GmbH	Vienna	100.00
RAMSES-Immobilienholding GmbH	Vienna	100.00
Real(e)value Immobilien BewertungsGmbH	Vienna	100.00
Real Invest Property Jota Immobilienverwertungs GmbH	Vienna	100.00
RE-St.Marx Holding GmbH	Vienna	100.00
Sigma Holding Ingatlanszolgaltato Kft.	Budapest	95.00
Treuconsult Property Alpha GmbH	Vienna	94.95
Wohnpark Brandenburg-Görden Gesellschaft m.b.H in Liq.	Brandenburg	100.00

*) The inclusion is based on quantitative (e.g.: balance sheet total < € 5 million, possibility of profit realization) and qualitative criteria (e.g.: strategic relevance).

A – Accounting methods

Exposure towards unconsolidated structured entities

Exposure towards unconsolidated investment funds

Units in investments funds

(€ million)

		31-12-2019			31-12-2018		
EXPOSURE TYPE	CATEGORY	BOOK VALUE	NOMINAL VALUE	FAIR VALUE	BOOK VALUE	NOMINAL VALUE	FAIR VALUE
	Financial assets mandatorily at fair value trough P&L	23	29	23	26	30	26
	Held for trading	-	-	-	-	-	-
TOTAL		**23**	**29**	**23**	**26**	**30**	**26**

Other exposure towards unconsolidated investment funds

Assets

(€ million)

		31-12-2019		31-12-2018	
EXPOSURE TYPE	CATEGORY	BOOK VALUE	NOMINAL VALUE	BOOK VALUE	NOMINAL VALUE
Loans and receivables	Financial assets at amortised cost: b) Loans and receivables with customers	478	478	206	206
Credit derivatives	Held for trading	2	114	3	162
Other derivatives	Held for trading	-	-	-	-
Guarantees	Off-balance sheet	-	-	-	-
Credit lines revocable	Off-balance sheet	-	1,540	-	1,835
Credit lines irrevocable	Off-balance sheet	-	145	-	190
TOTAL		**480**	**2,277**	**209**	**2,393**

Liabilities

(€ million)

EXPOSURE TYPE	CATEGORY	31-12-2019 BOOK VALUE	31-12-2018 BOOK VALUE
Deposits	Financial liabilities at amortised cost: b) Loans and receivables with customers	964	1,132
Other derivatives (no credit risk)	Liabilities	-	-
TOTAL		**964**	**1,132**

Income from unconsolidated structured entities

In 2019, the Bank Austria Group generated income from fees and commissions from unconsolidated investment funds in the amount of € 35 million (previous year: €32 million).

A – Accounting methods

Disclosures of material restrictions

Minimum regulatory capital requirements and disbursement blocks restrict the ability of subsidiaries of our Group to pay dividends or redeem capital.

These minimum capital requirements are a result of the regulations of the CRR, BWG (Austrian Banking Act), capital buffer regulations and any SREP regulations. According to CRR, equity can only be reduced with the approval of the responsible supervisory authorities,

In addition, there are additional restrictions other than legal or regulatory minimum capital requirements and restrictions that are based on such minimum capital requirements, such as limitations on large exposures.

B – Notes to the income statement

B – Notes to the income statement

B.1 – Interest income / Interest expense

1.1 Interest income and similar revenues: breakdown

(€ million)

ITEMS/TYPES	YEAR 2019 DEBT SECURITIES	YEAR 2019 LOANS	YEAR 2019 OTHER TRANSACTIONS	YEAR 2019 TOTAL	YEAR 2018 TOTAL
1. Financial assets at fair value through profit or loss	**2**	**54**	**204**	**260**	**150**
1.1 Financial assets held for trading	-	-	204	204	97
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily at fair value	2	54	-	56	53
2. Financial assets at fair value through other comprehensive income	**156**	**-**	**X**	**156**	**181**
3. Financial assets at amortised cost	**3**	**1,037**	**X**	**1,040**	**1,055**
3.1 Loans and advances to banks	-	51	X	51	69
3.2 Loans and advances to customers	3	986	X	989	986
4. Hedging derivatives	**X**	**X**	**(124)**	**(124)**	**143**
5. Other assets	**X**	**X**	**16**	**16**	**15**
6. Financial liabilities	**X**	**X**	**X**	**33**	**41**
Total	**162**	**1,090**	**96**	**1,381**	**1,584**
of which: interest income on impaired financial assets	*-*	*41*	*-*	*41*	*40*

The total interest income for financial assets not measured at fair value through profit or loss amounts to €1,212 million (previous year: €1,251 million). Interest income from currency-denominated financial assets amounted to €230 million (previous year: €229 million).

Income received for deposits (liabilities) in the amount to € 33 million (previous year: 41 million) is reported under interest and similar income. Interest income for impaired financial assets classified in Level 3 amounted to €41 million (previous year: €40 million).

Interest income includes €11 million (previous year: 12 million) from the reversal of valuation allowances.

1.3 Interest expenses and similar charges: breakdown

(€ million)

ITEMS/TYPES	YEAR 2019 DEBTS	YEAR 2019 SECURITIES	YEAR 2019 OTHER TRANSACTIONS	YEAR 2019 TOTAL	YEAR 2018 TOTAL
1. Financial liabilities at amortised cost	**(166)**	**(245)**	**X**	**(411)**	**(470)**
1.1 Deposits from central banks	-	X	X	-	(1)
1.2 Deposits from banks	(85)	X	X	(85)	(98)
1.3 Deposits from customers	(80)	X	X	(80)	(88)
1.4 Debt securities in issue	X	(245)	X	(245)	(283)
2. Financial liabilities held for trading	**-**	**-**	**(204)**	**(204)**	**(98)**
3. Financial liabilities designated at fair value	**-**	**(1)**	**-**	**(1)**	**(2)**
4. Other liabilities and funds	**X**	**X**	**(1)**	**(1)**	**(2)**
5. Hedging derivatives	**X**	**X**	**233**	**233**	**(14)**
6. Financial assets	**X**	**X**	**X**	**(36)**	**(36)**
Total	**(166)**	**(246)**	**27**	**(421)**	**(621)**
of which: interest expenses on lease liabilities	*(10)*	*-*	*-*	*(10)*	-

B – Notes to the income statement

The total interest expense for liabilities not measured at fair value through profit or loss amounts to €-412 million (previous year: €-472 million). Interest expense on financial liabilities denominated in foreign currencies amounted to €-87 million (previous year: €-67 million). Expenses incurred for receivables (assets) in the amount of €-36 million (previous year: -€36 million) is reported under interest and similar expenses.

B.2 – Fee and commission income / Fee and commission expense

2.1 Fees and commissions income: breakdown

(€ million)

TYPE OF SERVICES/VALUES	YEAR 2019	YEAR 2018
a) Guarantees given	40	38
b) Credit derivatives	1	2
c) Management, brokerage and consultancy services	364	357
1. Securities trading	-	-
2. Currency trading	2	2
3. Portfolio management	231	219
3.1 Individual	59	55
3.2 Collective	172	165
4. Custody and administration of securities	85	53
5. Custodian bank	-	32
6. Placement of securities	-	4
7. Reception and transmission of orders	18	20
8. Advisory services	7	-
8.1 Relating to investments	-	-
8.2 Relating to financial structure	7	-
9. Distribution of third party services	20	27
9.1 Portfolio management	4	3
9.1.1 Individual	-	-
9.1.2 Collective	4	3
9.2 Insurance products	15	17
9.3 Other products	2	7
d) Collection and payment services	90	95
e) Securitisation servicing	-	-
f) Factoring	3	3
g) Tax collection services	-	-
h) Management of multilateral trading facilities	-	-
i) Management of current accounts	135	134
j) Other services	268	271
k) Security lending	-	-
Total	**901**	**900**

2.2 Fees and commissions expenses: breakdown

(€ million)

SERVICES/VALUES	YEAR 2019	YEAR 2018
a) Guarantees received	(14)	(14)
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services	(64)	(62)
1. Trading financial instruments	(4)	(3)
2. Currency trading	-	-
3. Portfolio management	(13)	(13)
3.1 Own portfolio	(3)	(3)
3.2 Third party portfolio	(10)	(10)
4. Custody and administration of securities	(23)	(25)
5. Placement of financial instruments	-	-
6. Off-site distribution of financial instruments, products and services	(23)	(20)
d) Collection and payment services	(125)	(113)
e) Other services	(6)	(5)
f) Security lending	-	-
Total	**(209)**	**(195)**

B – Notes to the income statement

B.3 – Dividend income and similar revenue

3.1 Dividend income and similar revenues: breakdown

(€ million)

ITEMS/REVENUES	YEAR 2019		YEAR 2018	
	DIVIDENDS	SIMILAR REVENUES	DIVIDENDS	SIMILAR REVENUES
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily at fair value	-	-	-	-
C. Financial assets at fair value through other comprehensive income	5	-	5	-
D. Equity investments	2	-	2	-
Total	**6**	**-**	**7**	**-**
Total dividends and similar revenues		**6**		**7**

B.4 - Net trading income

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

(€ million)

TRANSACTIONS/P&L ITEMS	YEAR 2019				
	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A + B) – (C + D)]
1. Financial assets held for trading	**-**	**2**	**-**	**-**	**2**
1.1 Debt securities	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-
1.3 Units in investment funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	2	-	-	2
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Deposits	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**23**
4. Derivatives	**5**	**1**	**-**	**-**	**6**
4.1 Financial derivatives	5	1	-	-	6
- On debt securities and interest rates	5	-	-	-	5
- On equity securities and share indices	-	-	-	-	-
- On currency and gold	X	X	X	X	1
- Other	-	1	-	-	1
4.2 Credit derivatives	-	-	-	-	-
of which: economic hedges linked to the fair value option	*X*	*X*	*X*	*X*	-
Total	**5**	**3**	**(1)**	**-**	**31**

B – Notes to the income statement

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

(€ million)

TRANSACTIONS/P&L ITEMS	YEAR 2018				
	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A + B) – (C + D)]
1. Financial assets held for trading	**1**	**1**	**-**	**-**	**2**
1.1 Debt securities	-	1	-	-	1
1.2 Equity instruments	-	-	-	-	-
1.3 Units in investment funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	1	-	-	-	1
2. Financial liabilities held for trading	**1**	**-**	**-**	**-**	**1**
2.1 Debt securities	-	-	-	-	-
2.2 Deposits	-	-	-	-	-
2.3 Other	1	-	-	-	1
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**25**
4. Derivatives	**42**	**-**	**-**	**-**	**43**
4.1 Financial derivatives	42	-	-	-	43
- On debt securities and interest rates	42	-	-	-	42
- On equity securities and share indices	-	-	-	-	-
- On currency and gold	X	X	X	X	-
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: economic hedges linked to the fair value option	*X*	*X*	*X*	*X*	-
Total	**44**	**1**	**-**	**-**	**70**

B.5 – Fair Value adjustments in hedge Accounting

5.1 Fair value adjustments in hedge accounting: breakdown

(€ million)

P&L COMPONENT/VALUES	YEAR 2019	YEAR 2018
A. Gains on		
A.1 Fair value hedging instruments	303	388
A.2 Hedged financial assets (in fair value hedge relationship)	42	-
A.3 Hedged financial liabilities (in fair value hedge relationship)	-	96
A.4 Cash-flow hedging derivatives	-	-
A.5 Assets and liabilities denominated in currency	-	-
Total gains on hedging activities (A)	**345**	**484**
B. Losses on		
B.1 Fair value hedging instruments	(295)	(389)
B.2 Hedged financial assets (in fair value hedge relationship)	-	(97)
B.3 Hedged financial liabilities (in fair value hedge relationship)	(52)	-
B.4 Cash-flow hedging derivatives	-	-
B.5 Assets and liabilities denominated in currency	-	-
Total losses on hedging activities (B)	**(346)**	**(486)**
C. Net hedging result (A – B)	**(1)**	**(2)**
of which: net gains (losses) of hedge accounting on net positions	-	-

B – Notes to the income statement

B.6 - Profits and losses on the disposal of financial assets and repurchase of financial liabilities

6.1 Gains (Losses) on disposal/repurchase: breakdown

(€ million)

ITEMS/P&L ITEMS	YEAR 2019			YEAR 2018		
	GAINS	LOSSES	NET PROFIT	GAINS	LOSSES	NET PROFIT
A. Financial assets						
1. Financial assets at amortised cost	-	-	-	-	-	-
1.1 Loans and advances to banks	-	-	-	-	-	-
1.2 Loans and advances to customers	-	-	-	-	-	-
2. Financial assets at fair value through other comprehensive income	13	-	13	14	-	14
2.1 Debt securities	13	-	13	14	-	14
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**13**	**-**	**13**	**14**	**-**	**14**
B. Financial liabilities at amortised cost						
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**
Total financial assets/liabilities			**13**			**14**

B.7 – Net change in financial assets and liabilities at fair value through profit or loss

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

(€ million)

TRANSACTIONS/P&L ITEMS	YEAR 2019				
	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A + B) – (C + D)]
1. Financial assets	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-
1.2 Loans	-	-	-	-	-
2. Financial liabilities	**70**	**-**	**(73)**	**-**	**(3)**
2.1 Debt securities	-	-	(3)	-	(2)
2.2 Deposits from banks	69	-	(70)	-	(1)
2.3 Deposits from customers	-	-	-	-	-
3. Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**-**
Total	**70**	**-**	**(73)**	**-**	**(3)**

The valuation result due to the change in UniCredit Bank Austria AG's own credit rating was € -4 million (previous year: €5 million).

B – Notes to the income statement

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

(€ million)

TRANSACTIONS/P&L ITEMS	YEAR 2018				
	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A + B) − (C + D)]
1. Financial assets	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-
1.2 Loans	-	-	-	-	-
2. Financial liabilities	**6**	**-**	**(5)**	**-**	**-**
2.1 Debt securities	6	-	-	-	6
2.2 Deposits from banks	-	-	(5)	-	(5)
2.3 Deposits from customers	-	-	-	-	-
3. Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**-**
Total	**6**	**-**	**(5)**	**-**	**-**

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

(€ million)

TRANSACTIONS/P&L ITEMS	YEAR 2019				
	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A + B) − (C + D)]
1. Financial assets	**25**	**12**	**(8)**	**(11)**	**17**
1.1 Debt securities	6	-	-	-	5
1.2 Equity securities	-	-	-	-	-
1.3 Units in investment funds	1	10	(1)	(9)	1
1.4 Loans	18	1	(7)	(2)	11
2. Financial assets: exchange differences	**X**	**X**	**X**	**X**	**-**
Total	**25**	**12**	**(8)**	**(11)**	**17**

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

(€ million)

TRANSACTIONS/P&L ITEMS	YEAR 2018				
	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A + B) − (C + D)]
1. Financial assets	**32**	**7**	**(17)**	**(2)**	**20**
1.1 Debt securities	-	-	(4)	-	(4)
1.2 Equity securities	10	-	-	-	10
1.3 Units in investment funds	6	6	(4)	-	8
1.4 Loans	16	1	(9)	(2)	6
2. Financial assets: exchange differences	**X**	**X**	**X**	**X**	**-**
Total	**32**	**7**	**(17)**	**(2)**	**20**

B – Notes to the income statement

B.8 – Impairments

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

(€ million)

TRANSACTIONS/P&L ITEMS	YEAR 2019 WRITE-DOWNS LEVEL 1 AND 2	YEAR 2019 WRITE-DOWNS LEVEL 3 WRITE-OFF	YEAR 2019 WRITE-DOWNS LEVEL 3 OTHER	YEAR 2019 WRITE-BACKS LEVEL 1 AND 2	YEAR 2019 WRITE-BACKS LEVEL 3	YEAR 2019 TOTAL	YEAR 2018 TOTAL
A. Loans and advances to banks	**(1)**	**-**	**-**	**2**	**-**	**1**	**1**
- Loans	(1)	-	-	2	-	1	1
- Debt securities	-	-	-	-	-	-	-
of which: acquired or originated impaired loans	-	-	-	-	-	-	-
B. Loans and advances to customers	**(136)**	**(21)**	**(156)**	**155**	**124**	**(34)**	**93**
- Loans	(136)	(21)	(156)	154	123	(36)	78
- Debt securities	-	-	-	1	1	2	16
of which: acquired or originated impaired loans	-	-	*(7)*	-	*4*	*(3)*	*3*
Total	**(137)**	**(21)**	**(156)**	**157**	**124**	**(33)**	**95**

Details of impairment losses on loans and receivables with customers are given in the risk report.

8.2 Net change for credit risk relating to financial assets at fair value through other comprehensive income: breakdown

(€ million)

TRANSACTIONS/P&L ITEMS	YEAR 2019 WRITE-DOWNS LEVEL 1 AND 2	YEAR 2019 WRITE-DOWNS LEVEL 3 WRITE-OFF	YEAR 2019 WRITE-DOWNS LEVEL 3 OTHER	YEAR 2019 WRITE-BACKS LEVEL 1 AND 2	YEAR 2019 WRITE-BACKS LEVEL 3	YEAR 2019 TOTAL	YEAR 2018 TOTAL
A. Debt securities	**-**	**-**	**-**	**1**	**-**	**-**	**1**
B. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Loans and advances to customers	-	-	-	-	-	-	-
- Loans and advances to banks	-	-	-	-	-	-	-
of which: acquired or originated impaired financial assets	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**1**	**-**	**-**	**1**

B – Notes to the income statement

B.9 – Payroll costs

12.1 Staff expenses: breakdown

(€ million)

TYPE OF EXPENSES/VALUES	YEAR 2019	YEAR 2018
1) Employees	**(826)**	**(726)**
a) Wages and salaries	(472)	(479)
b) Social charges	(115)	(121)
c) Severance pay	-	-
d) Social security costs	-	-
e) Allocation to employee severance pay provision	-	-
f) Provision for retirements and similar provisions	(49)	(76)
- Defined contribution	(1)	(1)
- Defined benefit	(48)	(76)
g) Payments to external pension funds	(15)	(15)
- Defined contribution	(14)	(13)
- Defined benefit	(1)	(1)
h) Costs arising from share-based payments	(3)	(3)
i) Other employee benefits	(171)	(32)
2) Other staff	**(3)**	**(4)**
3) Directors and Statutory Auditors	**-**	**-**
4) Early retirement costs	**-**	**-**
5) Recoveries of payments for second employees to other companies *)	**67**	**92**
4) Early retirement costs	**(7)**	**(5)**
Total	**(770)**	**(643)**

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

12.3 Defined benefit company retirement funds: costs and revenues

(€ million)

	YEAR 2019	YEAR 2018
Current service cost	(12)	(12)
Settlement gains (losses)	30	-
Past service cost	-	-
Interest cost on the DBO	(67)	(63)
Interest income on plan assets	-	-
Other costs/revenues	-	-
Administrative expenses paid through plan assets	-	-
Total recognised in profit or loss	**(48)**	**(76)**

12.4 Other employee benefits

(€ million)

	YEAR 2019	YEAR 2018
- Seniority premiums	(7)	(5)
- Leaving incentives *)	(152)	(12)
- Other	(12)	(15)
Total	**(171)**	**(32)**

*) Includes restructuring expenses in connection with the multi-year plan 2020 - 2023 of UCBA "Team 23".

B – Notes to the income statement

B.10 – Other administrative expenses

12.5 Other administrative expenses: breakdown

(€ million)

TYPE OF EXPENSES/SECTORS	YEAR 2019	YEAR 2018
1) Indirect taxes and duties	**(66)**	**(58)**
1a. Settled	(66)	(58)
1b. Unsettled	-	-
2) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)	**(60)**	**(58)**
3) Guarantee fee for DTA conversion	**-**	**-**
4) Miscellaneous costs and expenses	**(496)**	**(553)**
a) Advertising marketing and communication	(25)	(28)
b) Expenses relating to credit risk	(4)	(4)
c) Indirect expenses relating to personnel	(9)	(9)
d) Information & Communication Technology expenses	(226)	(235)
Lease of ICT equipment and software	(1)	(1)
Software expenses: lease and maintenance	(10)	(8)
ICT communication systems	(5)	(5)
Services ICT in outsourcing	(201)	(212)
Financial information providers	(10)	(9)
e) Consulting and professionals services	(23)	(25)
Consulting	(17)	(19)
Legal expenses	(6)	(6)
f) Real estate expenses	(38)	(90)
Premises rentals *)	(4)	(35)
Utilities	(9)	(15)
Other real estate expenses	(26)	(39)
g) Operating costs	(172)	(161)
Surveillance and security services	(2)	(4)
Money counting services and transport	(5)	(6)
Printing and stationery	(6)	(6)
Postage and transport of documents	(19)	(21)
Administrative and logistic services	(103)	(114)
Insurance	(3)	(4)
Association dues and fees and contributions to the administrative expenses deposit guarantee funds	(10)	(8)
Other administrative expenses - other	(25)	-
Total (1+2+3+4)	**(622)**	**(669)**

*) The decrease is mainly due to the first-time application of IFRS 16.

The contributions levied on settlement funds and deposit guarantee schemes comprise both contributions based on harmonised EU regulations and contributions based on existing local rules.

B.11 – Provisions for credit risk on commitments and financial guarantees

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

(€ million)

	YEAR 2019		
	PROVISIONS	REALLOCATION SURPLUS	TOTAL
Loan commitments	(18)	17	**(1)**
Financial guarantees given	(25)	26	**1**

B – Notes to the income statement

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

(€ million)

	YEAR 2018		
	PROVISIONS	REALLOCATION SURPLUS	TOTAL
Loan commitments	(19)	32	**13**
Financial guarantees given	(60)	35	**(25)**

B.12 – Net provisions for risks and charges

13.3 Net provisions for risks and charges: breakdown

(€ million)

	YEAR 2019			YEAR 2018
ASSETS/P&L ITEMS	PROVISIONS	REALLOCATION SURPLUS	TOTAL	TOTAL
1. Other provisions				
1.1 Legal disputes *)	(8)	82	75	(36)
1.2 Staff costs	-	-	-	-
1.3 Other	(15)	2	(13)	(6)
Total	**(23)**	**84**	**61**	**(42)**

*) The release column includes a partial release of a provision for sanctions following an agreement with US authorities in the first quarter of 2019.

B.13 – Depreciation, value adjustments and write-backs on tangible fixed assets

14.1 Net value adjustments/write-backs on property, plant and equipment: breakdown

(€ million)

	YEAR 2019			
ASSETS/INCOME ITEMS	DEPRECIATION (A)	IMPAIRMENT LOSSES (B)	WRITE-BACKS (C)	NET PROFIT (A+B-C)
A. Property, plant and equipment				
A.1 Used in the business	**(86)**	**(1)**	**3**	**(83)**
- Owned	(56)	(1)	3	(53)
- Right of use of Leased Assets *)	(30)	-	-	(30)
A.2 Held for investment	**-**	**(4)**	**-**	**(4)**
- Owned	-	(4)	-	(4)
- Right of use of Leased Assets	-	-	-	-
A.3 Inventories	**-**	**-**	**-**	**-**
Total A	**(86)**	**(5)**	**3**	**(87)**
B. Non-current assets and groups of assets held for sale	**X**	**(4)**	**-**	**(4)**
- Used in the business	X	(4)	-	(4)
- Held for investments	X	-	-	-
- Inventories	X	-	-	-
TOTAL A + B	**(86)**	**(9)**	**3**	**(92)**

*) First time adoption of IFRS 16.

B – Notes to the income statement

14.1 Net value adjustments/write-backs on property, plant and equipment: breakdown

(€ million)

ASSETS/INCOME ITEMS	YEAR 2018 *) DEPRECIATION (A)	IMPAIRMENT LOSSES (B)	WRITE-BACKS (C)	NET PROFIT (A+B-C)
A. Property, plant and equipment				
A.1 Used in the business	**(56)**	**(3)**	**-**	**(59)**
- Owned	(56)	(3)	-	(59)
- Right of use of Leased Assets	-	-	-	-
A.2 Held for investment	**-**	**-**	**-**	**-**
- Owned	-	-	-	-
- Right of use of Leased Assets	-	-	-	-
A.3 Inventories	**-**	**-**	**-**	**-**
Total A	**(56)**	**(3)**	**-**	**(59)**
B. Non-current assets and groups of assets held for sale	**X**	**(2)**	**13**	**10**
- Used in the business	X	-	13	13
- Held for investments	X	(2)	-	(2)
- Inventories	X	-	-	-
TOTAL A + B	**(56)**	**(5)**	**13**	**(49)**

*) Figures as published as of 31/12/2018, but adjusted to IAS 40.

B.14 – Depreciations, impairments and write-backs on intangible assets

15.1 Net value adjustments/write-backs on intangible assets: breakdown

(€ million)

ASSETS/P&L ITEMS	YEAR 2019 AMORTISATION (A)	IMPAIRMENT LOSSES (B)	WRITE-BACKS (C)	NET PROFIT (A+B-C)
A. Intangible assets				
A.1 Owned	**(1)**	**-**	**-**	**(1)**
- Generated internally by the company	-	-	-	-
- Other	(1)	-	-	(1)
A.2 Right of use of Leased Assets	**-**	**-**	**-**	**-**
B. Non-current assets and disposal group classified as held for sale	**X**	**-**	**-**	**-**
Total	**(1)**	**-**	**-**	**(1)**

15.1 Net value adjustments/write-backs on intangible assets: breakdown

(€ million)

ASSETS/P&L ITEMS	YEAR 2018 AMORTISATION (A)	IMPAIRMENT LOSSES (B)	WRITE-BACKS (C)	NET PROFIT (A+B-C)
A. Intangible assets				
A.1 Owned	**(3)**	**-**	**-**	**(3)**
- Generated internally by the company	-	-	-	-
- Other	(3)	-	-	(3)
A.2 Right of use of Leased Assets	**-**	**-**	**-**	**-**
B. Non-current assets and disposal group classified as held for sale	**X**	**-**	**-**	**-**
Total	**(3)**	**-**	**-**	**(3)**

B – Notes to the income statement

B.15 – Other operating income and expenses

16.1 Other operating expenses: breakdown

(€ million)

TYPE OF EXPENSE/VALUES	YEAR 2019	YEAR 2018
Costs for operating leases	-	-
Non-deductible tax and other fiscal charges	(1)	(1)
Write-downs on leasehold improvements	(12)	(13)
Costs relating to the specific service of financial leasing	-	(1)
Other	(32)	(25)
Total of other operating expenses	**(45)**	**(40)**

16.2 Other operating income: breakdown

(€ million)

TYPE OF REVENUE/VALUES	YEAR 2019	YEAR 2018
A) Recovery of costs	**-**	**-**
B) Other revenues	**127**	**122**
Revenues from administrative services	20	28
Revenues on rentals Real Estate investments (net of operating direct costs)	(4)	9
Revenues from operating leases	62	47
Recovery of miscellaneous costs paid in previous years	9	6
Revenues on financial leases activities	1	-
Other	38	32
Total of other operating income (A+B)	**127**	**122**

B.16 – Profit (loss) on equity investments

(€ million)

	2019	2018
Joint Ventures		
Income	**-**	**7**
Revaluations	-	-
Net profit	**-**	**7**
Assoziierte Unternehmen		
Income	**185**	**185**
Revaluations	173	150
Gains on disposal	2	9
Writebacks [1)]	10	27
Other gains	-	-
Expense	**(11)**	**(33)**
Writedowns	-	(1)
Impairment losses [2)]	(11)	(32)
Losses on disposal	-	-
Other expenses	-	-
Net profit	**174**	**152**
TOTAL	**174**	**159**

1) Write-ups in 2019 in the amount of € 10.2 million relate to BTV.
2) The item valuation allowances includes a write-down of the consolidated book value of BKS in 2019 in the amount of € -10.8 million.

B – Notes to the income statement

B.17 – Gains and losses on tangible and intangible fixed assets at fair value

18.1 Net gains (losses) on property, plant and equipment and intangible assets measured at fair value: breakdown

(€ million)

	YEAR 2019				
			EXCHANGE DIFFERENCES		
ASSETS/INCOME COMPONENTS	REVALUATIONS (A)	WRITEDOWNS (B)	POSITIVE (C)	NEGATIVE (D)	NET PROFIT (A-B+C-D)
A. Property, plant and equipment	**18**	**(24)**	**-**	**-**	**(5)**
A.1 Used in the business	**-**	**(7)**	**-**	**-**	**(7)**
- Owned	-	(7)	-	-	(7)
- Right of use of Leased Assets	-	-	-	-	-
A.2 Held for investment	**18**	**(17)**	**-**	**-**	**1**
- Owned	18	(17)	-	-	1
- Right of use of Leased Assets	-	-	-	-	-
A.3 Inventories	**-**	**-**	**-**	**-**	**-**
B. Intangible assets	**-**	**-**	**-**	**-**	**-**
B.1 Owned	**-**	**-**	**-**	**-**	**-**
- Generated internally by the company	-	-	-	-	-
- Other	-	-	-	-	-
B.2 Right of use of Leased Assets	**-**	**-**	**-**	**-**	**-**
Total	**18**	**(24)**	**-**	**-**	**(5)**

18.1 Net gains (losses) on property, plant and equipment and intangible assets measured at fair value: breakdown

(€ million)

	YEAR 2018				
			EXCHANGE DIFFERENCES		
ASSETS/INCOME COMPONENTS	REVALUATIONS (A)	WRITEDOWNS (B)	POSITIVE (C)	NEGATIVE (D)	NET PROFIT (A-B+C-D)
A. Property, plant and equipment	**8**	**(22)**	**-**	**-**	**(14)**
A.1 Used in the business	**-**	**-**	**-**	**-**	**-**
- Owned	-	-	-	-	-
- Right of use of Leased Assets	-	-	-	-	-
A.2 Held for investment	**8**	**(22)**	**-**	**-**	**(14)**
- Owned	8	(22)	-	-	(14)
- Right of use of Leased Assets	-	-	-	-	-
A.3 Inventories	**-**	**-**	**-**	**-**	**-**
B. Intangible assets	**-**	**-**	**-**	**-**	**-**
B.1 Owned	**-**	**-**	**-**	**-**	**-**
- Generated internally by the company	-	-	-	-	-
- Other	-	-	-	-	-
B.2 Right of use of Leased Assets	**-**	**-**	**-**	**-**	**-**
Total	**8**	**(22)**	**-**	**-**	**(14)**

B – Notes to the income statement

B.18 – Gains and losses on disposal of investments

20.1 Gains and losses on disposal of investments: breakdown

(€ million)

P&L ITEMS/SECTORS	YEAR 2019	YEAR 2018
A. Property		
- Gains on disposal	6	17
- Losses on disposal	-	-
B. Other assets		
- Gains on disposal	5	22
- Losses on disposal	(3)	(5)
Net Profit	**8**	**34**

B.19 – Income tax

21.1 Tax expense (income) relating to profit or loss from continuing operations: breakdown

(€ million)

P&L ITEMS/SECTORS		YEAR 2019	YEAR 2018 RESTATED **)
1.	Current taxes (-)	(33)	(61)
2.	Change of current taxes of previous years (+/-)	11	5
3.	Reduction of current taxes for the year (+)	25	35
4.	Change of deferred tax assets (+/-) *)	118	(191)
5.	Change of deferred tax liabilities (+/-)	57	134
6.	**Tax expenses for the year (-) (-1+/-2+3+/-4+/-5)**	**177**	**(78)**

*) Included here are deferred taxes from the capitalisation of loss carryforwards.
**) Figures as published for 2018, but adjusted to IAS 40.

At UniCredit Bank Austria AG, mainly due to the recognition of actuarial gains and losses on pension and severance payment obligations, deferred tax assets in the current year of € 121 million (previous year: € 73 million), were recognised in equity outside profit or loss. The change in deferred tax assets in 2019 includes deferred tax from the capitalisation of unused tax loss carryforwards.

Reconciliation of theoretical tax charge to actual tax charge

(€ millions)

	2019	2018 RESTATED *)
Total profit of loss before tax from continuing operations	**519**	**718**
Applicable tax rate	25%	25%
Theoretical tax	**(130)**	**(180)**
Different tax rates	1	1
Non-taxable income	10	67
Non-deductible expenses	(10)	(57)
Different fiscal laws	-	-
Prior years and changes in tax rates	40	14
a) effects on current tax	40	7
b) effects on deferred tax	-	7
Valuation adjustments and non-recognition of deferred taxes	264	74
Amortisation of goodwill	-	-
Non-taxable foreign income	-	-
Other differences	1	1
Recognized taxes on income	**177**	**(78)**

*) Figures as published for 2018, but adjusted to IAS 40.

B – Notes to the income statement

B.20 – Profit after tax from discontinued operations

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

(€ million)

P&L ITEMS	YEAR 2019	YEAR 2018
1. Income	25	21
2. Expenses	(8)	(27)
3. Valuation of discontinued operations and related liabilities	-	-
4. Profit (Loss) on disposal	-	21
5. Tax	(4)	(1)
Profit (Loss)	**14**	**15**

B.21 – Earnings per share

Earnings per share

	2019	2018
Net profit or loss attributable to the ordinary shareholders of UniCredit Bank Austria AG in € million	698	637
from continuing operations	684	622
from discontinued operations	14	15
Weighted average number of ordinary shares (in million) outstanding in the reporting period	231.2	231.2
Basic/ diluted earnings per share in €	**3.02**	**2.75**
from continuing operations	2.96	2.69
from discontinued operations	0.06	0.06

Comprehensive earnings per share

	2019	2018
Comprehensive income attributable to the ordinary shareholders of UniCredit Bank Austria AG in € million	334	322
from continuing operations	320	307
from discontinued operations	14	15
Weighted average number of ordinary shares (in million) outstanding in the reporting period	231.2	231.2
Basic/diluted comprehensive earnings per share in €	**1.44**	**1.39**
from continuing operations	1.38	1.33
from discontinued operations	0.06	0.06

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 (2019: 231.2 million shares; 2018: 231.2 million shares).

B.22 – Appropriation of profits

The net profit for the fiscal year from 1 January 2019 to 31 December 2019 amounted to € 41,886,615.64. In consideration of the profit carried forward of € 2,290,087.73, this results in usable balance sheet profit of € 44,176,703.37. At the Shareholders' Meeting, the Management Board shall suggest distributing a dividend of € 0.19 per share entitled to benefits on the share capital of €1,681,033,521.40. The distribution therefore results in an amount of € 43,933,475.80 with 231,228,820 shares.

In addition, the Management Board shall also suggest carrying the remainder of € 243,227.57 forward.

C – Notes to the statement of financial position

Assets

Liabilities and equity

C – Notes to the statement of financial position

C.1 – Cash and cash balances

1.1 Cash and cash balances: breakdown

(€ million)

	AMOUNTS AS AT	
	31-12-2019	31-12-2018
a) Cash	98	97
b) Demand deposits with Central banks	172	1
Total	**270**	**98**

C.2 – Financial assets measured at fair value through profit or loss

2.1 Financial assets held for trading: breakdown by product

(€ million)

	AMOUNTS AS AT 31-12-2019			AMOUNTS AS AT 31-12-2018		
ITEMS/VALUES	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
A. Financial assets (non-derivatives)						
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**
3. Units in investment funds	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Reverse Repos	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments						
1. Financial derivatives	**-**	**997**	**17**	**-**	**775**	**7**
1.1 Trading	-	883	17	-	644	7
1.2 Linked to fair value option	-	114	-	-	131	-
1.3 Other	-	-	-	-	-	-
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Trading	-	-	-	-	-	-
2.2 Linked to fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total (B)	**-**	**997**	**18**	**-**	**775**	**7**
Total (A+B)	**-**	**998**	**18**	**-**	**776**	**7**
Total Level 1, Level 2 and Level 3			**1,016**			**783**

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

(€ million)

	AMOUNTS AS AT 31-12-2019			AMOUNTS AS AT 31-12-2018		
ITEMS/VALUES	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**-**	**89**	**-**	**-**	**122**	**14**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	89	-	-	122	14
2. Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**
3. Units in investment funds	**-**	**7**	**16**	**7**	**1**	**18**
4. Loans	**-**	**754**	**349**	**-**	**683**	**520**
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	754	349	-	683	520
Total	**-**	**850**	**364**	**7**	**806**	**552**
Total Level 1, Level 2 and Level 3			**1,215**			**1,365**

C – Notes to the statement of financial position

2.6 Other Financial assets mandatorily at fair value:breakdown by borrowers/issuers

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 31-12-2019	31-12-2018
1. Equity instruments	**-**	**-**
of which: banks	-	-
of which: other financial companies	-	-
of which: non-financial companies	-	-
2. Debt securities	**89**	**136**
a) Central banks	-	-
b) Governments and other Public Sector Entities	77	35
c) Banks	-	3
d) Other financial companies	12	12
of which: insurance companies	*12*	*12*
e) Non-financial companies	-	86
3. Units in investment funds	**23**	**26**
4. Loans and advances	**1,102**	**1,202**
a) Central banks	-	-
b) Governments and other Public Sector Entities	-	-
c) Banks	-	-
d) Other financial companies	14	3
of which: insurance companies	-	-
e) Non-financial companies	709	763
f) Households	380	436
Total	**1,215**	**1,365**

C.3 – Financial assets measured at fair value through other comprehensive income

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

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 31-12-2019			AMOUNTS AS AT 31-12-2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**13,673**	**1,141**	**24**	**11,839**	**1,527**	**26**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other	13,673	1,141	24	11,839	1,527	26
2. Equity instruments	**-**	**24**	**73**	**-**	**24**	**74**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**13,673**	**1,165**	**97**	**11,839**	**1,551**	**100**
Total Level 1, Level 2 and Level 3			**14,935**			**13,490**

C – Notes to the statement of financial position

3.2 Financial assets at fair value through other comprehensive income: breakdown by borrowers/issuers

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 31-12-2019	AMOUNTS AS AT 31-12-2018
1. Debt securities	**14,838**	**13,392**
a) Central Banks	-	-
b) Governments and other Public Sector Entities	13,083	11,989
c) Banks	1,553	889
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	202	514
2. Equity instruments	**97**	**98**
a) Banks	-	-
b) Other issuers	97	98
- Other financial companies	45	43
of which: insurance companies	*17*	*15*
- Non-financial companies	50	53
- Other	2	2
3. Loans and advances	**-**	**-**
a) Central Banks	-	-
b) Governments and other Public Sector Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**14,935**	**13,490**

3.3 Financial assets at fair value through other comprehensive income: gross value and total accumulated impairments

(€ million)

	GROSS VALUE				TOTAL ACCUMULATED IMPAIRMENTS			
	STAGE 1	OF WHICH: INSTRUMENTS WITH LOW CREDIT RISK EXEMPTION	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3	PARTIAL ACCUMULATED WRITE-OFFS
Debt securities	14,799	14,799	40	-	1	-	-	-
Loans and advances	-	-	-	-	-	-	-	-
Total 31-12-2019	**14,799**	**14,799**	**40**	**-**	**1**	**-**	**-**	**-**
of which: purchased or originated credit-impaired financial assets	-	-	-	-	-	-	-	-
Total 31-12-2018	**13,326**	**13,326**	**67**	**-**	**-**	**1**	**-**	**-**
of which: purchased or originated credit-impaired financial assets	*X*	*X*	-	-	*X*	-	-	-

C – Notes to the statement of financial position

C.4 – Financial assets at amortised cost

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

(€ million)

	AMOUNTS AS AT 31-12-2019						AMOUNTS AS AT 31-12-2018					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
TYPE OF TRANSACTIONS/VALUES	STAGE 1 AND 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	LEVEL 1	LEVEL 2	LEVEL 3	STAGE 1 AND 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	LEVEL 1	LEVEL 2	LEVEL 3
A. Loans and advances to Central Banks	**6,252**	**-**	**-**	**-**	**1**	**6,251**	**5,130**	**-**	**-**	**-**	**2**	**5,128**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserves	6,251	-	-	X	X	X	5,126	-	-	X	X	X
3. Reverse repos	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	1	-	-	X	X	X	4	-	-	X	X	X
B. Loans and advances to banks	**7,999**	**-**	**-**	**-**	**7,481**	**563**	**10,153**	**-**	**-**	**-**	**9,946**	**263**
1. Loans	7,199	-	-	-	6,681	563	9,354	-	-	-	9,147	263
1.1 Current accounts and demand deposits	471	-	-	X	X	X	569	-	-	X	X	X
1.2 Time deposits	5,274	-	-	X	X	X	7,239	-	-	X	X	X
1.3 Other loans	1,455	-	-	X	X	X	1,546	-	-	X	X	X
- Reverse repos	472	-	-	X	X	X	204	-	-	X	X	X
- Lease Loans	-	-	-	X	X	X	-	-	-	X	X	X
- Other	984	-	-	X	X	X	1,342	-	-	X	X	X
2. Debt securities	799	-	-	-	799	-	799	-	-	-	799	-
2.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other	799	-	-	-	799	-	799	-	-	-	799	-
Total	**14,250**	**-**	**-**	**-**	**7,481**	**6,814**	**15,283**	**-**	**-**	**-**	**9,948**	**5,391**
Total Level 1, Level 2 and Level 3						**14,295**						**15,339**

C – Notes to the statement of financial position

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

(€ million)

	AMOUNTS AS AT 31-12-2019						AMOUNTS AS AT 31-12-2018					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
TYPE OF TRANSACTIONS/VALUES	STAGE 1 AND 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	LEVEL 1	LEVEL 2	LEVEL 3	STAGE 1 AND 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	LEVEL 1	LEVEL 2	LEVEL 3
1. Loans	**61,156**	**1,019**	**5**	**-**	**25,563**	**37,761**	**60,427**	**970**	**2**	**-**	**24,946**	**36,982**
1.1 Current accounts	7,033	170	1	X	X	X	6,876	170	1	X	X	X
1.2 Reverse repos	-	-	-	X	X	X	-	-	-	X	X	X
1.3 Mortgages	12,434	28	-	X	X	X	11,795	25	-	X	X	X
1.4 Credit cards and personal loans, including wage assignment	354	40	-	X	X	X	383	43	-	X	X	X
1.5 Lease loans	2,194	114	-	X	X	X	2,424	109	-	X	X	X
1.6 Factoring	2,082	7	-	X	X	X	1,732	5	-	X	X	X
1.7 Other loans	37,059	660	4	X	X	X	37,218	618	2	X	X	X
2. Debt securities	**300**	**10**	**-**	**3**	**224**	**87**	**307**	**17**	**-**	**3**	**294**	**33**
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	300	10	-	3	224	87	307	17	-	3	294	33
Total	**61,456**	**1,029**	**5**	**3**	**25,788**	**37,848**	**60,734**	**987**	**2**	**3**	**25,240**	**37,015**
Total Level 1, Level 2 and Level 3						**63,639**						**62,259**

4.4 Financial assets at amortised cost: breakdown by borrowers/issuers of loans and advances to customers

(€ million)

	AMOUNTS AS AT 31-12-2019			AMOUNTS AS AT 31-12-2018		
TYPE OF TRANSACTIONS/VALUES	STAGE 1 OR 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	STAGE 1 OR 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS
1. Debt securities	**300**	**10**	**-**	**307**	**17**	**-**
a) Governments and other Public Sector Entities	102	-	-	98	7	-
b) Other financial companies	119	10	-	148	10	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	78	-	-	62	-	-
2. Loans	**61,156**	**1,019**	**5**	**60,427**	**970**	**2**
a) Governments and other Public Sector Entities	7,081	144	-	7,222	186	-
b) Other financial companies	4,186	8	-	4,086	9	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	32,215	539	3	31,965	502	2
d) Households	17,674	328	3	17,154	272	-
Total	**61,456**	**1,029**	**5**	**60,734**	**987**	**2**

C – Notes to the statement of financial position

4.5 Financial assets at amortised cost: gross value and total accumulated impairments

(€ million)

	GROSS VALUE				TOTAL ACCUMULATED IMPAIRMENTS			
	STAGE 1							
		OF WHICH: INSTRUMENTS WITH LOW CREDIT RISK EXEMPTION	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3	PARTIAL ACCUMULATED WRITE-OFFS
1. Debt securities	1,092	1,092	10	14	-	1	4	-
2. Loans	59,896	-	15,041	2,058	50	281	1,038	40
Total 31-12-2019	**60,988**	**1,092**	**15,051**	**2,071**	**50**	**282**	**1,042**	**40**
of which: purchased or originated credit-impaired financial assets	*X*	*X*	-	*8*	*X*	-	*3*	*3*
Total 31-12-2018	**60,130**	**1,060**	**16,244**	**2,153**	**48**	**308**	**1,166**	**75**
of which: purchased or originated credit-impaired financial assets	*X*	*X*	-	*2*	*X*	-	-	-

C.5 – Hedging derivatives (assets)

5.1 Hedging derivatives: breakdown by hedged risk and fair value hierarchy

(€ million)

	AMOUNTS AS AT 31-12-2019				AMOUNTS AS AT 31-12-2018			
	FAIR VALUE			NOTIONAL AMOUNT	FAIR VALUE			NOTIONAL AMOUNT
	LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3	
A. Financial derivatives	**-**	**1,817**	**-**	**47,340**	**-**	**1,619**	**-**	**43,532**
1) Fair value	-	1,771	-	43,102	-	1,573	-	38,426
2) Cash flows	-	46	-	4,238	-	46	-	5,106
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**1,817**	**-**	**47,340**	**-**	**1,619**	**-**	**43,532**
Total Level 1, Level 2 and Level 3			**1,817**				**1,619**	

C – Notes to the statement of financial position

C.6 – Changes in market value of portfolio hedged items (assets)

6.1 Changes to macro-hedged financial assets: breakdown by hedged portfolio

(€ million)

CHANGES TO HEDGED ASSETS/GROUP COMPONENTS	AMOUNTS AS AT 31-12-2019	AMOUNTS AS AT 31-12-2018
1. Positive changes	**1,284**	**914**
1.1 Of specific portfolios	1,284	914
a) Financial assets at amortised cost	1,284	914
b) Financial assets at fair value through other comprehensive income	-	-
1.2 Overall	-	-
2. Negative changes	**723**	**643**
2.1 Of specific portfolios	723	643
a) Financial assets at amortised cost	723	643
b) Financial assets at fair value through other comprehensive income	-	-
2.2 Overall	-	-
Total	**560**	**271**

C.7 – Investments in associates and joint ventures

(€ million)

	CHANGES IN 31.12.2019	CHANGES IN 31.12.2018
A. Opening balance as at 1 Jan.	**2,183**	**1,937**
B. Increases	**185**	**277**
B.1 Purchases	-	-
B.2 Write-backs	10	27
B.3 Revaluation	173	148
B.4 Other changes	2	102
C. Decreases	**(49)**	**(32)**
C.1 Sales	-	-
C.2 Write-downs	-	-
C.3 Impairment	(11)	(32)
C.4 Other changes 1)	(38)	-
D. Closing balance as at 31. Dec.	**2,319**	**2,183**

1) Includes mainly changes in equity of €-20 million and changes in valuation reserves of €-16 million

C.8 – Property, plant and equipment

9.1 Property, plant and equipment used in the business: breakdown of assets carried at cost

(€ million)

ASSETS/VALUES	AMOUNTS AS AT 31-12-2019	AMOUNTS AS AT 31-12-2018
1. Owned assets	**315**	**387**
a) Land *)	-	25
b) Buildings *)	-	93
c) Office furniture and fitting	36	41
d) Electronic systems	15	17
e) Other	265	212
2. Right of use of Leased Assets	**336**	**-**
a) Land	-	-
b) Buildings	331	-
c) Office furniture and fitting	-	-
d) Electronic systems	-	-
e) Other	5	-
Total	**651**	**387**
of which: obtained by the enforcement of collateral	-	-

*)Switch from the cost model to the revaluation model in 2019.

C – Notes to the statement of financial position

9.2 Property, plant and equipment held for investment: breakdown of assets carried at cost

(€ million)

ASSETS/VALUES	AMOUNTS AS AT 31-12-2019 *) BOOK VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	AMOUNTS AS AT 31-12-2018 **) BOOK VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3
1. Owned assets	**-**	**-**	**-**	**-**	**194**	**-**	**62**	**133**
a) Land	-	-	-	-	125	-	21	108
b) Buildings	-	-	-	-	69	-	41	25
2. Right of use of Leased Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Land	-	-	-	-	-	-	-	-
b) Buildings	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**194**	**-**	**62**	**133**
of which: obtained by the enforcement of collateral	-	-	-	-	-	-	-	-
Total Level 1, Level 2 and Level 3				**-**				**195**

*) Change from the cost model to the fair value model.
**) Values as published.

9.3 Property, plant and equipment used in the business: breakdown of revalued assets

(€ million)

ASSETS/VALUES	AMOUNTS AS AT 31-12-2019 LEVEL 1	LEVEL 2	LEVEL 3	AMOUNTS AS AT 31-12-2018 LEVEL 1	LEVEL 2	LEVEL 3
1. Owned assets	**-**	**-**	**189**	**-**	**-**	**-**
a) Land	-	-	61	-	-	-
b) Buildings	-	-	128	-	-	-
c) Office furniture and fitting	-	-	-	-	-	-
d) Electronic systems	-	-	-	-	-	-
e) Other	-	-	-	-	-	-
2. Right of use of Leased Assets	**-**	**-**	**-**	**-**	**-**	**-**
a) Land	-	-	-	-	-	-
b) Buildings	-	-	-	-	-	-
c) Office furniture and fitting	-	-	-	-	-	-
d) Electronic systems	-	-	-	-	-	-
e) Other	-	-	-	-	-	-
Total	**-**	**-**	**189**	**-**	**-**	**-**
of which: obtained by the enforcement of collateral	-	-	-	-	-	-
Total Level 1, Level 2 and Level 3			**189**			**-**

C – Notes to the statement of financial position

9.4 Property, plant and equipment held for investment: breakdown of assets designated at fair value

(€ million)

ASSETS/VALUES	AMOUNTS AS AT 31-12-2019			AMOUNTS AS AT 31-12-2018 RESTATED *)		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Owned assets	**-**	**-**	**191**	**-**	**62**	**146**
a) Land	-	-	117	-	21	108
b) Buildings	-	-	75	-	41	38
2. Right of use of Leased Assets	**-**	**-**	**-**	**-**	**-**	**-**
a) Land	-	-	-	-	-	-
b) Buildings	-	-	-	-	-	-
Total	**-**	**-**	**191**	**-**	**62**	**146**
of which: obtained by the enforcement of collateral	-	-	-	-	-	-
Total Level 1, Level 2 and Level 3			**191**			**208**

*) Figures as published, but adjusted to IAS 40.

9.5 Inventories of property, plant and equipment regulated by IAS2: breakdown

(€ million)

ASSETS/VALUES	AMOUNTS AS AT 31-12-2019	AMOUNTS AS AT 31-12-2018
1. Inventories of property, plant and equipment obtained through the enforcement of guarantees received	**-**	**-**
a) Land	-	-
b) Buildings	-	-
c) Office furniture and fitting	-	-
d) Electronic systems	-	-
e) Other	-	-
2. Other inventories of property, plant and equipment	**4**	**6**
Total	**4**	**6**
of which: measured at fair value less costs to sell	-	-

C – Notes to the statement of financial position

9.6 Property, plant and equipment used in the business: annual changes

(€ million)

	CHANGES IN 2019					
	LANDS	BUILDINGS	OFFICE FURNITURE AND FITTINGS	ELECTRONIC SYSTEMS	OTHER	TOTAL
A. Gross opening balance	**25**	**169**	**189**	**81**	**267**	**730**
A.1 Total net reduction in value	-	(76)	(148)	(64)	(55)	(343)
A.2 Net opening balance	25	93	41	17	212	387
B. Increases	**42**	**403**	**1**	**3**	**148**	**598**
B.1 Purchases	-	1	1	3	121	126
of which: business combinations	-	-	-	-	-	-
B.2 Capitalised expenditure on improvements	-	-	-	-	-	-
B.3 Write-backs	1	-	-	-	1	2
B.4 Increases in fair value	41	47	-	-	-	88
a) In equity	41	46	-	-	-	87
b) Through profit or loss	-	1	-	-	-	1
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfer from properties held for investment	-	-	X	X	X	-
B.7 Other changes	-	355	-	-	26	382
C. Reductions	**6**	**37**	**5**	**5**	**91**	**144**
C.1 Disposals	2	-	-	-	28	30
of which: business combinations	-	-	-	-	-	-
C.2 Depreciation	-	35	5	4	41	86
C.3 Impairment losses	-	-	-	-	1	1
a) In equity	-	-	-	-	-	-
b) Through profit or loss	-	-	-	-	1	1
C.4 Reduction of fair value	3	3	-	-	-	7
a) In equity	-	-	-	-	-	-
b) Through profit or loss	3	3	-	-	-	7
C.5 Negative exchange differences	-	-	-	-	-	1
C.6 Transfer to	1	4	-	1	-	5
a) Property, plant and equipment held for investment	1	4	X	X	X	4
b) Non-current assets and disposal groups classified as held for sale	-	-	-	1	-	1
C.7 Other changes	-	(6)	1	-	21	16
D. Net final balance	**61**	**459**	**36**	**15**	**269**	**840**
D.1 Total net reduction in value	-	*(22)*	*(87)*	*(42)*	*(70)*	*(221)*
D.2 Gross closing balance	61	481	123	58	339	1,062
E. Carried at cost	**23**	**85**	**-**	**-**	**-**	**108**

*) Includes right of use from leasing contracts.

C – Notes to the statement of financial position

Development of property, plant and equipment used in operations

(€ million)

	2018					
	LAND	BUILDINGS	OFFICE FURNITURE AND FITTINGS	ELECTRONIC SYSTEMS	OTHER	TOTAL
Gross opening balance	**27**	**193**	**249**	**144**	**234**	**847**
Total net reduction in value	-	(94)	(163)	(128)	(56)	(441)
Opening balance 1.1.2018	**27**	**99**	**86**	**16**	**177**	**406**
Increases	**-**	**5**	**17**	**40**	**109**	**171**
Purchases	-	1	14	13	73	101
Capitalised expenditure on improvements	-	-	-	-	-	-
Write-backs	-	-	-	-	-	-
Positive exchange differences	-	-	-	-	-	-
Transfer from properties held for investment	-	-	-	-	-	-
Other changes	-	3	3	28	36	70
Reductions	**(3)**	**(11)**	**(62)**	**(40)**	**(74)**	**(190)**
Disposals	-	(5)	(57)	(21)	(21)	(105)
Depreciation	(2)	(6)	(5)	(8)	(35)	(56)
Impairment losses	-	-	-	-	(3)	(3)
Negative exchange differences	-	-	-	-	-	(1)
Transfers to	-	-	-	(10)	(1)	(12)
property, plant and equipment held for investment	-	-	-	-	-	-
assets held for sale	-	-	-	*(10)*	*(1)*	*(12)*
Other changes	-	-	-	-	(14)	(14)
ENDING BALANCE 31.12.2018	**25**	**93**	**41**	**17**	**212**	**387**
Reductions in value – at cost – properties – lands	-	(76)	(148)	(64)	(55)	(343)
GROSS CLOSING BALANCE	**25**	**169**	**189**	**81**	**267**	**729**

9.7 Property, plant and equipment held for investment: annual changes

(€ million)

	CHANGES IN 2019		
	LANDS	BUILDINGS	TOTAL
A. Opening balances (adjusted)	**129**	**80**	**209**
B. Increases	**7**	**24**	**31**
B.1 Purchases	-	-	-
of which: business combinations	-	-	-
B.2 Capitalised expenditure on improvements	-	-	-
B.3 Increases in fair value	5	14	18
B.4 Write-backs	-	-	-
B.5 Positive exchange differences	-	-	-
B.6 Transfer from properties used in the business	1	4	4
B.7 Other changes	2	6	8
C. Reductions	**19**	**29**	**48**
C.1 Disposals	3	15	18
of which: business combinations	-	-	-
C.2 Depreciation	-	-	-
C.3 Reductions in fair value	5	12	17
C.4 Impairment losses	4	-	4
C.5 Negative exchange differences	-	-	-
C.6 Transfer to	-	-	-
a) Properties used in the business	-	-	-
b) Non-current assets and disposal groups classified as held for sale	-	-	-
C.7 Other changes	6	3	9
D. Closing balances	**117**	**75**	**191**
E. Measured at fair value	**-**	**-**	**-**

C – Notes to the statement of financial position

Development of assets held as investments

(€ million)

	2018 adjusted *)		
	LAND	BUILDINGS	TOTAL
Gross opening balance	**-**	**-**	**-**
Total net reduction in value	-	-	-
Opening balance 1.1.2018	**127**	**102**	**229**
Increases	**12**	**28**	**40**
Purchases	6	21	27
Capitalised expenditure on improvements	-	-	-
Increases in fair value	6	7	13
Write-backs	-	-	-
Positive exchange differences	-	-	-
Transfer from properties used in the business	-	-	-
Other changes	-	-	-
Reductions	**(10)**	**(51)**	**(61)**
Disposals	(1)	-	(1)
Depreciation	-	-	-
Reductions in fair value	(4)	(22)	(26)
Impairment losses	-	-	-
Negative exchange differences	-	-	-
Transfer to	(5)	(29)	(33)
Properties used in the business	*-*	*-*	*-*
Non-current assets and disposal groups classified as held for sale	*(5)*	*(29)*	*(33)*
Other changes	-	-	-
Gross closing balance 31.12.2018	129	80	209
Total net reduction in values	-	-	-
CLOSING BALANCE	**-**	**-**	**-**
MEASURED AT FAIR VALUE	**-**	**-**	**-**

*) Figures as published as of 31/12/2018, but adjusted to IAS 40.

9.8 Inventories of property, plant and equipment regulated by IAS2: annual changes

(€ million)

	CHANGES IN 2019						
	INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT OBTAINED BY ENFORCEMENT OF COLLATERAL						
	LANDS	BUILDINGS	OFFICE FURNITURE AND FITTINGS	ELECTRONIC SYSTEMS	OTHER	OTHER INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT	TOTAL
A. Opening balances	**-**	**-**	**-**	**-**	**-**	**6**	**6**
B. Increases	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Purchases	-	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-	-
B.2 Write-backs	-	-	-	-	-	-	-
B.3 Positive exchange differences	-	-	-	-	-	-	-
B.4 Other changes	-	-	-	-	-	-	-
C. Reductions	**-**	**-**	**-**	**-**	**-**	**3**	**3**
C.1 Disposals	-	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	-	-	-	-
C.3 Negative exchange differences	-	-	-	-	-	-	-
C.4 Other changes	-	-	-	-	-	*3*	*3*
D. Closing balances	**-**	**-**	**-**	**-**	**-**	**4**	**4**

C – Notes to the statement of financial position

9.8 Inventories of property, plant and equipment regulated by IAS2: annual changes

(€ million)

	CHANGES IN 2018						
	INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT OBTAINED BY ENFORCEMENT OF COLLATERAL						
	LANDS	BUILDINGS	OFFICE FURNITURE AND FITTINGS	ELECTRONIC SYSTEMS	OTHER	OTHER INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT	TOTAL
A. Opening balances	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Increases	**-**	**-**	**-**	**-**	**-**	**6**	**6**
B.1 Purchases	-	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-	-
B.2 Write-backs	-	-	-	-	-	-	-
B.3 Positive exchange differences	-	-	-	-	-	-	-
B.4 Other changes	-	-	-	-	-	*6*	*6*
C. Reductions	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Disposals	-	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	-	-	-	-
C.3 Negative exchange differences	-	-	-	-	-	-	-
C.4 Other changes	-	-	-	-	-	-	-
D. Closing balances	**-**	**-**	**-**	**-**	**-**	**6**	**6**

C.9 – Intangible assets

10.1 Intangible assets: breakdown by asset type

(€ million)

	AMOUNTS AS AT 31-12-2019		AMOUNTS AS AT 31-12-2018	
ASSETS/VALUES	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE
A.1 Goodwill	**X**	**-**	**X**	**-**
A.1.1 Attributable to the Group	X	-	X	-
A.1.2 Attributable to minorities	X	-	X	-
A.2 Other intangible assets	**3**	**-**	**3**	**-**
A.2.1 Assets carried at cost	3	-	3	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	3	-	3	-
A.2.2 Assets measured at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**3**	**-**	**3**	**-**
Total finite and indefinite life		**3**		**3**

C – Notes to the statement of financial position

10.2 Intangible assets: annual changes

(€ million)

	CHANGES IN 2019					
		OTHER INTANGIBLE ASSETS				
		GENERATED INTERNALLY		OTHER		
	GOODWILL	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE	TOTAL
A. Gross opening balance	**528**	**-**	**-**	**25**	**-**	**553**
A.1 Total net reduction in value	(528)	-	-	(22)	-	(550)
A.2 Net opening balance	**-**	**-**	**-**	**3**	**-**	**3**
B. Increases	**-**	**-**	**-**	**1**	**-**	**1**
B.1 Purchases	-	-	-	1	-	1
B.2 Increases in intangible assets generated internally	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- In equity	X	-	-	-	-	-
- Through profit or loss	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-
C. Reduction	**-**	**-**	**-**	**1**	**-**	**1**
C.1 Disposals	-	-	-	-	-	-
C.2 Write-downs	-	-	-	1	-	1
- Amortisation	X	-	-	1	-	1
- Write-downs	-	-	-	-	-	-
- In equity	X	-	-	-	-	-
- Through profit or loss	-	-	-	-	-	-
C.3 Reduction in fair value	-	-	-	-	-	-
- In equity	X	-	-	-	-	-
- Through profit or loss	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-
D. Net closing balance	**-**	**-**	**-**	**3**	**-**	**3**
D.1 Total net write-down	(528)	-	-	(22)	-	(550)
E. Gross closing balance	**528**	**-**	**-**	**25**	**-**	**553**
F. Carried at cost	**-**	**-**	**-**	**-**	**-**	**-**

C – Notes to the statement of financial position

Development of intangible assets

(€ million)

	2018
	OTHER INTANGIBLE ASSETS
Gross opening balance	**531**
Total net reduction in value	(522)
Net opening balance as at 1.1.2018	**9**
Increases	**3**
Purchases	3
Increases in intangible assets generated internally	-
Write-backs	-
Positive exchange differences	-
Other changes	-
Reduction	**9**
Disposals	-
Write-downs	3
Amortisation	3
Write-downs	-
Transfer to non-current assets held for sale	7
Negative exchange differences	-
Other changes	-
NET CLOSING BALANCE AS AT 31.12.2018	**3**
Total net write-down	(550)
GROSS CLOSING BALANCE	**553**

C – Notes to the statement of financial position

C.10 – Tax claims

(€ million)

	31-12-2019	31.12.2018 RESTATED *)
Deferred tax assets deriving from tax losses	**215**	**5**
Deferred tax assets deriving from temporary differences	**726**	**692**
Financial assets and liabilities (different from Credits and Debts)	50	85
Credits and debts with banks and clients	-	-
Hedging and hedged item revaluation	90	113
Intangible assets different from goodwill	-	-
Goodwill and equity investments	-	-
Assets and liabilities held for disposal	-	-
Other assets and other liabilities	37	45
Provisions, pension funds and similar	548	449
Other	-	-
Accounting offsetting	**(326)**	**(371)**
TOTAL	**615**	**326**

*) Figures as published as of 31/12/2018, but adjusted to IAS 40.

Assets include deferred taxes due to capitalised benefits from as yet unused tax loss carryforwards in the amount of €215 million (previous year: €5 million). Most of the tax losses carried forward can be used without time restriction.

The new multi-year plan, which served as the basis for the tax forecast for the years 2020 to 2024, was available for assessing the usability of the tax loss carryforwards as of 31 December 2019. Based on this tax forecast, deferred tax assets were capitalised as of 31 December 2019. It should be noted that assumptions have been made regarding the use of loss carryforwards which could change in the event of a change in the economic and other framework conditions and thus have an effect on the income tax handling. With regard to the tax loss carryforwards attributable to the spun-off CEE segment, appropriate factoring of the loss carryforwards was carried out on the basis of assumptions.

No deferred tax assets were recognised for the following items (gross amounts), as from today's perspective a tax benefit does not appear realisable within a reasonable time.

(€ million)

	31-12-2019	31-12-2018
Tax losses carried forward	1,175	2,093
Deductible temporary differences	-	-
TOTAL	**1,175**	**2,093**

The major part of tax losses carried forward comes from companies in Austria and can be carried forward without time restriction. In Austria, the annual set-off of losses carried forward is limited to 75 % of the relevant taxable profit.

C – Notes to the statement of financial position

C.11 – Non-current assets and disposal groups classified as held for sale

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

(€ million)

	AMOUNTS AS AT	
	31-12-2019	31-12-2018
A. Assets held for sale		
A.1 Financial assets	611	661
A.2 Equity investments	-	16
A.3 Property, plant and equipment	75	99
of which: obtained by the enforcement of collateral	-	-
A.4 Intangible assets	10	7
A.5 Other non-current assets	57	112
Total (A)	**753**	**894**
of which: carried at cost	*629*	*834*
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	*124*	*62*
B. Discontinued operations		
B.1 Financial assets at fair value through profit or loss	-	-
- Financial assets held for trading	-	-
- Financial assets designated at fair value	-	-
- Other financial assets mandatorily at fair value	-	-
B.2 Financial assets at fair value through other comprehensive income	-	-
B.3 Financial assets at amortised cost	-	-
B.4 Equity investments	23	23
B.5 Property, plant and equipment	-	-
of which: obtained by the enforcement of collateral	-	-
B.6 Intangible assets	-	-
B.7 Other assets	6	16
Total (B)	**29**	**39**
of which: carried at cost	-	-
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	*29*	*39*
C. Liabilities associated with assets classified as held for sale		
C.1 Deposits	174	158
C.2 Securities	-	-
C.3 Other liabilities	381	347
Total (C)	**555**	**505**
of which: carried at cost	*530*	*505*
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	*25*	-
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	18	35
Total (D)	**18**	**35**
of which: carried at cost	-	-
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	*18*	*35*

*) Figures as published for 2018, but adjusted to IAS 40.

C – Notes to the statement of financial position

Discontinued operations
The amount reported under this item is attributable to the Immobilien Holding GmbH Group (assets €29 million and liabilities €18 million).
Non-current assets held for sale
This item mainly includes the held-for-sale card complete.

C.12 – Other assets

13.1 Other assets: breakdown

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 31-12-2019	AMOUNTS AS AT 31-12-2018
Margin with derivatives clearers (non-interest bearing)	-	-
Gold, silver and precious metals	19	7
Accrued income and prepaid expenses other than capitalised income	2	10
Positive value of management agreements (so-called servicing assets)	-	-
Cash and other valuables held by cashier	-	-
- Current account cheques being settled, drawn on third parties	-	-
- Current account cheques payable by group banks, cleared and in the process of being debited	-	-
- Money orders, bank drafts and equivalent securities	-	-
- Coupons, securities due on demand, revenue stamps and miscellaneous valuables	-	-
Interest and changes to be debited to	6	5
- Customers	6	5
- Banks	-	-
Items in transit between branches not yet allocated to destination accounts	-	-
Items in processing	43	88
Items deemed definitive but not-attributable to other items	-	-
- Securities and coupons to be settled	-	-
- Other transactions	-	-
Adjustments for unpaid bills and notes	6	1
Tax items other than those included in item C.10 tax claims	1	1
Commercial credits pursuant to IFRS15	-	-
Other items	275	217
Total	**353**	**330**

C – Notes to the statement of financial position

C.13 – Financial liabilities at amortised cost

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 31-12-2019				AMOUNTS AS AT 31-12-2018			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
1. Deposits from central banks	**3,968**	X	X	X	**3,994**	X	X	X
2. Deposits from banks	**10,911**	X	X	X	**10,450**	X	X	X
2.1 Current accounts and demand deposits	1,729	X	X	X	1,489	X	X	X
2.2 Time deposits	8,772	X	X	X	8,601	X	X	X
2.3 Loans	38	X	X	X	60	X	X	X
2.3.1 Repos	13	X	X	X	41	X	X	X
2.3.2 Other	25	X	X	X	20	X	X	X
2.4 Liabilities relating to commitments	-	X	X	X	-	X	X	X
2.5 Lease deposits	-	X	X	X	-	X	X	X
2.6 Other deposits	372	X	X	X	300	X	X	X
Total	**14,880**	**-**	**5,441**	**9,486**	**14,444**	**-**	**4,181**	**10,334**
Total Level 1, Level 2 and Level 3				**14,927**				**14,515**

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

(€ million)

TYPE OF TRANSACTION/VALUES	AMOUNTS AS AT 31-12-2019				AMOUNTS AS AT 31-12-2018			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
1. Current accounts and demand deposits	50,627	X	X	X	48,449	X	X	X
2. Time deposits	6,050	X	X	X	6,891	X	X	X
3. Loans	5	X	X	X	281	X	X	X
3.1 Repos	-	X	X	X	271	X	X	X
3.2 Other	5	X	X	X	9	X	X	X
4. Liabilities relating to commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
5. Lease liabilities	350	X	X	X	-	X	X	X
6. Other deposits	48	X	X	X	30	X	X	X
Total	**57,080**	**-**	**1,543**	**55,678**	**55,651**	**-**	**295**	**55,491**
Total Level 1, Level 2 and Level 3				**57,221**				**55,786**

*) Concerns leasing liabilities in connection with IFRS 16.

C – Notes to the statement of financial position

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

(€ million)

TYPE OF SECURITIES/VALUES	AMOUNTS AS AT 31-12-2019				AMOUNTS AS AT 31-12-2018			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
A. Debt securities								
1. Bonds	11,894	5,767	6,309	89	12,254	5,800	6,444	119
1.1 Structured	776	-	784	-	712	-	693	-
1.2 Other	11,118	5,767	5,525	89	11,542	5,800	5,751	119
2. Other securities	156	-	143	-	148	-	144	-
2.1 Structured	-	-	-	-	-	-	-	-
2.2 Other	156	-	143	-	148	-	144	-
Total	**12,049**	**5,767**	**6,452**	**89**	**12,402**	**5,800**	**6,588**	**119**
Total Level 1, Level 2 and Level 3				**12,308**				**12,507**

1.6 Amounts payable under finance leases

(€ million)

	31-12-2019		31-12-2018	
	CASH OUTFLOWS		CASH OUTFLOWS *)	
	FINANCE LEASES	OPERATING LEASES	FINANCE LEASES	OPERATING LEASES
Up to 1 year	13	-	-	-
1 year to 2 years	33	-	-	-
2 year to 3 years	33	-	-	-
3 year to 4 years	33	-	-	-
4 year to 5 years	36	-	-	-
Over 5 years	234	-	-	-
Total Lease Payments to be made	**381**	**-**	**-**	**-**
Reconciliations with deposits	(31)	-	-	-
Unearned finance expenses (-) (Discounting effect)	(31)	-	-	-
Lease deposits	**350**	**-**	**-**	**-**

*) No adjustment of the previous year's figures with regard to IFRS 16.

C – Notes to the statement of financial position

C.14 – Financial liabilities held for trading

2.1 Financial liabilities held for trading: breakdown by product

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 31-12-2019					AMOUNTS AS AT 31-12-2018				
	NOMINAL VALUE	FAIR VALUE			FAIR VALUE	NOMINAL VALUE	FAIR VALUE			FAIR VALUE
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
A. Cash liabilities										
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives instruments										
1. Financial derivatives	X	-	1,047	17	X	X	-	759	6	X
1.1 Trading derivatives	X	-	918	17	X	X	-	655	6	X
1.2 Linked to fair value option	X	-	129	-	X	X	-	104	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	4	X
2.1 Trading derivatives	X	-	-	-	X	X	-	-	-	X
2.2 Linked to fair value option	X	-	-	-	X	X	-	-	4	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**-**	**1,047**	**18**	**X**	**X**	**-**	**759**	**10**	**X**
Total (A+B)	**X**	**-**	**1,047**	**18**	**X**	**X**	**-**	**759**	**10**	**X**
Total Level 1, Level 2 and Level 3				**1,065**					**770**	

C – Notes to the statement of financial position

C.15 – Financial liabilities measured at fair value through profit or loss

3.1 Financial liabilities designated at fair value: breakdown by product

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 31-12-2019					AMOUNTS AS AT 31-12-2018				
	NOMINAL VALUE	FAIR VALUE			FAIR VALUE	NOMINAL VALUE	FAIR VALUE			FAIR VALUE
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
1. Deposits from banks	**1**	**-**	**-**	**1**	**1**	**1**	**-**	**-**	**1**	**1**
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	1	-	-	1	X	1	-	-	1	X
of which:										
- loan commitments given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
- financial guarantees given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
2. Deposits from customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- loan commitments given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
- financial guarantees given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
3. Debt securities	**91**	**-**	**102**	**-**	**101**	**201**	**-**	**245**	**-**	**241**
3.1 Structured	91	-	102	-	X	201	-	245	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
Total	**92**	**-**	**102**	**1**	**102**	**202**	**-**	**245**	**1**	**242**
Total Level 1, Level 2 and Level 3				**103**					**247**	

Of the change in fair value in 2019, an expense of €4 million (2018: income of €5 million) related to the change in the Group's own credit rating.

C – Notes to the statement of financial position

C.16 – Hedging derivatives (liabilities and equity)

4.1 Hedging derivatives: breakdown by type of hedging and by levels

(€ million)

	AMOUNTS AS AT 31-12-2019				AMOUNTS AS AT 31-12-2018			
	NOTIONAL AMOUNT	FAIR VALUE			NOTIONAL AMOUNT	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
A. Financial derivatives	**46,559**	**-**	**1,819**	**-**	**55,880**	**-**	**1,368**	**-**
1) Fair value	40,002	-	1,742	-	48,339	-	1,300	-
2) Cash flows	6,557	-	76	-	7,541	-	68	-
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**46,559**	**-**	**1,819**	**-**	**55,880**	**-**	**1,368**	**-**
Total Level 1, Level 2 and Level 3				**1,819**				**1,368**

C.17 – Changes in fair value of portfolio hedged items (liabilities and equity)

5.1 Changes to hedged financial liabilities

(€ million)

CHANGES TO HEDGED LIABILITIES/GROUP COMPONENTS	AMOUNTS AS AT 31-12-2019	31-12-2018
1. Positive changes to financial liabilities	425	222
2. Negative changes to financial liabilities	-	(44)
Total	**425**	**178**

C.18 – Tax obligations

(€ million)

	31.12.2019	31.12.2018 RESTATED *)
Deferred tax liabilities deriving from temporary differences	**329**	**375**
Financial assets and liabilities (different from credits and debts)	204	233
Credits and debts with banks and clients	-	-
Hedging and hedged item revaluation	95	132
Tangible assets and intangible assets different from goodwill	22	2
Goodwill and equity investments	-	-
Assets and liabilities held for disposal	-	-
Other assets and other liabilities	8	8
Other	-	-
Accounting offsetting	**(323)**	**(370)**
TOTAL	**6**	**5**

*) Figures as published as of 31/12/2018, but adjusted to IAS 40.

No deferred taxes were recognised for temporary differences in connection with investments in domestic subsidiaries in the amount of €925 million (previous year: €906 million) in accordance with IAS 12.39, as their disposal is not currently planned.

C – Notes to the statement of financial position

C.19 – Other liabilities

8.1 Other liabilities: breakdown

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 31-12-2019	31-12-2018
Liabilities in respect of financial guarantees issued	1	-
Accrued expenses and deferred income other than those to be capitalised for the financial liabilities concerned	58	38
Other liabilities due to employees	339	387
Available amounts to be paid to others	2	1
Items in processing	155	145
Items deemed definitive but not attributable to other lines	21	25
- Accounts payable - suppliers	4	12
- Other entries	17	13
Tax items different from those included in item 60	1	1
Other entries	47	99
Total	**624**	**696**

1) An amount of €177 million (previous year €214 million) is included for those employees who have concluded a termination agreement as part of the "BA-Reloaded" project. Disbursement will be made until 2026.

C.20 – Provisions

10.1 Provisions for risks and charges: breakdown

(€ million)

ITEMS/COMPONENTS	AMOUNTS AS AT 31-12-2019	31-12-2018
1. Provisions for credit risk on commitments and financial guarantees given	186	196
2. Provisions for other commitments and other guarantees given	-	-
3. Pensions and other post-retirement benefit obligations	4,025	3,776
4. Other provisions for risks and charges	296	348
4.1 Legal and tax disputes *)	91	255
4.2 Staff expenses **)	161	39
4.3 Other	44	54
Total	**4,507**	**4,320**

*) Decrease due to net release of a provision for sanctions following an agreement with US authorities in the first quarter of 2019.
**) Increase due to restructuring measures concerning strategic plan "Team 23".

In the course of the spin-off of the CEE business, UniCredit S.p.A. issued a guarantee for the bank's pension obligations until 31 December 2028.

C – Notes to the statement of financial position

10.2 Provisions for risks and charges: annual changes

(€ million)

	CHANGES IN 2019			
	PROVISIONS FOR OTHER OFF-BALANCE SHEET COMMITMENTS AND OTHER GUARANTEES GIVEN	PENSION AND POST-RETIREMENT BENEFIT OBLIGATIONS	OTHER PROVISIONS FOR RISKS AND CHARGES	TOTAL
A. Opening Balance	**-**	**3,776**	**348**	**4,124**
B. Increases	**-**	**536**	**110**	**647**
B.1 Current service cost *)	-	(18)	86	69
B.2 Interest cost	-	67	-	67
B.3 Remeasurements **)	-	487	24	511
B.4 Other changes	-	-	-	-
of which: business combinations	-	-	-	-
C. Decreases	**-**	**288**	**161**	**450**
C.1 Payments/uses in der reporting period	-	286	112	398
C.2 Remeasurements	-	-	-	-
C.3 Other changes	-	2	50	51
of which: business combinations	-	-	-	-
D. Closing balance	**-**	**4,025**	**296**	**4,321**

*) Includes the net effect of the settlement of pension rights.
**) The increase in pensions and similar obligations is mainly due to the change in the reference interest rate.

Other provisions include restructuring provisions with an initial amount of €61 million, an addition of €161 million, reversals of €11 million and a utilisation of €42 million. The year-end figure is €169 million.

Other provisions (personnel expenses) mainly relate to a restructuring provision set up for the purpose of implementing initiatives in connection with strategic plan 20 - 23 of Bank Austria Group ("Team 23"). Selected employees who reach the statutory retirement age between 2020 and 2027 will receive an offer from the bank to leave early on a voluntary basis to bridge the period until they reach the statutory retirement age. The selected employees already have the option of fixing their respective departure date. The calculation of the restructuring provision was based on assumptions regarding the acceptance rate, which are based on experience from similar programmes in the past.

Development of provisions for risks and charges

(€ million)

	2018		
	PENSIONS AND POST-RETIREMENT BENEFIT OBLIGATIONS	OTHER PROVISIONS FOR RISKS AND CHARGES	TOTAL
Opening balance as at 31 Dec. 2017	**3,733**	**337**	**4,070**
Adjustment in social capital	**(7)**	**-**	**(7)**
Opening Balance as at 1 Jan. 2018	**3,726**	**337**	**4,063**
Increases	**297**	**74**	**371**
Current service cost	13	X	13
Interest cost	64	X	64
Past service cost	-	X	-
Remeasurements	220	X	220
Provisions for the reporting period	**X**	**52**	**53**
Other increases	1	21	22
Decreases	**(247)**	**(62)**	**(309)**
Settlement	(7)	X	(7)
Payments/ uses in the reporting period	(217)	(35)	(252)
Remeasurements	(23)	X	(23)
Other decreases	-	(27)	(27)
CLOSING BALANCE AS AT 31 DEC. 2018	**3,776**	**348**	**4,124**

C – Notes to the statement of financial position

10.3 Provisions for credit risk on commitments and financial guarantees given

(€ million)

	AMOUNTS AS AT 31-12-2019 PROVISIONS FOR CREDIT RISK ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN			
	STAGE 1	STAGE 2	STAGE 3	TOTAL
Loan commitments given	10	13	47	69
Financial guarantees given	2	4	111	117
Total	**11**	**17**	**157**	**186**

10.3 Provisions for credit risk on commitments and financial guarantees given

(€ million)

	AMOUNTS AS AT 31-12-2018 PROVISIONS FOR CREDIT RISK ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN			
	STAGE 1	STAGE 2	STAGE 3	TOTAL
Loan commitments given	8	9	35	52
Financial guarantees given	2	3	139	144
Total	**10**	**12**	**174**	**196**

1. Commitments and financial guarantees given

(€ million)

	AMOUNTS AS AT 31-12-2019 NOTIONAL AMOUNTS OF COMMITMENTS AND FINANCIAL GUARANTEES GIVEN				AMOUNTS AS AT 31-12-2018
	STAGE 1	STAGE 2	STAGE 3	TOTAL	TOTAL
1. Loan commitments given	**23,332**	**7,800**	**140**	**31,273**	**27,598**
a) Central Banks	-	-	-	-	-
b) Governments and other Public Sector Entities	954	940	-	1,894	2,304
c) Banks	2,586	26	-	2,612	363
d) Other financial companies	3,343	682	-	4,026	4,068
e) Non-financial companies	14,334	3,232	131	17,697	16,018
f) Households	2,115	2,920	9	5,044	4,845
2. Financial guarantees given	**6,252**	**1,996**	**231**	**8,480**	**9,039**
a) Central Banks	-	-	-	-	-
b) Governments and other Public Sector Entities	6	4	-	11	13
c) Banks	398	32	-	430	745
d) Other financial companies	1,812	45	3	1,860	2,139
e) Non-financial companies	3,857	1,903	225	5,986	5,990
f) Households	179	12	3	194	152

C – Notes to the statement of financial position

2. Other commitments and others guarantees given

(€ million)

	AMOUNTS AS AT	
	31-12-2019	31-12-2018
	NOTIONAL AMOUNTS	NOTIONAL AMOUNTS
1. Others guarantees given	**-**	**-**
of which: non-performing loans	-	-
a) Central Banks	-	-
b) Governments and other Public Sector Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
2. Others commitments	**331**	**716**
of which: non-performing loans	-	2
a) Central Banks	-	-
b) Governments and other Public Sector Entities	-	-
c) Banks	312	326
d) Other financial companies	10	7
e) Non-financial companies	9	383
f) Households	-	-

C.21 – Equity

The Company's share capital amounts to €1,681,033,521.40 (one billion six hundred and eighty-one million thirty-three thousand five hundred and twenty-one 40/100 euros). It is divided into 10,115 (ten thousand one hundred and fifteen) registered no-par value shares with voting rights and restricted transferability and 231,218,705 (two hundred and thirty-one million two hundred and eighteen thousand seven hundred and five) registered no-par value shares with voting rights, and each no-par value share participates in the share capital to the same extent.

D – Segment reporting

D – Segment reporting

D.1 – Reconciliation of income statement to segment report

(€ million)

	AS AT		
	2019	2018 RESTATED	2018
Net interest	960	963	963
Dividends and other income from equity investments	*179*	*155*	*155*
Dividend income and similar revenue	*6*	*7*	*7*
Profit (loss) on equity investments – of which: Profits (losses) of joint ventures and associates	*173*	*148*	*148*
Net fees and commissions	692	706	706
Net trading, hedging and fair value income	61	103	103
Gains (losses) on financial assets and liabilities held for trading	*31*	*70*	*70*
Gains (losses) on disposals / repurchases on OCI financial assets	*13*	*14*	*14*
Gains (losses) on disposals / repurchases on securities in issue	-	-	-
Other operating expenses and earnings - Gold and Precious Metals Trading	*5*	-	-
Fair value adjustments in hedge accounting	*(1)*	*(2)*	*(2)*
Gains (losses) on financial liabilities designated at fair value through profit and loss	*(3)*	-	-
Gains (losses) on financial assets mandatorily at fair value through profit and loss	*17*	*20*	*20*
Net other expenses /income	49	59	57
Other net operating income	*82*	*82*	*82*
plus: Impairment on tangible and intangible assets – other operating leases	*(41)*	*(37)*	*(39)*
less: Other operating expenses – amortization on leasehold improvements	*12*	*13*	*13*
less: Other operating expenses – amortization on leasehold improvements - Intergration/restructuring costs	-	*1*	*1*
Other operating expenses and earnings - Gold and Precious Metals Trading	*(5)*	-	-
OPERATING INCOME	**1,941**	**1,986**	**1,983**
Payroll costs	(618)	(632)	(632)
Administrative costs – staff expenses	*(770)*	*(643)*	*(643)*
less: Integration costs	*152*	*11*	*11*
Other administrative expenses	(487)	(561)	(561)
Administrative costs – other administrative expenses	*(622)*	*(669)*	*(669)*
less: intergration/restructuring costs	*23*	*(1)*	*(1)*
less: Ex-ante contributions to resolution funds and deposit guarantee schemes and bank levies	*125*	*122*	*122*
plus: Other operating expenses – amortization on leasehold improvements	*(12)*	*(13)*	*(13)*
Recovery of expenses = Other net operating income – of which: Operating income – recovery of costs	-	-	-
Amortisation, depreciation and impairment losses on intangible and tangible assets	(44)	(25)	(29)
Impairment/ Write-backs on property, plant and equipment	*(98)*	*(63)*	*(63)*
less: Impairment losses / Write-backs on property owned for investment	*15*	*15*	*11*
less: Impairment on tangible and intangible assets – other operating leases	*41*	*39*	*39*
less: Integration costs	-	*(13)*	*(13)*
Impairment/ Write-backs on intangible assets	*(1)*	*(3)*	*(3)*
OPERATING COSTS	**(1,149)**	**(1,218)**	**(1,221)**
OPERATING PROFIT	**792**	**768**	**762**

D – Segment reporting

	AS AT		
	2019	2018 RESTATED	2018
Net writedowns on loans and provisions for guarantees and commitments	(35)	66	66
Provisions for risks and charges reserves – Other commitments	-	(13)	(13)
Impairment losses / write-backs on impairment on loans	(35)	79	79
NET OPERATING PROFIT	**757**	**835**	**829**
Provisions for risk and charges	67	(42)	(42)
Net provisions for risks and charges	*67*	*(42)*	*(42)*
Systemic charges	(125)	(122)	(122)
plus: Ex-ante contributions to resolution funds and deposit guarantee schemes and bank levies	*(125)*	*(122)*	*(122)*
Integration / restructuring costs	(174)	2	2
Net income from investments	(8)	46	50
plus: Impairment losses / write-backs on property owned for investment 1)	*(15)*	*(15)*	*(11)*
Profit (loss) on equity investments	*174*	*159*	*159*
less: Profits (losses) of associates – Profits (losses) of joint ventures and associates	*(173)*	*(148)*	*(148)*
Gains and losses on tangible and intangible assets	*(5)*	*1*	*1*
Gains (losses) on disposal of investments	*8*	*34*	*34*
Financial assets at amortised cost – Impairment losses / writebacks on impairment on debt securities	*2*	*16*	*16*
Financial assets at fair value through OCI - Impairment losses / write-backs on impairment on debt securities	-	*1*	*1*
PROFIT BEFORE TAX	**519**	**718**	**716**
Income tax for the period	177	(78)	(79)
Total profit or loss after tax from discontinued operations	14	15	15
PROFIT (LOSS) FOR THE PERIOD	**710**	**655**	**653**
Non-controlling interests	(11)	(16)	(16)
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**698**	**639**	**637**

1) Includes an impairment of EUR 6 million for an investment, which is included in provisions for legal and other risks in the income statement according to the accounting.

D – Segment reporting

D.2 – Content of segment reporting

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

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

In segment reporting, the former Retail and Private Banking divisions were merged to form the Privatkundenbank (Private Customer Banking division). Segment reporting is now divided into the following divisions:

Privatkundenbank

The Retail Bank includes the customer segments Retail Banking, Premium Banking, Small Business Banking (freelancers and business customers with annual revenues of up to €3 million) and Wealth Management, whereby the Wealth Management segment is concentrated in Schoellerbank. Also included in Retail Banking are subsidiaries active in credit card business.

Unternehmerbank

The Unternehmerbank (Corporate Banking business segment) covers customers with an annual turnover of over €3 million, Real Estate, the Public Sector customer segment, leasing business including subsidiaries, FactorBank, Wohnbaubank and the Bank Austria Real Invest Group.

Corporate & Investment Banking (CIB)

The Corporate & Investment Banking business segment covers the customer segment of multinational companies and large international customers using capital market services and investment banking solutions. Corporate & Investment Banking also serves financial institutions including banks, asset managers, institutional customers and insurance companies. The product lines offered by CIB to these customers are Financing & Advisory (classic and structured lending business and capital market advisory services), Global Transaction Banking (including payment transactions, trade finance, cash management) and within Markets & Corporate Treasury Sales the services relating to customer-driven trading activities. The product specialists also support commercial banking activities of the bank's other business segments.

Corporate Centre

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

The companies of the Immobilien Holding Group allocated to the Corporate Centre continue to be classified as held for sale.

D – Segment reporting

D.3 - Segment reporting 1-12 2019 / 1-12 2018

(€ million)

		PRIVATKUNDEN-BANK	UNTERNEHMER-BANK	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	AUSTRIA GROUP (RECAST)1)	RECASTING DIFFERENCES2)	BANK AUSTRIA GROUP2)
Net interest	FY19	411	323	263	(36)	960	-	960
	FY18	382	341	281	(46)	959	4	963
Dividends and other income from equity investments	FY19	2	28	-	149	179	-	179
	FY18	2	25	-	128	155	-	155
Net fees and commissions	FY19	472	130	84	6	692	-	692
	FY18	480	130	88	4	702	4	706
Net trading, hedging and fair value income/loss	FY19	11	23	26	1	61	-	61
	FY18	16	39	34	14	104	(1)	103
Net other expenses/income	FY19	7	22	-	19	49	-	49
	FY18	10	18	1	29	58	1	59
OPERATING INCOME	**FY19**	**904**	**525**	**373**	**139**	**1,941**	**-**	**1,941**
	FY18	**891**	**554**	**404**	**129**	**1,978**	**7**	**1,986**
OPERATING COSTS	**FY19**	**(742)**	**(195)**	**(160)**	**(52)**	**(1,149)**	**-**	**(1,149)**
	FY18	**(750)**	**(201)**	**(164)**	**(96)**	**(1,211)**	**(7)**	**(1,218)**
OPERATING PROFIT	**FY19**	**162**	**330**	**213**	**87**	**792**	**-**	**792**
	FY18	**141**	**353**	**240**	**33**	**767**	**1**	**768**
Net write-downs of loans and provisions	FY19	5	(55)	7	8	(35)	-	(35)
for guarantees and commitments	FY18	48	(40)	42	16	66	-	66
NET OPERATING PROFIT	**FY19**	**167**	**275**	**219**	**96**	**757**	**-**	**757**
	FY18	**190**	**313**	**282**	**49**	**834**	**1**	**835**
Provisions for risk and charges	FY19	-	36	39	(8)	67	-	67
	FY18	-	(16)	(18)	(8)	(42)	-	(42)
Systemic charges	FY19	(33)	(27)	(24)	(41)	(125)	-	(125)
	FY18	(31)	(26)	(24)	(41)	(122)	-	(122)
Integration/restructuring costs	FY19	-	(3)	(20)	(151)	(174)	-	(174)
	FY18	(12)	-	-	14	2	-	2
Net income from investments	FY19	(6)	1	-	(3)	(8)	-	(8)
	FY18	-	(10)	20	35	46	-	46
PROFIT BEFORE TAX	**FY19**	**128**	**282**	**215**	**(106)**	**519**	**-**	**519**
	FY18	**147**	**260**	**260**	**50**	**717**	**1**	**718**
Income tax for the period	FY19	(32)	(64)	(55)	328	177	-	177
	FY18	(37)	(64)	(65)	88	(78)	-	(78)
Total profit or loss after tax from discontinued operations	FY19	-	-	-	14	14	-	14
	FY18	-	-	-	15	15	-	15
PROFIT (LOSS) FOR THE PERIOD	**FY19**	**96**	**218**	**161**	**235**	**710**	**-**	**710**
	FY18	**110**	**197**	**195**	**153**	**655**	**1**	**655**
Non-controlling interests	FY19	(11)	(1)	-	-	(11)	-	(11)
	FY18	(15)	(1)	-	-	(16)	-	(16)
NET PROFIT ATTRIBUTABLE TO THE	**FY19**	**85**	**217**	**161**	**235**	**698**	**-**	**698**
OWNERS OF THE PARENT COMPANY	**FY18**	**95**	**195**	**195**	**153**	**638**	**1**	**639**
Risk-weighted assets (RWA) (avg.)	**FY19**	**8,860**	**10,166**	**9,430**	**5,665**	**34,121**	**-**	**34,121**
	FY18	**7,968**	**9,140**	**9,571**	**6,684**	**33,363**	**-**	**33,363**
Loans to customers (eop)	**FY19**	**18,791**	**26,448**	**18,295**	**(277)**	**63,258**	**-**	**63,258**
	FY18	**18,191**	**26,568**	**17,858**	**(19)**	**62,599**	**-**	**62,599**
Deposits from customers (eop)	**FY19**	**33,198**	**15,308**	**8,371**	**(147)**	**56,730**	**-**	**56,730**
	FY18	**32,430**	**15,069**	**8,310**	**(158)**	**55,651**	**-**	**55,651**
Cost/income ratio in %	FY19	82.1	37.2	43.0	n.m.	59.2	n.m.	59.2
	FY18	84.1	36.3	40.5	n.m.	61.2	n.m.	61.3

1) In segment reporting, the comparative figures for 2018 were adjusted to the scope of consolidation and the segment structure of the 2019 reporting period.

D – Segment reporting

2) The reconciliation to the accounting values is shown in the column adjustment differences and is mainly due to IFRS 16.
n.m. = not meaningful

D.4 – Segment reporting Q1– Q4 2018/Q1– Q4 2017

(€ million)

		PRIVATKUNDEN-BANK	UNTERNEHMER-BANK	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	AUSTRIA GROUP (RECAST)1)
Net interest	4Q19	107	80	66	(14)	239
	3Q19	106	81	66	(7)	245
	2Q19	101	83	67	(9)	242
	1Q19	96	80	64	(6)	234
	4Q18	97	85	69	(11)	240
	3Q18	99	84	68	(7)	244
	2Q18	93	84	71	(13)	235
	1Q18	94	87	73	(15)	240
Dividends and other income from equity investments	4Q19	-	9	-	40	49
	3Q19	-	8	-	47	54
	2Q19	-	10	-	36	46
	1Q19	2	1	-	27	30
	4Q18	-	5	-	36	41
	3Q18	-	9	-	37	47
	2Q18	-	5	-	34	39
	1Q18	2	7	-	21	29
Net fees and commissions	4Q19	129	33	20	4	187
	3Q19	115	33	22	-	170
	2Q19	115	31	20	3	169
	1Q19	114	32	22	-	167
	4Q18	119	36	23	(1)	177
	3Q18	115	32	22	2	171
	2Q18	123	32	21	1	177
	1Q18	123	31	21	1	176
Net trading, hedging and fair value income/loss	4Q19	1	18	11	-	30
	3Q19	3	5	1	(1)	7
	2Q19	6	5	10	(1)	20
	1Q19	2	(5)	4	3	4
	4Q18	(3)	3	2	1	4
	3Q18	7	7	10	5	29
	2Q18	9	19	13	7	48
	1Q18	4	10	9	1	23
Net other expenses/income	4Q19	2	4	-	7	13
	3Q19	-	4	-	4	8
	2Q19	5	4	-	4	13
	1Q19	-	10	-	4	14
	4Q18	2	3	-	5	10
	3Q18	1	7	-	7	15
	2Q18	1	4	-	9	14
	1Q18	6	5	-	9	20

1) Quarterly figures are based on adjusted values. IFRS 16 (2018), IAS 16 and IAS 40 effects (2019) were taken into account.

D – Segment reporting

		PRIVATKUNDEN-BANK	UNTERNEHMER-BANK	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	AUSTRIA GROUP (RECAST)1)
OPERATING INCOME	**4Q19**	**240**	**144**	**97**	**36**	**518**
	3Q19	**224**	**131**	**88**	**42**	**484**
	2Q19	**227**	**133**	**97**	**33**	**490**
	1Q19	**213**	**117**	**91**	**28**	**449**
	4Q18	**215**	**132**	**95**	**30**	**472**
	3Q18	**222**	**139**	**100**	**45**	**505**
	2Q18	**226**	**143**	**106**	**38**	**513**
	1Q18	**228**	**140**	**103**	**17**	**488**
OPERATING COSTS	**4Q19**	**(183)**	**(48)**	**(40)**	**(22)**	**(294)**
	3Q19	**(185)**	**(49)**	**(38)**	**(14)**	**(286)**
	2Q19	**(185)**	**(48)**	**(41)**	**4**	**(269)**
	1Q19	**(188)**	**(51)**	**(41)**	**(20)**	**(300)**
	4Q18	**(189)**	**(52)**	**(42)**	**(22)**	**(305)**
	3Q18	**(176)**	**(46)**	**(37)**	**(25)**	**(285)**
	2Q18	**(189)**	**(51)**	**(41)**	**(24)**	**(306)**
	1Q18	**(196)**	**(52)**	**(43)**	**(25)**	**(316)**
OPERATING PROFIT	**4Q19**	**57**	**96**	**57**	**14**	**224**
	3Q19	**39**	**82**	**49**	**29**	**198**
	2Q19	**42**	**86**	**57**	**36**	**220**
	1Q19	**25**	**66**	**50**	**8**	**149**
	4Q18	**27**	**80**	**52**	**8**	**167**
	3Q18	**46**	**93**	**63**	**20**	**221**
	2Q18	**36**	**92**	**65**	**13**	**207**
	1Q18	**32**	**88**	**60**	**(8)**	**172**
Net write-downs of loans and provisions for guarantees and commitments	4Q19	14	(50)	2	3	(30)
	3Q19	(10)	(9)	2	-	(17)
	2Q19	8	(3)	2	(2)	4
	1Q19	(7)	7	1	8	9
	4Q18	18	(35)	10	11	3
	3Q18	4	(27)	(1)	-	(24)
	2Q18	16	(3)	30	4	47
	1Q18	11	26	2	2	40
NET OPERATING PROFIT	**4Q19**	**71**	**47**	**59**	**17**	**194**
	3Q19	**29**	**72**	**51**	**29**	**181**
	2Q19	**50**	**83**	**58**	**34**	**224**
	1Q19	**18**	**73**	**51**	**16**	**158**
	4Q18	**45**	**45**	**62**	**18**	**171**
	3Q18	**49**	**65**	**62**	**20**	**197**
	2Q18	**52**	**89**	**96**	**17**	**254**
	1Q18	**43**	**114**	**62**	**(6)**	**213**

1) Quarterly figures are based on adjusted values. IFRS 16 (2018), IAS 16 and IAS 40 effects (2019) were taken into account.

D – Segment reporting

		PRIVATKUNDEN-BANK	UNTERNEHMER-BANK	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	AUSTRIA GROUP (RECAST)1)
Provisions for risk and charges	4Q19	-	-	-	(5)	(5)
	3Q19	-	-	-	-	-
	2Q19	-	-	-	(5)	(6)
	1Q19	-	36	39	2	78
	4Q18	3	(7)	(8)	(3)	(15)
	3Q18	(4)	(9)	(10)	(4)	(28)
	2Q18	-	-	-	(1)	(1)
	1Q18	1	-	-	-	1
Systemic charges	4Q19	(2)	(1)	(1)	(1)	(5)
	3Q19	(1)	(1)	(1)	(2)	(5)
	2Q19	(1)	(1)	(1)	(2)	(5)
	1Q19	(30)	(24)	(21)	(36)	(111)
	4Q18	-	(1)	(1)	(2)	(4)
	3Q18	(1)	(1)	(1)	(2)	(5)
	2Q18	(1)	(2)	(2)	(3)	(8)
	1Q18	(29)	(23)	(20)	(35)	(106)
Integration/restructuring costs	4Q19	-	(3)	(20)	(151)	(175)
	3Q19	-	-	-	-	-
	2Q19	-	-	-	1	1
	1Q19	-	-	-	-	-
	4Q18	(2)	-	-	1	-
	3Q18	-	-	-	-	-
	2Q18	(10)	-	-	-	(10)
	1Q18	-	-	-	13	13
Net income from investments	4Q19	(6)	(3)	1	(5)	(14)
	3Q19	-	(1)	-	(1)	(3)
	2Q19	-	3	-	-	2
	1Q19	-	3	-	4	6
	4Q18	-	(1)	-	(2)	(3)
	3Q18	-	-	5	5	11
	2Q18	-	(4)	-	28	24
	1Q18	-	(5)	14	5	14
PROFIT BEFORE TAX	**4Q19**	**63**	**40**	**39**	**(146)**	**(4)**
	3Q19	**28**	**70**	**50**	**26**	**174**
	2Q19	**49**	**84**	**57**	**27**	**217**
	1Q19	**(12)**	**88**	**69**	**(14)**	**132**
	4Q18	**47**	**36**	**54**	**13**	**149**
	3Q18	**44**	**56**	**56**	**19**	**176**
	2Q18	**41**	**83**	**94**	**41**	**259**
	1Q18	**15**	**86**	**56**	**(23)**	**134**

1) Quarterly figures are based on adjusted values. IFRS 16 (2018), IAS 16 and IAS 40 effects (2019) were taken into account.

D – Segment reporting

		PRIVATKUNDEN-BANK	UNTERNEHMER-BANK	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	AUSTRIA GROUP (RECAST)1)
Income tax for the period	4Q19	(17)	(2)	(11)	247	218
	3Q19	6	(18)	(13)	9	(15)
	2Q19	(17)	(23)	(14)	38	(16)
	1Q19	(4)	(22)	(17)	33	(10)
	4Q18	(11)	(8)	(13)	17	(15)
	3Q18	(8)	(14)	(15)	15	(21)
	2Q18	(10)	(21)	(24)	39	(16)
	1Q18	(7)	(22)	(14)	17	(26)
Total profit or loss after tax from discontinued operations	4Q19	-	-	-	11	11
	3Q19	-	-	-	-	-
	2Q19	-	-	-	2	2
	1Q19	-	-	-	1	1
	4Q18	-	-	-	1	1
	3Q18	-	-	-	-	-
	2Q18	-	-	-	14	14
	1Q18	-	-	-	-	-
PROFIT (LOSS) FOR THE PERIOD	**4Q19**	**46**	**38**	**28**	**112**	**225**
	3Q19	**34**	**52**	**37**	**35**	**159**
	2Q19	**32**	**61**	**43**	**68**	**203**
	1Q19	**(16)**	**66**	**52**	**20**	**122**
	4Q18	**36**	**28**	**41**	**31**	**135**
	3Q18	**36**	**42**	**42**	**35**	**154**
	2Q18	**31**	**62**	**71**	**94**	**258**
	1Q18	**7**	**65**	**42**	**(7)**	**107**
Non-controlling interests	4Q19	(3)	-	-	-	(3)
	3Q19	(3)	-	-	-	(3)
	2Q19	(2)	-	-	-	(2)
	1Q19	(3)	-	-	-	(3)
	4Q18	(1)	(1)	-	-	(1)
	3Q18	(4)	-	-	-	(4)
	2Q18	(5)	-	-	-	(6)
	1Q18	(5)	-	-	-	(6)
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**4Q19**	**44**	**38**	**28**	**112**	**222**
	3Q19	**31**	**52**	**37**	**35**	**156**
	2Q19	**29**	**61**	**43**	**68**	**201**
	1Q19	**(19)**	**66**	**52**	**20**	**119**
	4Q18	**35**	**27**	**41**	**31**	**135**
	3Q18	**33**	**41**	**42**	**35**	**150**
	2Q18	**25**	**62**	**71**	**94**	**252**
	1Q18	**2**	**64**	**42**	**(7)**	**101**

1) Quarterly figures are based on adjusted values. IFRS 16 (2018), IAS 16 and IAS 40 effects (2019) were taken into account.

D – Segment reporting

		PRIVATKUNDEN-BANK	UNTERNEHMER-BANK	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	AUSTRIA GROUP (RECAST)1)
Risk-weighted assets (RWA) (avg.)	**4Q19**	**8,778**	**10,281**	**9,266**	**5,544**	**33,869**
	3Q19	**8,844**	**10,266**	**9,425**	**5,480**	**34,015**
	2Q19	**8,907**	**10,028**	**9,525**	**5,694**	**34,154**
	1Q19	**8,912**	**10,089**	**9,502**	**5,941**	**34,444**
	4Q18	**8,339**	**9,628**	**9,506**	**6,331**	**33,804**
	3Q18	**7,837**	**9,145**	**9,521**	**6,630**	**33,133**
	2Q18	**7,856**	**9,002**	**9,593**	**6,751**	**33,203**
	1Q18	**7,839**	**8,787**	**9,664**	**7,023**	**33,312**
Loans to customers (eop)	**4Q19**	**18,791**	**26,448**	**18,295**	**(277)**	**63,258**
	3Q19	**18,825**	**26,202**	**17,955**	**(198)**	**62,784**
	2Q19	**18,490**	**26,110**	**18,458**	**(146)**	**62,912**
	1Q19	**18,374**	**25,929**	**18,117**	**70**	**62,490**
	4Q18	**18,191**	**26,568**	**17,858**	**(19)**	**62,599**
	3Q18	**18,730**	**25,598**	**16,935**	**71**	**61,334**
	2Q18	**18,529**	**25,877**	**16,086**	**299**	**60,792**
	1Q18	**18,251**	**25,622**	**15,817**	**465**	**60,154**
Deposits from customers (eop)	**4Q19**	**33,198**	**15,308**	**8,371**	**(147)**	**56,730**
	3Q19	**32,550**	**14,861**	**7,538**	**(109)**	**54,839**
	2Q19	**32,861**	**14,688**	**7,466**	**(66)**	**54,949**
	1Q19	**32,676**	**14,941**	**8,294**	**(143)**	**55,768**
	4Q18	**32,430**	**15,069**	**8,310**	**(158)**	**55,651**
	3Q18	**31,633**	**15,141**	**8,456**	**(170)**	**55,059**
	2Q18	**32,752**	**15,099**	**8,128**	**(53)**	**55,925**
	1Q18	**31,778**	**15,263**	**8,044**	**(84)**	**55,001**
Cost/income ratio in %	4Q19	76.4	33.2	41.5	n.m.	56.8
	3Q19	82.8	37.4	43.7	n.m.	59.0
	2Q19	81.5	35.7	41.9	n.m.	55.0
	1Q19	88.4	43.5	45.0	n.m.	66.8
	4Q18	87.6	39.1	44.7	n.m.	64.6
	3Q18	79.3	33.3	37.3	n.m.	56.3
	2Q18	83.9	35.5	38.7	n.m.	59.6
	1Q18	85.8	37.4	41.8	n.m.	64.7

1) Quarterly figures are based on adjusted values. IFRS 16 (2018), IAS 16 and IAS 40 effects (2019) were taken into account.
n.m. = not meaningful

E – Risk report

E – Risk report

E.1 – Overall risk management

Organisation of risk management

UniCredit Bank Austria AG identifies, measures, monitors and manages all risks of Bank Austria. In performing these tasks, Bank Austria works closely with the risk control and risk management units of UniCredit in line with the existing Group structure. In this context, Bank Austria supports UniCredit's ongoing projects, in particular the further harmonisation of Group-wide risk-controlling procedures and processes. Regular risk monitoring and risk management are also performed in close cooperation with a view to ensuring overall risk management across the Group. Moreover, risk management is one of UniCredit's 5 Fundamentals and is of relevance for the annual agreement on objectives and for performance evaluation, thereby contributing to further development of a Group-wide risk culture.

The Management Board and the Supervisory Board determine the risk policy and approve the principles of risk management and the establishment of limits for all relevant risks. The risk monitoring procedure follows Group standards. In performing these tasks, the Management Board is supported by specific committees, independent risk management units and units of other divisions. All centrally organised risk management activities of Bank Austria are combined within a management function at Management Board level directed by the Chief Risk Officer (CRO), and are thus separate from the other divisions up to Management Board level. Lending decisions which exceed the limits of the relevant business units' approval authority, and the handling of problem loans, are the responsibility of the two operative credit risk departments, i.e. Credit Operations Corporate/CIB and Credit Operations Retail. The risk management activities of these departments are complemented by the Strategic Risk Management & Control department and the Market & Liquidity Risk department. To guarantee the independence of the Operational Risk and Validation areas, these also report directly to the CRO. The Finance unit reports to the Chief Financial Officer (CFO) indirectly via the Planning & Finance department and is responsible for risk-adequate pricing of loans, capital planning, the bank's own securitisations and funding (as part of the planning process and under contingency funding arrangements), among other things.

The Bank's internal control system (ICS) is effective at several levels: (1) in the various business areas, (2) at the Risk & Compliance level and (3) at the Internal Audit level. Internal Audit performs regular audits with regard to the adequacy of risk processes and compliance with them. The Management Board and the Supervisory Board are provided with reports on the results of these audits and recommendations. A comprehensive system of rules ranging from Group Policies to operational instructions governs processes at various levels. The most important Policies are adopted directly by the Management Board, managed in a separate system, rolled out and monitored with regard to the degree of implementation.

Cross-divisional management / control and reporting

Bank Austria divides the monitoring and controlling processes associated with risk management into the following categories: credit risk (default risk and migration risk), liquidity and funding risk, market risk (interest rate risk, credit spread risk, currency risk and equity risk), structural FX risk, derivatives-linked risk (counterparty risk, CVA risk), operational risk, reputational risk, business risk, pension risk, financial investment risk and real estate risk.

A key element of risk control by the Management Board is the annual definition of Bank Austria's Risk Appetite, which is approved by the Supervisory Board and takes place in coordination with UniCredit. The Risk Appetite describes the key principles of the Bank's risk orientation, in qualitative terms of a statement and in the form of a quantitative framework of key metrics. The Risk Appetite defines risk categories and the level of risk that Bank Austria is prepared to accept in pursuit of its strategic objectives and business plan and in view of its role within UniCredit Group. In this context the interests of external and internal parties (customers, shareholders and supervisory authorities in particular) are taken into account. For example, markets and investment banking operations are concentrated outside Bank Austria at Munich-based UniCredit Bank; this is reflected in Bank Austria's focus on commercial banking business and in correspondingly low trading book limits. The key Risk Appetite dimensions are business strategy, capital and liquidity adequacy. The defined bundle of key indicators comprises Pillar 1 and Pillar 2 indicators, and recovery plan indicators. The Risk Appetite is integrated in the budgeting process in the context of managing the objectives in defining and selecting the desired risk-return profile. A system of targets, thresholds and limits has been defined for the key indicators to ensure regular monitoring, timely escalation and a link to the recovery plan. In addition to the risk appetite, the Management Board and the Supervisory Board adopt a resolution, once a year, defining Bank Austria's risk strategy, which further operationalises the risk appetite and complements it with additional limits and targets.

Regular risk monitoring at top management level is performed through the overall risk report. The overall risk report is regularly presented also to the Supervisory Board. It comprises a description of the risk appetite, the risk-taking capacity (RTC), of credit risk, liquidity risk, market risk and operational risk, and the results of stress tests. Specialised risk committees have been established at senior management level for the management of key risks. The resolutions and results from this committee are reported directly to the Bank's overall board. Cross-departmental tax matters between sales and overall bank management and an overview of the results of the credit portfolio model, the IRB model, the IFRS 9 model and reports on the economic risk capital (pillar 2) are discussed in the monthly risk committee (RICO). Liquidity risk control is performed by the Liquidity Committee (LICO), which meets every two weeks to deal with current liquidity-related topics. These include operational aspects of liquidity management including market monitoring and compliance with the Liquidity Policy. Control of market risk is ensured by the Market Risk Committee (MACO), which meets every two weeks. MACO deals with short-term business management issues relating to the presentation and discussion of the risk/earnings position of Markets & Corporate Treasury Sales and with limit adjustments, product approvals and positioning decisions in the area of market risk. Other topics discussed and decided include the replication portfolio. Credit risk is assessed by the Credit Committee. The Operational & Reputational Risk Committee (OpRRiCo) meets on a quarterly basis to deal with operational and reputational risk issues. Risk arising from derivative transactions is managed by the Derivative Committee (DECO). DECO deals with classic credit risk and counterparty risk issues and aspects of reputational risk in customer business. Information on the Credit Treasury Committee within the CFO Finance management function is given in section "E2 – Credit risk".

Risk-taking capacity (ICAAP/ILAAP)

Beyond compliance with regulatory capital rules and liquidity requirements of Pillar 1, Bank Austria controls capital and liquidity adequacy also via the relevant Pillar 2 approaches: Internal Capital Adequacy Assessment Process (ICAAP); Internal Liquidity Adequacy Assessment Process (ILAAP). As part of the ILAAP, and in coordination with UniCredit Group, the Bank reviews the adequacy of the liquidity risk management process, which comprises various components to ensure sufficient liquidity – such as limiting the short-term and the medium-term and long-term liquidity position, stress testing, the funding plan and key regulatory indicators. Risk measurement is based on Group-internal and regulatory requirements. In the context of ICAAP, Bank Austria applies the UniCredit Group approach to internal capital at the consolidated level (including subsidiaries). This approach includes the following phases:

- Perimeter definition and risk identification
- Risk measurement
- Definition of risk appetite and capital allocation
- Regular monitoring and reporting

The process ensures that Bank Austria's perimeter including all relevant Group units and risk types are fully covered and that risk and available financial resources are consistently taken into account. The risk types are measured using procedures which have been developed within the Group and also take concentration risks into account. The Risk-Taking Capacity (RTC) compares Available Financial Resources (AFR) with aggregate Internal Capital (IC): RTC = AFR/IC. It is calculated and reported on a quarterly basis under a going concern approach. This approach requires compliance with all regulatory requirements and the application of the relevant valuation rules and accounting standards. The observation period is one year for all risk categories. In this context, unexpected losses are calculated with a confidence level of 99.9% for all risk categories, corresponding to a long-term Group target rating of A- (single A minus). An annual risk inventory analysis ensures that all materially relevant risk categories are taken into account.

Bank Austria calculates internal capital (also referred to as "economic capital" for individual risk categories) for the following risk categories.

- Credit risk (default and mitigation risk) including possible exposure as a result of the counterparty risk
- Market risk including CVA for trading and banking books (interest rate risk, credit spread risk, currency risk and equity risk)
- Structural FX risk
- Pension risk
- Business risk
- Real estate risk
- Operational risk (including legal risks)
- Financial investment risk (for those equity investments which are not covered on the basis of their relevant individual risk categories, minority interests in particular)
- Model risk (as percentage surcharges on the risk types listed above)

The dominant risk category for Bank Austria is classic credit risk while the other risk categories are much less significant. Both ICAAP and ILAAP of Bank Austria are subject to annual review by Internal Audit.

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Concentration risk

The VaR models used for internal capital take concentration risk into account, e.g. concentration risk associated with customers/customer groups and countries/sector concentrations in the credit portfolio model or risk factor concentrations in the market and counterparty risk model. At the holding company level, the allocation of limits with regard to individual and sector positions (bulk-risk and industry limits) is based on economic capital. In its lending operations, Bank Austria follows this Group strategy and the related limits for industrial sectors and large exposures. Monitoring and reporting the largest borrowers (individual customers and groups of companies) and the distribution among industries takes place through the overall risk report on a quarterly basis. At Bank Austria level, economic capital is also an important factor in the approval of large transactions. As part of the quarterly ICAAP report, the Credit Risk Economic Capital Detail Report shows credit positions with a large proportion of internal capital and presents capital allocation by various segments (divisions, asset classes, banking subsidiaries, major sub-portfolios, etc.). Granular sensitivity limits and reports complement VaR limits at the portfolio level in the area of market risk. Stress test limits are also used in connection with market risk. Counterparty limits and counterparty-risk simulations including stress considerations are applied to derivatives and repos. Sovereign limits and country limits specify the maximum amounts permitted for cross-border transactions (see section E.8 "Country risk and sovereign risk").

The macro risk has focused on Austria and the European area since the CEE subsidiaries were spun off. If we consider the industry distribution of loans, apart from the private customer business, commercial real estate and public sector customers account for the largest volume of loans, as in the previous year.

The proportion of foreign currency loans is described in detail in the section "E.6 – Currency risk".

Limit system

Regular monitoring of key indicators, with appropriate limits and early warning thresholds, and a detailed network of operational limits ensure that the Bank operates within the adopted risk parameters and that management can take timely measures in the event of unfavourable developments. The top level is the risk appetite, with around 20 key indicators being monitored at Bank Austria Group level (also partly at the Bank Austria AG level). The most significant indicators include liquidity and funding indicators (short-term, structural and stress-based), capital and leverage indicators, risk/return indicators, and indicators focusing on specific risk categories. Violations of risk-appetite thresholds/limits are dealt with according to the defined escalation hierarchy (a number of levels up to Supervisory Board approval authority). The complete overview of all key figures ("RA dashboard") is reported quarterly in RICO and as part of the overall risk report to the management and supervisory bodies.

Reports of the risk committees, which hold meetings at different intervals, are characterised by significantly higher granularity. MACO, for example, which holds meetings every two weeks, discusses the development of market risk positions including compliance with the relevant sensitivity limits, and LICO discusses compliance with liquidity-related limits and liquidity position developments. Depending on the degree of detail in the relevant dimensions (e.g. maturity bands, currencies), the escalation hierarchy comprises a number of levels in these areas, too. Both MACO and LICO use daily reports, which means that the treatment of any limit excesses is escalated in a timely manner and such limit excesses will have been dealt with by the time the complete RA dashboard is presented. Other key indicators are not determined on a daily basis, with the escalation process following the respective frequency of reporting. A central planning variable on the credit risk side is the expected loss (EL) at the sub-portfolio level for existing and new business. Developments in this context are monitored in detail during the year against the defined targets and thresholds; changes in parameters contributing to such developments are analysed and discussed with the relevant business areas and at RICO meetings with regard to a potential need for action. Individual lending decisions follow the defined loan approval process, which involves the operative credit risk departments, Bank Austria's Credit Committee and the relevant committees at the holding company, according to their respective levels of approval authority (see also section "E.2 – Credit risk").

Stress tests

Stress tests are a key component of risk analysis and planning at Bank Austria. The Bank performs overall bank stress tests and individual stress tests. The former cover major risk categories at a specific point in time, with detailed results being aggregated against the background of a coherent scenario and presented on an overall basis. The overall bank stress tests performed regularly include capital stress tests (Pillars 1 and 2) created in line with a regulatory and economic perspective and stress analyses under the recovery plan. Stress analyses under the recovery plan combine capital and liquidity aspects, showing developments over time and in the context of possible management reaction. The most important regular individual stress tests cover credit risk, market risk, counterparty risk and liquidity risk. Individual stress tests are presented at meetings of the respective committees (RICO, MACO, LICO), capital-related overall bank stress tests at RICO meetings and also as part of the overall risk report to the Management Board. Stress tests are performed at defined intervals (capital stress tests at least on a half-yearly basis, individual stress tests on a quarterly basis in most cases) and are also a fixed part of the annual budgeting and planning of the Risk Appetite. Stress tests may also be performed in response to specific issues, e.g. in response to suggestions made by Internal Audit or supervisory authorities. Scenarios are defined centrally and locally over a horizon of several years. The Holding Stress Test Council defines a minimum set of scenarios for Pillar 2 ICAAP stress tests on a half-yearly basis,

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which need to be calculated and reported locally. Local scenarios are additionally defined where required. Predefined thresholds for specific stress tests require management to consider action plans or contingency plans.

Stress testing is subject to an annual review by Internal Audit.

E.2 – Credit risk

Credit risk is defined as the risk of incurring losses as a result of non-fulfilment by the borrower of terms and conditions agreed under the loan agreement. The credit risk is the Bank's most significant risk category, which is why the Bank has dedicated itself to this area in particular.

Bank Austria's credit risk is determined based on the classic commercial customer businesses geared towards the regional Austrian market and the equally significant private customer business. Of the loans and advances to customers in the amount of €64.6 billion (before deduction of impairment losses), approximately two-thirds are attributable to the Corporate Banking and Corporate & Investment Banking segments. The remaining third is attributable to loans and receivables from private customers. Within this Retail segment, the approximately 26% share of CHF loans should be mentioned as risk carriers from a risk perspective (previous year 29%).

General information on the following presentations: The tables shown in this chapter with the designation “”Bank Group” in the table title correspond to the consolidation requirements according to Circular 262 of the Bank of Italy and may differ from the other presentations. The “Bank Group” scope of consolidation corresponds to the CRR scope of consolidation.

Credit risk methods and instruments

Very important factors in the credit approval process are a detailed assessment of risk associated with each loan exposure, and the customer's credit rating in particular. The basis for every loan decision is a thorough analysis of the loan commitment. Following the initial loan application, the Bank's loan exposures are reviewed at least once a year. If the borrower's creditworthiness deteriorates substantially, shorter review intervals are applied.

Our Bank-internal credit rating check is based on three different rating procedures. In order to estimate the (12-month) loss, the parameters (probability of default – PD; loss given default – LGD; exposure at default – EAD) for the customer/business segments to be assessed on the basis of models specifically developed for these purposes are calculated. The calculations are made in line with the various asset classes pursuant to Article 147 of the CRR, Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions. There are country-specific or region-specific models (e.g. for corporate customers, private and business customers) and Group-wide models (e.g. for sovereigns, banks, multinational corporates). In the reporting period, there was no significant change in the estimate procedure method or assumptions with regard to estimating the loss.

In order to estimate the expected credit loss (ECL) under IFRS 9 regulation, the aforementioned parameters are used in their appropriate adapted form (for more information, please see A.5.3.3 – Impairment of financial instruments, sub-item parameters and risk definition).

The assessment of a loan exposure is based on data from the respective company's financial statements and on qualitative business factors. For real estate customers, the customer-related rating is complemented by a transaction rating. Bank Austria uses an automated retail scoring system for assessing, monitoring and managing the large number of loan exposures to private customers, small businesses, independent professionals and small non-profit organisations. Retail scoring comprises an application scoring procedure based on effective and recognised mathematical and statistical methods, and a behaviour scoring procedure taking into account such factors as amounts received in the account and customers' payment practices. The retail scoring system provides information that is updated on a monthly basis. This gives the Bank a tool for lending decisions and early recognition of risk. Automated data processing helps Bank Austria to reduce costs required for credit control while accelerating lending decisions.

The various rating and scoring models provide the basis for efficient risk management of Bank Austria and are embedded in all decision-making processes relating to risk management. They are also a key factor for capital required to be held against risk-weighted assets. Great attention is given to consistency in the presentation for supervisory purposes and the requirements of internal control. Risk-adequate pricing and proactive risk management improve the portfolio's diversification and risk/return ratio on an ongoing basis.

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All Bank-internal rating procedures are subject to ongoing monitoring. The IRB model is verified regularly. The relevant rating model is verified as to whether it depicts the risks to be measured correctly. In addition to EAD and LGD models, the focus of the 2019 IRB validations was already on the material PD model changes (ECB applications for the fulfilment of new EBA guidelines), whereby the quarterly model monitoring continues to be implemented by Validation for the old PD models. All model assumptions are based on multi-year statistical averages for historical defaults and losses, with appropriate attention being given to the impact of turbulence in international financial markets. Credit risk stress tests, which are required by banking supervisory authorities and are carried out on a regular basis, are an essential instrument for assessing future risks in an unfavourable economic environment. RICO is defined as an expert body within the meaning of Article 189 of the CRR, which deals with all material aspects related to credit risk models (their development, adjustment, control and validation of model soundness). The Strategic Risk Management & Control department, with the relevant methodology and control units and with independent validation units, acts as credit risk control unit within the meaning of Article 190 of the CRR.

Current status of the application of the internal ratings-based approach (IRB approach) to credit risk in Bank Austria

UniCredit Bank Austria AG applies the internal ratings-based approach, using its own estimates of loss given default and of conversion factors for the major part of its loan portfolio (advanced IRB approach). Simplifying and further developing local and Group-wide models and, to a lesser extent, the introduction of additional Group-wide models is taking place on an ongoing basis or according to a multi-year plan (model road map). In line with the new EBA guidelines, material model change applications have already been submitted in 2019 for all local PD models and for the new definition of default. The relevant on-site audits by the ECB started in 2019 and will be continued in 2020. The applications for LGD and EAD are planned for 2020 and 2021, respectively. Implementation of the advanced IRB approach has been established as a Group-wide programme. Therefore, UniCredit is responsible for Group-wide decisions and guidelines as well as for the development of Group-wide models. For example, Group-wide homogeneous portfolios have been defined for which uniform rating models are used across the Group, such as those for countries, banks and multinational companies.

Group standards have for the most part already been prepared and adopted by UniCredit in cooperation with the major IRB legal entities, and are used as an instrument for uniform Group-wide implementation, with a view to complying with local legal requirements – some of which differ from country to country – and safeguarding Group interests. These Group standards will continue to be gradually extended and complemented.

Group standards are integrated into business areas both in procedural and organisational terms, where local particularities and legal regulation are considered when ensuring Basel 3 compliance.
All Austrian subsidiaries of UniCredit Bank Austria AG use the standardised approach. From a current perspective, for reasons of materiality, it is not planned to switch to one of the IRB approaches.

Classification of asset quality

Generally, loans are divided into "performing" loans and "non-performing" loans. In accordance with IFRS 9, performing loans are further subdivided into loans with valuation allowances based on 1-year expected loss (Level 1) and loans with valuation allowances based on lifetime expected loss (Level 2). Non-performing loans form Level 3 (see also "Provisioning process")

In accordance with UniCredit Group guidelines, non-performing loans are divided into the following categories:

- **"Bad loans" (loans in liquidation):** credit exposures, considered uncollectible, to insolvent borrowers, even if insolvency has not been judicially ascertained. A realisation procedure is usually applied to borrowers in this class. Impairment is estimated on an analytical basis or, for exposures of less than €2 million, on the basis of statistical methods; for details, see "Provisioning process".
- **"Unlikely to pay"":** on-balance sheet and off-balance sheet exposures which do not meet the conditions to be classified as "bad loans". The classification as "unlikely to pay" derives from the assessment of the debtor's unlikeliness, without actions such as realisation of collateral, to fully repay his/her credit obligation (principal and/or interest) regardless of days in arrears. The classification within the "unlikely to pay" category is not necessarily related to the explicit presence of a default (failure to repay) but rather is tied to the existence of evidence of a debtor's risk of default. Impairment is assessed on an analytical basis or, for exposures of less than €2 million, on the basis of statistical methods. Detailed information is given in the "Provisioning process" section.
- **"Past due":** on-balance sheet risk volumes that do not meet the criteria for classification in the "Bad loans" or "Unlikely to pay" categories, but where amounts are overdue by more than 90 days or limits are exceeded by more than 90 days. Such amounts are determined at individual debtor level.

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If the criterion for allocation to a non-performing category expires due to economic recovery of the client, the client is classified as performing after a period of good conduct of at least 90 days. Credit exposures with retail scoring are assigned the rating 7 after this period until a behavioural scoring is determined. All other credit commitments are automatically fixed at unrated until a new rating.

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying value)

(€ million)

PORTFOLIOS/QUALITY	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	PERFORMING PAST-DUE EXPOSURES	PERFORMING EXPOSURES	TOTAL
1. Financial assets at amortised cost	128	864	38	1,518	74,189	76,736
2. Financial assets at fair value through other comprehensive income	-	-	-	-	14,838	14,838
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily at fair value	-	2	-	1	1,188	1,192
5. Financial instruments classified as held for sale	7	-	-	60	543	611
Total 31-12-2019	**135**	**867**	**38**	**1,579**	**90,758**	**93,377**
Total 31-12-2018	**132**	**846**	**17**	**1,631**	**89,770**	**92,397**

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)

(€ million)

	NON-PERFORMING ASSETS				PERFORMING ASSETS			
PORTFOLIOS/QUALITY	OVERALL WRITE-DOWNS	TOTAL WRITEDOWNS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS	OVERALL WRITE-DOWNS	TOTAL WRITEDOWNS	NET EXPOSURE	TOTAL (NET EXPOSURE)
1. Financial assets at amortised cost	2,071	1,042	1,029	39	76,038	332	75,706	76,736
2. Financial assets at fair value through other comprehensive income	-	-	-	-	14,839	1	14,838	14,838
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair value	2	-	2	-	X	X	1,189	1,192
5. Financial instruments classified as held for sale	22	14	8	-	607	4	603	611
Total 31-12-2019	**2,096**	**1,056**	**1,040**	**39**	**91,484**	**337**	**92,337**	**93,377**
Total 31-12-2018	**2,173**	**1,178**	**995**	**74**	**90,425**	**361**	**91,401**	**92,396**

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A.1.1 Regulatory consolidation - Breakdown of financial assets by past-due buckets (carrying value)

(€ million)

PORTFOLIOS/RISK STAGES	STAGE 1 FROM 1 TO 30 DAYS	STAGE 1 OVER 30 AND UP TO 90 DAYS	STAGE 1 OVER 90 DAYS	STAGE 2 FROM 1 TO 30 DAYS	STAGE 2 OVER 30 AND UP TO 90 DAYS	STAGE 2 OVER 90 DAYS	STAGE 3 FROM 1 TO 30 DAYS	STAGE 3 OVER 30 AND UP TO 90 DAYS	STAGE 3 OVER 90 DAYS
1. Financial assets at amortised cost	559	1	-	155	41	1	16	23	187
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3. Financial instruments classified as held for sale	48	1	-	-	3	-	-	-	8
Total 31-12-2019	**607**	**2**	**1**	**155**	**44**	**1**	**16**	**23**	**195**
Total 31-12-2018	**523**	**3**	**-**	**59**	**56**	**6**	**17**	**13**	**216**

A.1.2 Bank Group - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions

(€ million)

SOURCES/RISK STAGES	OVERALL WRITE-DOWNS – FINANCIAL ASSETS CLASSIFIED IN STAGE 1: FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR SALE	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT	FINANCIAL ASSETS CLASSIFIED IN STAGE 2: FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR SALE	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT
Opening balance (gross amount)	**48**	**-**	**4**	**8**	**44**	**308**	**1**	**-**	**4**	**305**
Increases in acquired or originated financial assets	17	-	-	-	17	23	-	-	-	23
Reversals different from write-offs	(9)	-	-	(3)	(6)	(30)	-	-	(1)	(29)
Net losses/recoveries on credit impairment	(7)	-	-	1	(7)	(12)	-	-	1	(13)
Contractual changes without cancellation	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	-	-
Other changes	1	-	-	1	-	(6)	-	-	(1)	(5)
Closing balance (gross amount)	**50**	**1**	**4**	**7**	**47**	**282**	**-**	**-**	**2**	**280**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-
Write-off are recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-

continued: A.1.2 Bank Group - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions

(€ million)

	OVERALL WRITE-DOWNS						TOTAL PROVISIONS ON LOANS COMMITMENTS AND FINANCIAL GUARANTEES GIVEN			TOTAL
	ASSETS BELONGING TO THIRD STAGE									
SOURCES/RISK STAGES	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR SALE	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT	OF WHICH: ACQUIRED OR ORIGINATED IMPAIRED FINANCIAL ASSETS	STAGE 1	STAGE 2	STAGE 3	
Opening balance (gross amount)	**1,166**	**-**	**12**	**625**	**551**	**-**	**10**	**12**	**174**	**1,734**
Increases in acquired or originated financial assets	28	-	-	16	11	2	4	3	50	125
Reversals different from write-offs	(14)	-	-	(7)	(7)	-	(2)	(1)	(78)	(135)
Net losses/recoveries on credit impairment	14	-	2	25	(9)	3	-	3	(6)	(7)
Contractual changes without cancellation	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-
Write-off	(164)	-	-	(81)	(83)	(2)	-	-	-	(164)
Other changes	12	-	-	6	6	-	-	-	18	24
Closing balance (gross amount)	**1,041**	**-**	**14**	**584**	**469**	**3**	**11**	**17**	**157**	**1,577**
Recoveries from financial assets subject to write-off	9	-	-	2	6	-	-	-	-	9
Write-off are recognised directly in profit or loss	(21)	-	-	(1)	(20)	-	-	-	-	(21)

A.1.2 Bankengruppe – Finanzielle Vermögenswerte, Kreditzusagen, Garantien: Veränderungen von Wertberichtigungen und Rückstellungen 2018

(€ million)

	OVERALL WRITE-DOWNS									
	FINANCIAL ASSETS CLASSIFIED IN STAGE 1					FINANCIAL ASSETS CLASSIFIED IN STAGE 2				
SOURCES/RISK STAGES	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR SALE	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR SALE	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT
Opening balance (gross amount)	**68**	**1**	**-**	**9**	**59**	**393**	**2**	**-**	**22**	**373**
Increases in acquired or originated financial assets	33	-	-	-	33	104	-	-	-	104
Reversals different from write-offs	(16)	-	-	(4)	(12)	(47)	-	-	(15)	(32)
Net losses/recoveries on credit impairment	(35)	(1)	-	-	(36)	(135)	-	-	(1)	(134)
Contractual changes without cancellation	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	-	-
Other changes	(2)	1	-	(1)	(1)	(7)	(1)	-	(2)	(6)
Closing balance (gross amount)	**48**	**-**	**-**	**5**	**43**	**308**	**1**	**-**	**4**	**305**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-
Write-off are recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-

continued: A.1.2 Bank Group - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions

(€ million)

	OVERALL WRITE-DOWNS						TOTAL PROVISIONS ON LOANS COMMITMENTS AND FINANCIAL GUARANTEES GIVEN			TOTAL
	FINANZIELLE VERMÖGENSWERTE STUFE 3									
SOURCES/RISK STAGES	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR SALE	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT	OF WHICH: ACQUIRED OR ORIGINATED IMPAIRED FINANCIAL ASSETS	STAGE 1	STAGE 2	STAGE 3	
Opening balance (gross amount)	**1,399**	**-**	**-**	**762**	**632**	**-**	**15**	**16**	**154**	**2,048**
Increases in acquired or originated financial assets	152	-	-	121	31	8	5	3	46	343
Reversals different from write-offs	(68)	-	-	(46)	(22)	(1)	(5)	(4)	(94)	(234)
Net losses/recoveries on credit impairment	(110)	-	-	(94)	(15)	(7)	(5)	(4)	68	(222)
Contractual changes without cancellation	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-
Write-off	(197)	-	-	(121)	(76)	-	-	-	-	(197)
Other changes	(7)	-	-	(5)	(2)	-	-	-	-	(16)
Closing balance (gross amount)	**1,169**	**-**	**-**	**617**	**548**	**-**	**10**	**11**	**174**	**1,722**
Recoveries from financial assets subject to write-off	13	-	-	7	6	-	-	-	-	13
Write-off are recognised directly in profit or loss	(25)	-	-	(1)	(24)	-	-	-	-	(25)

A.1.3 Bank Group - Financial assets, loan commitments and financial guarantees given: transfers between risk stages (gross values and nominal values)

(€ million)

	GROSS VALUES/NOMINAL VALUES					
	TRANSFERS BETWEEN STAGE 1 AND STAGE 2		TRANSFERS BETWEEN STAGE 2 AND STAGE 3		TRANSFERS BETWEEN STAGE 1 AND STAGE 3	
PORTFOLIOS/RISK STAGES	FROM STAGE 1 TO STAGE 2	FROM STAGE 2 TO STAGE 1	FROM STAGE 2 TO STAGE 3	FROM STAGE 3 TO STAGE 2	FROM STAGE 1 TO STAGE 3	FROM STAGE 3 TO STAGE 1
1. Financial assets at amortised cost	2,877	1,911	195	63	215	13
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial instruments classified as held for sale	-	-	-	-	-	-
4. Loan commitments and financial guarantees given	1,652	309	13	21	37	1
Total 31-12-2019	**4,529**	**2,220**	**208**	**84**	**252**	**14**
Total 31-12-2018	**3,221**	**7,951**	**139**	**24**	**501**	**14**

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A.1.4 Regulatory consolidation - On- and off-balance sheet credit exposures with banks: gross and net values

(€ million)

	AMOUNTS AS AT 31-12-2019				
	GROSS EXPOSURE				
EXPOSURE TYPES/AMOUNTS	NON-PERFORMING	PERFORMING	OVERALL WRITE-DOWNS AND PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS
A. On-balance sheet credit exposures					
a) Bad exposures	-	X	-	-	-
of which: forborne exposures	-	*X*	-	-	-
b) Unlikely to pay	-	X	-	-	-
of which: forborne exposures	-	*X*	-	-	-
c) Non-performing past due	-	X	-	-	-
of which: forborne exposures	-	*X*	-	-	-
d) Performing past due	X	4	-	4	-
of which: forborne exposures	*X*	-	-	-	-
e) Other performing exposures	X	15,810	3	15,807	1
of which: forborne exposures	*X*	-	-	-	-
Total (A)	**-**	**15,814**	**3**	**15,811**	**1**
B. Off-balance sheet credit exposures					
a) Non-performing	-	X	-	-	-
b) Performing	X	5,478	-	5,478	-
Total (B)	**-**	**5,478**	**-**	**5,478**	**-**
Total (A+B)	**-**	**21,292**	**3**	**21,289**	**1**

A.1.4 Regulatory consolidation - On- and off-balance sheet credit exposures with banks: gross and net values

(€ million)

	AMOUNTS AS AT 31-12-2018				
	GROSS EXPOSURE				
EXPOSURE TYPES/AMOUNTS	NON-PERFORMING	PERFORMING	OVERALL WRITE-DOWNS AND PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS
A. On-balance sheet credit exposures					
a) Bad exposures	-	X	-	-	-
of which: forborne exposures	-	*X*	-	-	-
b) Unlikely to pay	-	X	-	-	-
of which: forborne exposures	-	*X*	-	-	-
c) Non-performing past due	-	X	-	-	-
of which: forborne exposures	-	*X*	-	-	-
d) Performing past due	X	6	-	6	-
of which: forborne exposures	*X*	-	-	-	-
e) Other performing exposures	X	16,180	4	16,176	1
of which: forborne exposures	*X*	-	-	-	-
Total (A)	**-**	**16,186**	**4**	**16,182**	**1**
B. Off-balance sheet credit exposures					
a) Non-performing	-	X	-	-	-
b) Performing	X	3,266	1	3,265	-
Total (B)	**-**	**3,266**	**1**	**3,265**	**-**
Total (A+B)	**-**	**19,452**	**5**	**19,447**	**1**

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A.1.5 Regulatory consolidation - On- and off-balance sheet credit exposures with customers: gross and net values

(€ million)

	AMOUNTS AS AT	31-12-2019			
	GROSS EXPOSURE				
EXPOSURE TYPES/AMOUNTS	NON-PERFORMING	PERFORMING	OVERALL WRITE-DOWNS AND PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS
A. On-balance sheet credit exposures					
a) Bad exposures	876	X	741	135	39
of which: forborne exposures	*103*	*X*	*67*	*37*	*1*
b) Unlikely to pay	1,173	X	307	867	-
of which: forborne exposures	*352*	*X*	*149*	*203*	-
c) Non-performing past due	47	X	8	38	-
of which: forborne exposures	*4*	*X*	-	*4*	-
d) Performing past due	X	1,583	8	1,575	-
of which: forborne exposures	*X*	*10*	-	*10*	-
e) Other performing exposures	X	75,277	326	74,951	-
of which: forborne exposures	*X*	*275*	*5*	*270*	-
Total (A)	**2,096**	**76,860**	**1,390**	**77,566**	**39**
B. Off-balance sheet credit exposures					
a) Non-performing	371	X	157	214	-
b) Performing	X	37,065	28	37,037	-
Total (B)	**371**	**37,065**	**185**	**37,251**	**-**
Total (A+B)	**2,467**	**113,925**	**1,575**	**114,817**	**39**

A.1.5 Regulatory consolidation - On- and off-balance sheet credit exposures with customers: gross and net values

(€ million)

	AMOUNTS AS AT	31-12-2018			
	GROSS EXPOSURE				
EXPOSURE TYPES/AMOUNTS	NON-PERFORMING	PERFORMING	OVERALL WRITE-DOWNS AND PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS
A. On-balance sheet credit exposures					
a) Bad exposures	1,011	X	879	132	64
of which: forborne exposures	*135*	*X*	*104*	*31*	*6*
b) Unlikely to pay	1,141	X	295	846	10
of which: forborne exposures	*436*	*X*	*160*	*276*	*7*
c) Non-performing past due	21	X	4	17	-
of which: forborne exposures	*3*	*X*	-	*3*	-
d) Performing past due	X	1,638	12	1,626	-
of which: forborne exposures	*X*	*5*	-	*5*	-
e) Other performing exposures	X	73.938	344	73.594	1
of which: forborne exposures	*X*	*274*	*7*	*267*	-
Total (A)	**2,173**	**75.576**	**1.535**	**76.215**	**75**
B. Off-balance sheet credit exposures					
a) Non-performing	396	X	174	222	-
b) Performing	X	36,093	21	36,072	-
Total (B)	**396**	**36,093**	**195**	**36,294**	**-**
Total (A+B)	**2,569**	**111.669**	**1,729**	**112.509**	**75**

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A.1.7 Bank Group - On-balance sheet credit exposures with customers: changes in gross non-performing exposures

(€ million)

SOURCES/CATEGORIES	CHANGES IN 2019		
	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST DUE
A. Opening balance (gross amount)	**1,011**	**1,141**	**21**
of which sold non-cancelled exposures	*2*	*2*	*1*
B. Increases	**187**	**529**	**64**
B.1 Transfer from performing loans	83	413	51
B.2 Transfer from acquired or originated impaired financial assets	-	-	-
of which: business combinations	-	-	-
B.3 Transfer from other non-performing exposures	67	66	9
B.4 Contractual changes with no cancellations	-	-	-
B.5 Other increases	37	49	4
of which: business combinations - mergers	-	-	-
C. Decreases	**322**	**496**	**39**
C.1 Transfers to performing loans	6	112	7
C.2 Write-offs	134	39	-
C.3 Collections	96	257	25
C.4 Sale proceeds	6	-	-
C.5 Losses on disposals	-	-	-
C.6 Transfers to other non-performing exposures	62	73	6
C.7 Contractual changes with no cancellations	-	-	-
C.8 Other decreases	17	15	1
of which: business combinations	-	-	-
D. Closing balance (gross amount)	**876**	**1,173**	**47**
of which sold non-cancelled exposures	*4*	*2*	*1*

A.1.7 Bank Group - On-balance sheet credit exposures with customers: changes in gross non-performing exposures

(€ million)

SOURCES/CATEGORIES	CHANGES IN 2018		
	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST DUE
A. Opening balance (gross amount)	**1,177**	**1,391**	**33**
of which sold non-cancelled exposures	-	-	-
B. Increases	**166**	**550**	**23**
B.1 Transfer from performing loans	113	366	19
B.2 Transfer from acquired or originated impaired financial assets	-	-	-
of which: business combinations	-	-	-
B.3 Transfer from other non-performing exposures	35	50	3
B.4 Contractual changes with no cancellations	-	-	-
B.5 Other increases	18	134	1
of which: business combinations - mergers	-	-	-
C. Decreases	**332**	**799**	**35**
C.1 Transfers to performing loans	3	182	10
C.2 Write-offs	141	72	-
C.3 Collections	141	490	8
C.4 Sale proceeds	-	-	-
C.5 Losses on disposals	-	-	-
C.6 Transfers to other non-performing exposures	41	35	12
C.7 Contractual changes with no cancellations	-	-	-
C.8 Other decreases	6	19	6
of which: business combinations	-	-	-
D. Closing balance (gross amount)	**1,011**	**1.142**	**20**
of which sold non-cancelled exposures	*2*	*2*	*1*

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A.1.7bis Bank Group - On-balance sheet exposures with customers: changes by credit quality in gross forborne exposures

(€ million)

SOURCES/QUALITY	CHANGES IN 2019 FORBORNE EXPOSURES: NON-PERFORMING	CHANGES IN 2019 FORBORNE EXPOSURES: PERFORMING
A. Opening balance (gross amount)	**522**	**275**
of which sold non-cancelled exposures	*1*	*1*
B. Increases	**138**	**230**
B.1 Transfers from performing non-forborne exposures	96	155
B.2 Transfers from performing forbone exposures	16	X
B.3 Transfers from non-performing forborne exposures	X	38
of which: business combinations	*X*	-
B.4 Other increases	27	37
of which: business combinations - mergers	-	-
C. Reductions	**202**	**224**
C.1 Transfers to performing non-forborne exposures	X	76
C.2 Transfers to performing forbone exposures	38	X
C.3 Transfers to non-performing forborne exposures	X	16
C.4 Write-offs	18	-
C.5 Collections	116	125
C.6 Sale proceeds	1	-
C.7 Losses from disposal	-	-
C.8 Other reductions	30	7
of which: business combinations	-	-
D. Closing balance (gross amount)	**458**	**282**
of which sold non-cancelled exposures	*1*	-

A.1.7bis Bank Group - On-balance sheet exposures with customers: changes by credit quality in gross forborne exposures

(€ million)

SOURCES/QUALITY	CHANGES IN 2018 FORBORNE EXPOSURES: NON-PERFORMING	CHANGES IN 2018 FORBORNE EXPOSURES: PERFORMING
A. Opening balance (gross amount)	**672**	**254**
of which sold non-cancelled exposures	-	-
B. Increases	**390**	**352**
B.1 Transfers from performing non-forborne exposures	63	158
B.2 Transfers from performing forbone exposures	60	X
B.3 Transfers from non-performing forborne exposures	X	131
of which: business combinations	*X*	-
B.4 Other increases	267	63
of which: business combinations - mergers	-	-
C. Verminderungen *)	**540**	**331**
C.1 Transfers to performing non-forborne exposures	X	50
C.2 Transfers to performing forbone exposures	131	X
C.3 Transfers to non-performing forborne exposures	X	60
C.4 Write-offs	63	-
C.5 Collections	286	187
C.6 Sale proceeds	-	-
C.7 Losses from disposal	-	-
C.8 Other reductions	60	34
of which: business combinations	-	-
D. Closing balance (gross amount)	**522**	**275**
of which sold non-cancelled exposures	*1*	*1*

*) Previous year's values were adjusted for households due to a methodological change regarding forborne exposures

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A.1.9 Bank Group - On-balance sheet non-performing credit exposures with customers: changes in overall write-downs

(€ million)

	CHANGES IN 2019					
	NON-PERFORMING LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE	
SOURCES/CATEGORIES	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES
A. Opening balance (gross amount)	**879**	**104**	**295**	**160**	**4**	**-**
of which sold non-cancelled exposures	*1*	-	*1*	-	-	-
B. Increases	**105**	**16**	**168**	**51**	**10**	**-**
B.1 Write-downs of acquired or originated impaired financial assets	-	X	-	X	-	X
of which: business combinations	-	-	-	-	-	-
B.2. Other write-downs	58	8	112	48	7	-
B.3 Losses on disposal	-	-	-	-	-	-
B.4 Transfers from other categories of non-performing exposures	30	7	53	1	2	-
B.5 Contractual changes with no cancellations	-	X	-	X	-	X
B.6 Other increases	17	2	3	1	2	-
of which: business combinations - mergers	-	-	-	-	-	-
C. Reductions	**243**	**54**	**157**	**61**	**6**	**-**
C.1 Write-backs from valuation	3	1	2	-	1	-
C.2. Write-backs from collections	38	4	68	25	1	-
C.3 Gains from disposals	-	-	-	-	-	-
C.4 Write-offs	134	7	39	11	-	-
C.5 Transfers to other categories of non-performing exposures	53	1	31	7	2	-
C.6 Contractual changes with no cancellations	-	X	-	X	-	X
C.7 Other decreases	15	40	16	19	1	-
of which: business combinations	-	-	-	-	-	-
D. Closing balance (gross amount)	**741**	**67**	**307**	**149**	**8**	**-**
of which sold non-cancelled exposures	*2*	-	*1*	-	-	-

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A.1.9 Bank Group - On-balance sheet non-performing credit exposures with customers: changes in overall write-downs

(€ million)

	CHANGES IN 2018					
	NON-PERFORMING LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE	
SOURCES/CATEGORIES	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES
A. Opening balance (gross amount)	**1,004**	**124**	**386**	**180**	**7**	**-**
of which sold non-cancelled exposures	-	-	-	-	-	-
B. Increases	**115**	**22**	**149**	**111**	**4**	**-**
B.1 Write-downs of acquired or originated impaired financial assets	2	X	2	X	-	X
of which: business combinations	-	-	-	-	-	-
B.2. Other write-downs	81	14	94	35	3	-
B.3 Losses on disposal	-	-	-	-	-	-
B.4 Transfers from other categories of non-performing exposures	20	8	36	16	1	-
B.5 Contractual changes with no cancellations	-	X	-	X	-	X
B.6 Other increases	12	-	17	60	-	-
of which: business combinations - mergers	-	-	-	-	-	-
C. Reductions	**240**	**42**	**239**	**131**	**7**	**-**
C.1 Write-backs from valuation	4	-	9	1	-	-
C.2. Write-backs from collections	52	13	125	69	1	-
C.3 Gains from disposals	-	-	-	-	-	-
C.4 Write-offs	141	12	72	51	-	-
C.5 Transfers to other categories of non-performing exposures	34	16	20	8	4	-
C.6 Contractual changes with no cancellations	-	X	-	X	-	X
C.7 Other decreases	9	1	13	2	2	-
of which: business combinations	-	-	-	-	-	-
D. Closing balance (gross amount)	**879**	**104**	**296**	**160**	**4**	**-**
of which sold non-cancelled exposures	*1*	-	*1*	-	-	-

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A.2.1 Bank Group - Breakdown of financial assets, loan commitments and financial guarantees given by external rating classes (gross amounts)

(€ million)

	AMOUNT AS AT 31-12-2019							
	EXTERNAL RATING CLASSES							
EXPOSURES	CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6	N0 RATING *)	TOTAL
A. Financial assets at amortised cost								
- Stage 1	3,332	1,396	4,172	418	121	1	51,541	60,980
- Stage 2	11	154	70	155	4	-	14,656	15,051
- Stage 3	-	-	-	-	-	-	2,069	2,069
B. Financial assets at fair value through other comprehensive income								
- Stage 1	7,197	6,761	818	-	-	-	23	14,799
- Stage 2	-	-	-	40	-	-	-	40
- Stage 3	-	-	-	-	-	-	-	-
C. Financial instruments classified as held for sale								
- Stufe 1	-	-	-	-	-	-	598	598
- Stufe 2	-	-	-	-	-	-	5	5
- Stufe 3	-	-	-	-	-	-	22	22
Total (A+ B + C)	**10,539**	**8,311**	**5,060**	**613**	**125**	**2**	**68,914**	**93,564**
of which: acquired or originated impaired financial assets	-	-	-	-	-	-	*8*	*8*
D. Loan commitments and financial guarantees given								
- Stage 1	373	2,985	2,643	300	21	2	23,258	29,584
- Stage 2	2	40	81	111	5	-	9,557	9,797
- Stage 3	-	-	-	-	-	-	371	371
Total (D)	**375**	**3,025**	**2,724**	**412**	**27**	**3**	**33,186**	**39,751**
Total (A + B + C + D)	**10,914**	**11,335**	**7,784**	**1,025**	**152**	**4**	**102,100**	**133,315**

The table considers the ratings of the following rating agencies: Moody's, S&Ps, Fitch and DBRS.
Class 1 (AAA /AA-), 2 (A+/A-), 3 (BBB+/BBB-), 4 (BB+/BB-), 5 (B+/B-), impaired risk volumes are included in column "without external rating").
96% of the externally rated volume had a good credit rating (investment grade, classes 1 to 3), 78% of the volume was not rated due to the significant proportion of retail customers.
*) Includes non-performing and no external rating.

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A.2.1 Bank Group - Breakdown of financial assets, loan commitments and financial guarantees given by external rating classes (gross amounts)

(€ million)

	AMOUNT AS AT 31-12-2018							
	EXTERNAL RATING CLASSES							
EXPOSURES	CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6	NO RATING	TOTAL
A. Financial assets at amortised cost								
- Stage 1	2,709	1,942	6,052	277	128	2	49,006	60,116
- Stage 2	44	276	524	104	-	2	15,293	16,243
- Stage 3	-	-	-	-	-	-	2,150	2,150
B. Financial assets at fair value through other comprehensive income								
- Stage 1	7,805	4,731	787	-	-	-	3	13,326
- Stage 2	-	-	-	67	-	-	-	67
- Stage 3	-	-	-	-	-	-	-	-
C. Financial instruments classified as held for sale								
- Stufe 1	-	-	-	-	-	-	-	-
- Stufe 2	-	-	-	-	-	-	-	-
- Stufe 3	-	-	-	-	-	-	-	-
Total (A+ B + C)	**10,558**	**6,949**	**7,363**	**448**	**128**	**4**	**66,452**	**91,902**
of which: acquired or originated impaired financial assets	-	-	-	-	-	-	2	2
D. Loan commitments and financial guarantees given								
- Stage 1	240	434	1,582	421	20	2	25,524	28,223
- Stage 2	8	31	90	9	10	-	7,857	8,005
- Stage 3	-	-	-	-	-	-	394	394
Total (D)	**248**	**465**	**1,672**	**430**	**30**	**2**	**33,775**	**36,622**
Total (A + B + C + D)	**10,806**	**7,414**	**9,035**	**878**	**158**	**6**	**100,227**	**128,524**

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A.2.2 Bank Group - Breakdown of financial assets, loan commitments and financial guarantees given by internal rating classes (gross amounts)

(€ million)

	AMOUNT AS AT 31-12-2019										
	INTERNAL RATING CLASSES										
EXPOSURES	1	2	3	4	5	6	7	8	9	NO RATING *)	TOTAL
A. Financial assets at amortised cost											
- Stage 1	6,922	3,042	18,733	19,014	7,766	3,620	1,293	201	25	365	60,980
- Stage 2	2	593	2,095	3,111	4,390	2,793	1,227	509	115	216	15,051
- Stage 3	-	-	-	-	-	-	-	-	-	2,069	2,069
B. Financial assets at fair value through other comprehensive income											
- Stage 1	6,704	492	6,761	818	-	-	-	-	-	23	14,799
- Stage 2	-	-	-	-	40	-	-	-	-	-	40
- Stage 3	-	-	-	-	-	-	-	-	-	-	-
C. Financial instruments classified as held for sale											
- Stufe 1	-	-	-	-	-	-	-	-	-	598	598
- Stufe 2	-	-	-	-	-	-	-	-	-	5	5
- Stufe 3	-	-	-	-	-	-	-	-	-	22	22
Total (A + B + C)	**13,629**	**4,128**	**27,589**	**22,943**	**12,196**	**6,412**	**2,520**	**710**	**140**	**3,298**	**93,564**
of which: acquired or originated impaired financial assets	-	-	-	-	-	-	-	-	-	*8*	*8*
D. Loan commitments and financial guarantees given											
- Stage 1	2,561	2,286	12,064	9,423	1,937	793	369	91	10	50	29,584
- Stage 2	7	1,543	2,843	3,065	1,527	442	207	143	7	12	9,797
- Stage 3	-	-	-	-	-	-	-	-	-	371	371
Total (D)	**2,568**	**3,829**	**14,907**	**12,488**	**3,464**	**1,235**	**576**	**234**	**16**	**433**	**39,751**
TOTAL (A + B + C + D)	**16,197**	**7,957**	**42,496**	**35,430**	**15,660**	**7,647**	**3,096**	**944**	**156**	**3,731**	**133,315**

*) Includes non-performing and no rating.

A.2.2 Bank Group - Breakdown of financial assets, loan commitments and financial guarantees given by internal rating classes (gross amounts)

(€ million)

	AMOUNT AS AT 31-12-2018										
	INTERNAL RATING CLASSES										
EXPOSURES	1	2	3	4	5	6	7	8	9	NO RATING	TOTAL
A. Financial assets at amortised cost											
- Stage 1	5,693	2,377	17,824	20,633	7,105	3,824	1,958	261	29	411	60,115
- Stage 2	6	1,025	2,762	3,515	4,481	2,299	1,172	509	134	341	16,244
- Stage 3	-	-	-	-	-	-	-	-	-	2,150	2,150
B. Financial assets at fair value through other comprehensive income											
- Stage 1	7,396	410	4,731	787	-	-	-	-	-	3	13,327
- Stage 2	-	-	-	-	62	4	-	-	-	-	66
- Stage 3	-	-	-	-	-	-	-	-	-	-	-
C. Financial instruments classified as held for sale											
- Stufe 1	-	-	-	-	-	-	-	-	-	-	-
- Stufe 2	-	-	-	-	-	-	-	-	-	-	-
- Stufe 3	-	-	-	-	-	-	-	-	-	-	-
Total (A + B + C)	**13,095**	**3,812**	**25,317**	**24,935**	**11,648**	**6,127**	**3,130**	**770**	**163**	**2,905**	**91,902**
of which: acquired or originated impaired financial assets	-	-	-	-	-	-	-	-	-	2	2
D. Loan commitments and financial guarantees given											
- Stage 1	6	1,873	11,623	10,488	2,396	1,003	673	60	9	91	28,222
- Stage 2	12	1,608	2,257	2,717	696	281	204	197	7	27	8,006
- Stage 3	-	-	-	-	-	-	-	-	-	394	394
Total (D)	**18**	**3,481**	**13,880**	**13,205**	**3,092**	**1,284**	**877**	**257**	**16**	**512**	**36,622**
TOTAL (A + B + C + D)	**13,113**	**7,293**	**39,197**	**38,140**	**14,740**	**7,411**	**4,007**	**1,027**	**179**	**3,417**	**128,524**

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The mapping to the internal UniCredit rating masterscale considers the PD ranges mentioned below. Class 1 to 3 correspond to investment grade classes of external ratings.

Class 10 corresponds to the non-performing loan portfolio according to Bank of Italy (and includes the risk classes bad loans, unlikely to pay and past due):

INTERNAL RATING CLASSES	PD MIN	PD MAX
1	0.00%	0.00%
2	0.00%	0.02%
3	0.02%	0.12%
4	0.12%	0.58%
5	0.58%	1.37%
6	1.37%	3.22%
7	3.22%	7.57%
8	7.57%	17.80%
9	17.80%	99.99%
10	Impaired	

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Information on forborne exposures

Forbearance measures are concessions made by a bank to a debtor facing or about to face difficulties in meeting its financial commitments. These may take the form of a modification of the terms and conditions of a contract that would not have been agreed if the debtor had not been in financial difficulties, or the form of total or partial refinancing. The primary objective of granting forbearance measures is to prevent the borrower from becoming non-performing and/or to enable the borrower to regain performing status. Debtors that are classified as "forborne" are subject to special monitoring requirements and are to be clearly marked as such. Forborne exposures that are not classified as non-performing are allocated to Level 2 in accordance with IFRS 9.

Forbearance measures exist if, for example, a deferral or rescheduling agreement has been concluded, a new agreement on the conditions has been concluded at interest rates below the market level or the conversion of part of the loan into an equity investment or the reduction of the capital amount has taken place due to financial difficulties of the borrower.

If a forbearance measure does not lead to a non-performing classification, a probation period of at least 2 years must be observed. If a forbearance measure results in a non-performing classification, a minimum 1-year holding period in the non-performing portfolio must be observed – a probation period of 2 years will again be applicable from the date of reclassification as performing. Upon expiry of the probation period the exposure will cease to be classified as "forborne".

Before granting a forbearance measure, an assessment must be performed of the borrower's debt service capability (impairment test). A risk provision resulting from this is determined as described in the "Provisioning process" section. Apart from the impairment test, an examination must be performed to see if the modification of the contract results in a partial or full disposal of the financial instrument. In the case of financial assets, there is a disposal if a material change in contractual conditions leads to a situation in which the modified financial instrument, in substance, no longer corresponds to the instrument before the modification. In such a case the previously recognised financial instrument is to be derecognised and a new financial instrument is to be recognised, even if – in legal terms – the same contract continues to exist in an adjusted form. Derecognition in such cases also relates to any provision made in connection with the financial instrument.

Forborne exposures – Loans and receivables with customers

(€ million)

	PERFORMING			NON PERFORMING			TOTAL FORBORNE		
	GROSS EXPOSURES	WRITE-DOWNS	NET EXPOSURE	GROSS EXPOSURES	WRITE-DOWNS	NET EXPOSURE	GROSS EXPOSURES	WRITE-DOWNS	NET EXPOSURE
General governments	-	-	-	-	-	-	-	-	-
Financial corporations	1	-	1	19	16	3	21	16	5
Non-financial corporations	124	-	124	339	167	172	463	167	296
Households	157	5	152	100	33	67	258	38	219
TOTAL 31-12-2019	**282**	**5**	**277**	**458**	**216**	**242**	**742**	**221**	**520**
TOTAL 31-12-2018 *)	**275**	**7**	**268**	**522**	**217**	**304**	**796**	**224**	**572**

*) Previous year's figures have been adjusted due to the forborne method change for households.

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Credit risk mitigation techniques

UniCredit Bank Austria uses various credit risk mitigation techniques to reduce credit losses in case of obligor default.

With specific reference to credit risk mitigation, guidelines issued by UniCredit and Bank Austria are in force. These guidelines govern and standardise credit risk mitigation processes, in line with Group principles and best practice as well as in accordance with the relevant regulatory requirements – especially strategies and procedures for collateral management. In particular such strategies and procedures detail collateral eligibility, valuation and monitoring rules and ensure the soundness, legal enforceability and timely liquidation of valuable collateral according to the local legal system.

Local collateral management was analysed and compliance with credit risk mitigation guidelines was reviewed (specifically as part of the application of the internal rating system) in order to ensure that the instruments used for regulatory capital are adequate and properly documented.

According to the credit policies, collateral or guarantees can be accepted only to support loans and they cannot serve as a substitute for the borrower's ability to meet obligations. Collateral and guarantees are also subject to a specific valuation and analysis with regard to their supporting function to repay the outstanding amount.

Collateral accepted in support of credit lines granted by Bank Austria primarily includes real estate, both residential and commercial, guarantees and financial collateral (including cash deposits, debt securities, equities, and units of undertakings for collective investment in transferable securities (UCITS)). Further types of collateral comprise pledged goods, receivables and insurance contracts as well as other types of funded protection. Bank Austria also makes use of bilateral netting agreements for OTC derivatives (by means of ISDA and CSA agreements), repos and securities lending.

Processes and controls focus on the requirements of legal certainty, hedging and the assessment of the suitability of the collateral or guarantee. In the case of personal guarantees, the ability to pay and the risk profile of the guarantor (or in the case of credit default swaps, of the protection provider) must be assessed.

In the case of collateral, market values are recognised reduced by corresponding haircuts in order to consider any lower revenue, utilisation costs etc. in the case of utilisation.

Monitoring processes of credit risk mitigation techniques ensure that general and specific requirements established by credit policies and regulatory rules are met at all times.

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A.3.1 Regulatory consolidation - Secured on-balance and off-balance sheet credit exposures with banks

(€ million)

	AMOUNT AS AT 31-12-2019					
			COLLATERALS			
	GROSS EXPOSURE	NET EXPOSURE	PROPERTY - MORTGAGES	PROPERTY - LEASE LOANS	SECURITIES	OTHER COLLATERALS
1. Secured on-balance sheet credit exposures						
1.1 Totally secured	-	-	-	-	-	-
of which non-performing	-	-	-	-	-	-
1.2 Partially secured	350	350	-	-	-	1
of which non-performing	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures						
2.1 Totally secured	-	-	-	-	-	-
of which non-performing	-	-	-	-	-	-
2.2 Partially secured	65	65	-	-	-	15
of which non-performing	-	-	-	-	-	-

A.3.1 Regulatory consolidation - Secured on-balance and off-balance sheet credit exposures with banks

(€ million)

	AMOUNT AS AT 31-12-2018					
			COLLATERALS			
	GROSS EXPOSURE	NET EXPOSURE	PROPERTY - MORTGAGES	PROPERTY - LEASE LOANS	SECURITIES	OTHER COLLATERALS
1. Secured on-balance sheet credit exposures						
1.1 Totally secured	-	-	-	-	-	-
of which non-performing	-	-	-	-	-	-
1.2 Partially secured	300	300	-	-	-	-
of which non-performing	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures						
2.1 Totally secured	-	-	-	-	-	-
of which non-performing	-	-	-	-	-	-
2.2 Partially secured	92	92	-	-	-	-
of which non-performing	-	-	-	-	-	-

continued: A.3.1 Bank Group - Secured on-balance and off-balance sheet credit exposures with banks

(€ million)

	AMOUNT AS AT 31-12-2019									
	GUARANTEES									
	CREDIT DERIVATIVES					SIGNATURE LOANS (LOANS GUARANTEES)				
		OTHER CREDIT DERIVATIVES								
	CLN	GOVERNMENT AND CENTRAL BANKS	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	TOTAL (1)+(2)
1. Secured on-balance sheet credit exposures										
1.1 Totally secured	-	-	-	-	-	-	-	-	-	**-**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**
1.2 Partially secured	-	-	-	-	-	339	6	-	-	**346**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**
2. Secured off-balance sheet credit exposures										
2.1 Totally secured	-	-	-	-	-	-	-	-	-	**-**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**
2.2 Partially secured	-	-	-	-	-	45	2	-	-	**62**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**

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continued: A.3.1 Bank Group - Secured on-balance and off-balance sheet credit exposures with banks

(€ million)

	AMOUNT AS AT 31-12-2018									
	GUARANTEES									
	CREDIT DERIVATIVES					SIGNATURE LOANS (LOANS GUARANTEES)				
		OTHER CREDIT DERIVATIVES								
	CLN	GOVERNMENT AND CENTRAL BANKS	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	TOTAL (1)+(2)
1. Secured on-balance sheet credit exposures										
1.1 Totally secured	-	-	-	-	-	-	-	-	-	**-**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**
1.2 Partially secured	-	-	-	-	-	298	-	-	-	**298**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**
2. Secured off-balance sheet credit exposures										
2.1 Totally secured	-	-	-	-	-	-	-	-	-	**-**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**
2.2 Partially secured	-	-	-	-	-	88	-	-	-	**88**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**

A.3.2 Bank Group - Secured on-balance and off-balance sheet credit exposures with customers

(€ million)

	AMOUNT AS AT 31-12-2019					
			COLLATERALS			
	GROSS EXPOSURE	NET EXPOSURE	PROPERTY - MORTGAGES	PROPERTY - LEASE LOANS	SECURITIES	OTHER COLLATERALS
1. Secured on-balance sheet credit exposures						
1.1 Totally secured	1,723	1,701	12	660	41	421
of which non-performing	*131*	*110*	-	*40*	-	*56*
1.2 Partially secured	38,133	37,684	20,482	119	579	2,211
of which non-performing	*998*	*780*	*379*	*2*	*10*	*46*
2. Secured off-balance sheet credit exposures						
2.1 Totally secured	43	43	-	-	-	44
of which non-performing	-	-	-	-	-	-
2.2 Partially secured	5,267	5,232	1,069	-	145	1,353
of which non-performing	*109*	*75*	*28*	-	*1*	*28*

continued: A.3.2 Bank Group - Secured on-balance and off-balance sheet credit exposures with customers

(€ million)

	AMOUNT AS AT 31-12-2019									
	GUARANTEES									
	CREDIT DERIVATIVES					SIGNATURE LOANS (LOANS GUARANTEES)				
		OTHER CREDIT DERIVATIVES								
	CLN	GOVERNMENT AND CENTRAL BANKS	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	TOTAL (1)+(2)
1. Secured on-balance sheet credit exposures										
1.1 Totally secured	-	-	-	-	-	-	100	-	-	**1,234**
of which non-performing	-	-	-	-	-	-	-	-	-	***97***
1.2 Partially secured	-	-	-	-	-	5,684	222	75	801	**30,173**
of which non-performing	-	-	-	-	-	*187*	*13*	-	*12*	***650***
2. Secured off-balance sheet credit exposures										
2.1 Totally secured	-	-	-	-	-	-	-	-	-	**44**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**
2.2 Partially secured	-	-	-	-	-	571	160	-	619	**3,918**
of which non-performing	-	-	-	-	-	*3*	*1*	-	*1*	***62***

A.3.2 Bank Group - Secured on-balance and off-balance sheet credit exposures with customers

(€ million)

	AMOUNT AS AT 31-12-2018					
			COLLATERALS			
	GROSS EXPOSURE	NET EXPOSURE	PROPERTY - MORTGAGES	PROPERTY - LEASE LOANS	SECURITIES	OTHER COLLATERALS
1. Secured on-balance sheet credit exposures						
1.1 Totally secured	1,808	1,791	10	612	22	439
of which non-performing	*74*	*58*	-	*43*	-	*3*
1.2 Partially secured	37,515	36,998	19,549	212	600	2,437
of which non-performing	*1,034*	*781*	*338*	*37*	*5*	*59*
2. Secured off-balance sheet credit exposures						
2.1 Totally secured	36	36	-	-	1	34
of which non-performing	-	-	-	-	-	-
2.2 Partially secured	6,033	6,012	1,221	-	158	1,364
of which non-performing	*75*	*57*	*27*	-	-	*15*

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continued: A.3.2 Bank Group - Secured on-balance and off-balance sheet credit exposures with customers

(€ million)

	AMOUNT AS AT 31-12-2018									
	GUARANTEES									
	CREDIT DERIVATIVES					SIGNATURE LOANS (LOANS GUARANTEES)				
		OTHER CREDIT DERIVATIVES								
	CLN	GOVERNMENT AND CENTRAL BANKS	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	TOTAL (1)+(2)
1. Secured on-balance sheet credit exposures										
1.1 Totally secured	-	-	-	-	-	-	1	-	-	**1,084**
of which non-performing	-	-	-	-	-	-	*1*	-	-	***47***
1.2 Partially secured	-	-	-	-	-	5,616	249	80	851	**29,594**
of which non-performing	-	-	-	-	-	*208*	*14*	-	*9*	***670***
2. Secured off-balance sheet credit exposures										
2.1 Totally secured	-	-	-	-	-	-	-	-	-	**35**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**
2.2 Partially secured	-	-	-	-	-	812	205	-	749	**4,509**
of which non-performing	-	-	-	-	-	*2*	-	-	-	***44***

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Write-downs and impairments

Bank Austria has implemented internal guidelines for the recording, administration and valuation of non-performing loans, which govern both value adjustments and write-offs or partial write-offs of loans.

Formation of value adjustments

In accordance with IFRS 9 requirements, Bank Austria uses an expected credit loss model (ECL) when estimating losses and thus determining impairment requirements. This means that, in addition to the losses already incurred, aspects of loss expectation are also taken into account in the risk estimate.

The following 3 approaches, which are described in more detail below, are applied at Bank Austria:
- Value adjustment for performing loans
- Specific loan loss provisions for non-performing loans
- General loan loss provisions for non-performing loans

Value adjustment for performing loans

Level 1 and Level 2 (performing portfolio)
The value adjustment logic provides 2 levels for the living portfolio. The decisive factor for classification to Level 1 or Level 2 is the assessment of whether or not a significant increase in risk has become discernible since the initial recognition of the lending business. The classification as well as the calculation of the value adjustment is made in this case at the transaction level.

The methods applied to estimate the loss or impairment requirements of Level 1 and Level 2, including a description of the parameters used, are described in detail under point A.5.3.3 – Impairment of financial instruments.

Value adjustment for non-performing loans

Level 3 (non-performing portfolio)
Level 3 is assigned to the defaulted portfolio, the non-performing assets. Impairments are formed at customer level as follows, depending on the amount of the customer advances:

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

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

Write-downs of non-performing loans

Level 3 credit exposures, which are seen as no longer being recoverable, must be written off in good time. If only a determinable share of the current credit exposure is seen as being realisable, the non-recoverable residual amount is written off. The modalities of the write-downs to be made are specified in detail in the internal policy for individual portfolios. Once a write-down has been made, it represents a write-off and can therefore no longer be reversed. In addition to the time and amount of the write-down, the related process, the competency limits for the amounts, the monitoring and the reporting are regulated in the internal guidelines, among other things. See also write-off under part A.5.3.3 of the notes.

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B.1 Bank Group - Distribution by segment of on-balance and off-balance sheet credit exposures with customers

(€ million)

EXPOSURES/COUNTERPARTIES	GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES		FINANCIAL COMPANIES			FINANCIAL COMPANIES (OF WHICH INSURANCE COMPANIES)		NON-FINANCIAL COMPANIES		HOUSEHOLDS	
	NET EXPOSURE	OVERALL WRITE-DOWNS	GROSS EXPOSURE	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS
A. On-balance sheet credit exposures											
A.1 Bad exposures	-	-	31	4	27	-	-	61	388	71	325
of which: forborne exposures	*-*	*-*	*5*	*3*	*1*	*-*	*-*	*15*	*45*	*18*	*20*
A.2 Unlikely to pay	144	8	33	15	19	-	-	461	209	247	71
of which: forborne exposures	*-*	*-*	*15*	*-*	*14*	*-*	*-*	*154*	*122*	*49*	*13*
A.3 Non-performing past-due	-	-	-	-	-	-	-	19	2	20	6
of which: forborne exposures	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*3*	*-*	*-*	*-*
A.4 Performing exposures	20,343	2	4,346	4,324	22	12	-	33,226	58	18,625	260
of which: forborne exposures	*-*	*-*	*1*	*1*	*-*	*-*	*-*	*124*	*-*	*155*	*5*
Total (A)	**20,488**	**10**	**4,410**	**4,342**	**68**	**12**	**-**	**33,766**	**657**	**18,963**	**662**
B. Off-balance sheet credit exposures											
B.1 Non-performing exposures	-	-	3	-	3	-	-	203	153	10	1
B.2 Performing exsposures	2,010	-	5,925	5,922	3	35	-	23,888	15	5,216	10
Total (B)	**2,010**	**-**	**5,929**	**5,923**	**6**	**35**	**-**	**24,091**	**168**	**5,226**	**11**
Total (A + B) 31-12-2019	**22,498**	**10**	**10,339**	**10,265**	**74**	**48**	**-**	**57,857**	**825**	**24,189**	**673**
Total (A + B) 31-12-2018	**21,952**	**12**	**10,552**	**10,482**	**70**	**29**	**-**	**56,592**	**891**	**23,484**	**756**

B.2 Bank Group - Distribution of on-balance and off-balance sheet credit exposures with customers by geographic area

(€ million)

EXPOSURES/GEOGRAPHIC AREAS	ITALY			OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	GROSS EXPOSURE	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS
A. On-balance sheet credit exposures											
A.1 Bad exposures	-	-	-	135	733	-	4	-	-	-	-
A.2 Unlikely to pay	7	4	4	716	294	29	6	-	-	118	3
A.3 Non-performing past-due	-	-	-	36	8	2	-	-	-	-	-
A.4 Performing exposures	1,855	1,855	-	71,267	331	504	1	1,606	2	1,289	-
Total (A)	**1,863**	**1,859**	**4**	**72,154**	**1,367**	**536**	**11**	**1,606**	**2**	**1,406**	**3**
B. Off-balance sheet credit exposures											
B.1 Non-performing exposures	-	-	-	211	149	3	8	-	-	-	-
B.2 Performing exposures	167	167	-	35,594	26	446	1	736	1	93	-
Total (B)	**167**	**167**	**-**	**35,805**	**175**	**449**	**9**	**736**	**1**	**93**	**-**
Total (A+B) 31-12-2019	**2,030**	**2,026**	**4**	**107,959**	**1,542**	**985**	**20**	**2,342**	**2**	**1,500**	**3**
Total (A+B) 31-12-2018	**2,012**	**2,009**	**3**	**106,026**	**1,682**	**1,107**	**26**	**1,973**	**1**	**1,368**	**7**

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B.3 Bank Group - Distribution of on-balance and off-balance sheet credit exposures with banks by geographic area

(€ million)

EXPOSURES/GEOGRAPHIC AREAS	ITALY			OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	GROSS EXPOSURE	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS
A. On-balance sheet credit exposures											
A.1 Bad exposures	-	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due	-	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	485	485	-	14,782	3	35	-	448	-	55	-
Total (A)	**485**	**485**	**-**	**14,782**	**3**	**35**	**-**	**448**	**-**	**55**	**-**
B. Off-balance sheet credit exposures											
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	215	215	-	4,972	-	11	-	212	-	68	-
Total (B)	**215**	**215**	**-**	**4,972**	**-**	**11**	**-**	**212**	**-**	**68**	**-**
Total (A+B) 31-12-2019		**700**	**-**	**19,754**	**3**	**46**	**-**	**659**	**-**	**123**	**-**
Totale (A+B) 31-12-2018	**1,508**	**1,508**	**-**	**17,022**	**5**	**45**	**-**	**733**	**-**	**124**	**-**

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Non-performing loans[1] volumes and strategy

Bank Austria's lending volume rose from €64.1 billion to €64.6 billion in the 2019 financial year (before deduction of risk provisions of €1.4 billion). With the non-performing volume remaining nearly the same (€2.1 billion), its proportional share fell slightly from 3.3% to 3.2%.

As of the end of 2019, value adjustments covered around 50.4% of the defaulted volume (2018: 54.5%). This reduction in comparison to 2018 results from highly secured new additions to the NPL portfolio in the Retail Banking and Commercial Banking segments.

After the continuing reduction of the non-performing portfolio during the past years, Bank Austria has focused its NPL strategy on the stabilisation of the non-performing portfolio at the current level and – in view of the continuing growth of lending – on further optimising the credit portfolio quality. This is to be achieved through a bundle of measures, such as the ongoing sale of non-performing consumer loans and the timely write-down of non-recoverable receivables. Alongside this, the monitoring and control mechanisms (implementation of specific KPIs, optimised management reporting), the risk processes (lending, monitoring including annual value verification of real estate collateral, early recognition of problem loans, granting of sustainable forbearance measures, loan restructuring) and the general risk culture in sales are continuously developed.

Development of credit risk costs

Bank Austria reports credit risk costs of €34.7 million for the 2019 financial year. The exceptionally high revenues in the comparable period of 2018 (€66.4 million) resulted primarily from the reduction of the FX portfolio in Swiss francs (performing loans) due to conversions, expiring loan agreements and PD improvements.

As shown in the segment presentation, the risk result for the 2019 financial year is largely determined by the Corporate Banking segment and its net expenses of €55.0 million. Around €40.0 million of this was caused by the non-performing portfolio. The remainder relates to the performing area and resulted from migration between Levels 1 and 2 of the performing portfolio and partly from methodological adjustments. In the previous year, this segment reported expenses of €39.8 million.

In the Corporate Centre, as in the previous year, credit losses were more than offset by releases/reduction of provisions, and income of €8.4 million was achieved. In the same period of the previous year, income amounted to €16.4 million.

Corporate & Investment Banking also contributed positive income of €6.6 million, albeit significantly lower than the exceptional result of 2018 (€41.6 million).

As in the previous year, the Retail segment again benefited in 2019 from reversals of provisions in the area of Performing CHF loans, although the reported net surplus of €5.3 million was lower than in the previous year (2018: €48.2 million).

Realisation of mortgage collateral

Mortgages are the main type of collateral accepted by UniCredit Bank Austria AG for real estate finance. If the mortgage needs to be realised, Bank Austria will first try to sell the property in the market by mutual agreement with the customer and to use the proceeds for loan repayment. Where this is not possible, the property will be sold in accordance with the rules of the Austrian Enforcement Code or the Austrian Bankruptcy Code. As there are orderly market conditions in Austria, mortgaged real estate is normally not acquired by Bank Austria (debt asset swap).

1) The figures given in this chapter and in the following chapter on credit risk costs refer to the figures stated in the segment reporting (Part D of the Risk Report)

E – Risk report

Stress tests

Credit risk stress tests are an essential component of Pillar 1 and Pillar 2 stress tests (which analyse the impact on regulatory capital and economic capital) and are therefore presented at meetings of the same risk committee (RICO).

The main dimensions of stress analysis include the following:

- increase of non-performing loans and associated losses
- increase of losses in already non-performing loans (LGD change)
- impact on expected loss on performing exposures (IFRS 9)
- impact on Pillar 1 RWAs and shortfall
- impact on economic capital

The calculation is based on dependency models developed and continuously updated by the UniCredit Group. The model takes into account both local and regional macroeconomic factors, such as changes in gross national product, interest rate levels, unemployment, inflation and exchange rates. The resulting impact on credit risk parameters is analysed with regard to the respective loan portfolio. Results are reported in detail for relevant sub-portfolios, including the CHF portfolio in the retail bank.

The stress scenarios used are at least the relevant multi-year ICAAP scenarios (typically, a base scenario and 3 different stress scenarios for a reference date) complemented, on an ad-hoc basis, by additional scenarios.

Finance

The Finance department completes the following tasks relevant to credit risk:
First, preparing and monitoring the risk-adequate pricing of loans. To ensure uniform pricing within UniCredit Group, the risk-adjusted spread is determined on the basis of multi-year probabilities of default / PDs (depending on the term of the loan), added as a price component and monitored on an ongoing basis. Such pricing rationale follows the approach defined in the Group Risk Adjusted Pricing Discipline, which was approved as a Policy in UniCredit Bank Austria AG in July 2014.

The department is also responsible for Bank Austria as a whole for transactions to reduce credit risk and increase liquidity. The instruments available for these purposes include securitisations, CLNs and CDSs.

Securitisation transactions

Qualitative information

Bank Austria's main objectives in its securitisation transactions (whether traditional or synthetic) are the optimisation of the loan portfolio by freeing up regulatory and economic capital and obtaining fresh liquidity together with greater diversification of its sources of funding.

In 2015, a synthetic securitisation ("AMADEUS 2015") was implemented in UniCredit Bank Austria AG for RWA relief and risk transfer purposes. It covers an existing portfolio of loans and guarantees granted to corporate clients. In December 2016 the transaction was amended in order to allow the Bank to add loans to the pool of securitised loans. In January 2020, the securitisation was ended early due to a regulatory change.

Furthermore, UniCredit Leasing (Austria) GmbH originated a traditional securitisation for funding purposes with auto and equipment receivables ("SUCCESS 2015").

Details of the transactions are set out in the following tables.

Investments in other parties' securitisations, i.e. structured credit products/ABSs, were ring-fenced in a separate portfolio managed with a view to maximising future cash flows.

Given the asset quality of the underlyings, the best business strategy was considered to be retention of the senior Amadeus tranche in the Bank's books.

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In line with the above management principles, risk monitoring and maximising profit on securitisation transactions is achieved by:
- analysing the monthly or quarterly investor reports produced by the Trustee, paying special attention to the performance of the collateral;
- monitoring similar transactions' collateral performance and issues of similar paper;
- watching the market fundamentals of the underlying credit and
- contact with the collateral manager's representatives should more information be needed.

Furthermore, each portfolio is assigned a market VaR limit by Risk Management. This is monitored bearing in mind the correlations. The Group has spread curves for each rating and product (asset-backed securities, mortgage-backed securities, etc.) and uses them to calculate risk, in the same way as other instruments in its portfolio. The method used is in line with other sources of market risk, and enables us to estimate the possible effects of diversification and to aggregate the VaR with other sections of the portfolio.

Originator: UniCredit Bank Austria AG

NAME	AMADEUS 2015	
Type of securitisation:	Synthetic	
Originator:	UniCredit Bank Austria AG	
Issuer:	-	
Servicer:	UniCredit Bank Austria AG	
Arranger:	UniCredit Bank AG	
Target transaction:	Risk Transfer and RWA relief	
Type of asset:	Loans and Guarantees granted to SMEs	
Quality of asset:	Performing	
Closing date:	21-12-2015	
Nominal value of disposal portfolio:	1,964,785,123 € (of which securitised 1,866,545,867 €, corresponding to 95% of the portfolio)	
Net amount of preexisting writedown / writebacks:	-	
Disposal Profit & Loss realized :	-	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank lines of credit:	-	
Third Parties lines of credit:	-	
Other credit enhancements:	-	
Other relevant information:	-	
Rating agencies:	-	
Amount of CDS or other supersenior risk transferred:	**(*)**	
Amount and Conditions of tranching:	-	
ISIN	n.m.	n.m.
Type of security	**Senior**	**Mezzanine**
Class	A	B
Rating	not rated	not rated
Quotation	-	-
Issue date	21-12-2015	21-12-2015
Legal maturity	30-11-2028	30-11-2028
Call Option	10% Clean Up Call	10% Clean Up Call
Expected duration	-	-
Rate	-	-
Subordinated level	-	Sub A
Reference Position	1,731,221,292 €	41,997,282 €
Reference Position at the end of accounting period	253,237,170 €	41,997,282 €
Security subscribers	UniCredit Bank Austria AG	hedged by protection seller
ISIN	n.m.	
Type of security	**Junior**	
Class	C	
Rating	-	
Quotation	-	
Issue date	21-12-2015	
Legal maturity	30-11-2028	
Call option	10% Clean Up Call	
Expected duration	-	
Rate	-	
Subordinated level	Sub A und B	
Reference Position	93,327,293 €	
Reference Position at the end of accounting period	80,559,111 €	
Security subscribers	hedged by protection seller	

*) Synthetic securitisations based on the Supervisory Formula Approach (SFA) in accordance with Article 262 of Regulation (EU) No 575/2013 (Capital Requirements Regulation – CRR) and previously pursuant to Circular 263 / 2006 of the Banca d'Italia.
In the absence of a corresponding external rating and where estimates of probability of default (PD) and loss given default (LGD) are available, the CRR (Article 259 1. b) requires the calculation of the capital requirements for the different tranches of the securitisation to be based on the Supervisory Formula in accordance with Article 262, with the following five details:
1. the capital requirement on the securitised assets calculated using the IRB approach (kIRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitised assets;
5. Average loss given default (LGD).
Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitisation tranche related to its seniority, granularity, support level and risk of the basic value.

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Originator: UniCredit Leasing (Austria) GmbH

NAME	SUCCESS 2015	
Type of securitisation:	Traditional	
Originator:	UniCredit Leasing (Austria) GmbH	
Issuer:	Success 2015 B.V.	
Servicer:	UniCredit Leasing (Austria) GmbH	
Arranger:	UniCredit Bank AG	
Target transaction:	Funding	
Type of asset:	Leasing Assets (Vehicle and Equipment)	
Quality of asset:	Performing Loans	
Closing date:	11-09-2015	
Nominal value of disposal portfolio:	325,300,000	
Net amount of preexisting writedown / writebacks:	-	
Disposal Profit & Loss realized:	-	
Portfolio disposal price:	325,300,000	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank lines of credit:	-	
Third Parties lines of credit:	-	
Other credit enhancements:	Subordinated Loan 4,618,000 €	
Other relevant information:		
Rating agencies:	Fitch & DBRS	
Amount of CDS or other supersenior risk transferred:	-	
Amount and Conditions of tranching:		
ISIN	XS1317727698	XS1317727938
Type of security	**Senior**	**Junior**
Class	A	B
Rating	AAA	-
Quotation	listed Luxembourg Stock Exchange	not listed
Issue date	11-09-2015	11-09-2015
Legal maturity	31-10-2029	31-10-2029
Call Option	10% clean up call	
Expected duration	6 Years	6 Years
Rate	3M Euribor + 0,47%	3M Euribor + 2%
Subordinated level	-	sub A
Reference Position	230,900,000 €	94,400,000 €
Reference Position at the end of accounting period	80,655,733 €	94,400,000 €
Security subscribers	European Investment Bank	UniCredit Leasing (Austria) GmbH

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E.3 – Liquidity risk

Qualitative information

Basel 3 sets a liquidity standard under stressed conditions in the short-term maturity range (Liquidity Coverage Ratio – LCR). Consequently, the coverage of net liquidity outflows by highly liquid assets must be at least 100%. In addition to the regulatory requirements mentioned above, UniCredit Bank Austria AG defines its internal risk appetite far more conservatively; as a result, the liquidity coverage ratio had to exceed at least 110% in 2019. In the medium-term and long-term range, compliance with the Net Stable Funding Ratio (NSFR 100%) will be mandatory from 2021, requiring full funding of the assets side. On the basis of new deposit products and the optimised structure of assets and liabilities of, and the holdings of high-quality liquid assets (cash and government bonds), the ratios required by law are exceeded. The regulatory liquidity coverage ratio for UniCredit Bank Austria AG as at 31 December 2019 stands at around 132.7% (2018: 132.6%).

The liquidity requirements have been integrated in the planning and risk monitoring process to ensure compliance with the liquidity ratios at all times. Both ratios have been defined as key indicators in the Risk Appetite.

General information, processes and management model

In line with Group standards, Bank Austria deals with liquidity risk as a central risk in banking business by introducing and monitoring short- term and long-term liquidity requirements. In this context the liquidity situation for the next few days and months and also for longer periods is analysed against a standard scenario and stress scenarios. Methods and procedures of liquidity analysis, analyses of the degree of liquidity of customer positions, management responsibilities and reporting lines in this area have been summarised in the Liquidity Policy. The Contingency Liquidity Management in the event of a liquidity crisis is described in a specific Contingency Liquidity Policy.

Liquidity management in UniCredit Bank Austria AG is an integral part of UniCredit Group liquidity management. In line with the Group-wide distribution of tasks, UniCredit Bank Austria AG as liquidity reference bank (LRB) ensures the consolidation of liquidity flows and the funding for Austrian subsidiaries. The flow of funds is thereby optimised and external funding is reduced to the necessary extent.

Bank Austria and its individual institutions maintained a comfortable liquidity position throughout 2019, which is characterised by a solid refinancing base. The Bank particularly benefits from a strong customer base, supplemented with capital market activities in a Pfandbrief and benchmark format.

Liquidity management methods and control

In medium and long-term liquidity management, assets with a residual term of more than 1/3/5 years must be covered by liabilities at a minimum of 105% in each of these periods. The Net Stable Funding Ratio (NSFR) must be held above this limit at the individual bank level. At the end of 2019, UniCredit Bank Austria AG a NSFR of 112% for the > 1-year segment (2018: 113.5%). Moreover, there are the adjusted NSFRs in which the time horizon is differentiated further. In the >3-year segment, the share of UniCredit Bank Austria AG was 118% (2018: 117%) and 141% for the > 5-year segment (2018: 145%). In addition, absolute limits are defined for material currencies - in the case of UniCredit Bank Austria AG these are in US dollars and the other currencies combined in a group; cross-currency refinancing is therefore only possible within the limits stated.

In short-term liquidity management at Bank Austria, volume limits are implemented at Group and individual bank level for maturities of up to nine months, which limit all treasury transactions and the securities portfolio of the respective bank. Liquidity fluctuations resulting from customers' investment decisions have also been taken into account via a liquidity buffer. Volume limits are also established for open maturities in various currencies to keep down the risk of a need for follow-up funding in the event that foreign currency markets dry up.

These limits were essentially observed at all levels. If a limit is exceeded, this will trigger the defined escalation process and a report will be presented to the relevant risk committee.

Liquidity stress test

UniCredit Bank Austria AG performs liquidity stress tests for Bank Austria and for individual banks on a regular basis, using a standardised Group-wide instrument and standardised Group-wide scenarios. These scenarios describe the effects of market- or name-driven crisis signals on liquidity inflows and outflows, with assumptions also being made about the behaviour of non-banks.

The liquidity outflows expected to occur in stress situations are compared with available liquidity reserves (essentially, securities – government bonds – and credit instruments eligible as collateral at the central bank) to examine the banks' risk-taking capacity in the maturity range of up to one year.

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The increase in the liquidity reserve is mainly due to a higher central bank balance and increased investments in HQLA.

The following table shows the composition of Bank Austria's liquidity reserve:

(€ million)

COMPOSITION OF LIQUIDITY RESERVE (1)	31-12-2019	31-12-2018
Cash and balances with central banks	5,930	4,760
Level 1 assets	12,226	9,960
Level 2 assets	670	590
Other assets eligible as collateral for central bank borrowings	386	92
Liquidity reserve	**19,212**	**15,402**

1) The liquidity reserve contains only freely available assets; the minimum reserve obligation is not included; amounts are shown as fair value.

A simulated name and market crisis with assumptions regarding the prolongation behaviour of customer deposits and loans, increased drawing of credit lines, additional funding obligations from the derivatives business and rating downgrades currently results in a "survival period" of more than 12 months from a liquidity perspective; the prescribed minimum of this "time-to-wall" period is defined as one month.

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Quantitative information

1. Time breakdown by contractual residual maturity of financial assets and liabilities

(€ million)

	AMOUNT AS AT 31-12-2019									
ITEMS/MATURITY	ON DEMAND	1 TO 7 DAYS	7 TO 15 DAYS	15 DAYS TO ONE MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	INDEFINITE MATURITY
A. On-balance sheet assets	**15,718**	**810**	**1,679**	**3,230**	**4,993**	**4,573**	**4,389**	**24,406**	**40,813**	**820**
A.1 Government securities	-	-	-	-	204	430	1,650	7,236	3,742	-
A.2 Other debt securities	-	-	45	-	634	186	158	935	1,188	-
A.3 Units in investment funds	1	-	-	-	-	-	-	-	-	34
A.4 Loans	15,717	810	1,634	3,230	4,155	3,956	2,582	16,235	35,883	786
- Banks	8,434	314	454	1,202	2,988	2,683	505	348	621	393
- Customers	7,282	496	1,180	2,027	1,167	1,273	2,077	15,887	35,262	393
B. On-balance sheet liabilities	**60,263**	**445**	**786**	**1,485**	**2,558**	**2,323**	**2,523**	**11,801**	**9,388**	**549**
B.1. Deposits and current accounts	59,830	398	786	916	2,474	2,082	1,517	6,253	4,381	401
- Banks	8,709	252	558	553	297	1,165	247	5,478	3,660	8
- Customers	51,121	146	228	364	2,177	918	1,270	775	721	393
B.2 Debt securities	-	48	-	569	84	241	1,006	5,364	4,685	148
B.3 Other liabilities	434	-	-	-	-	-	-	184	321	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with capital swap										
- Long positions	-	260	-	205	29	15	30	160	5	-
- Short positions	-	260	-	205	29	15	30	160	5	-
C.2 Financial derivatives without capital swap										
- Long positions	49	636	650	759	710	660	237	1,219	3,547	-
- Short positions	49	636	650	759	710	660	237	1,219	3,547	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- Long positions	17,039	2	161	111	288	492	1,108	7,122	2,550	-
- Short positions	17,022	2	161	111	288	492	1,103	7,122	2,550	-
C.5 Financial guarantees given	289	-	-	19	22	38	73	271	223	-
C.6 Financial guarantees received	3,644	1	2	22	72	67	439	1,861	5,332	-
C.7 Credit derivatives with capital swap										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital swap										
- Long positions	-	-	-	-	-	9	-	50	10	-
- Short positions	-	-	-	-	-	9	-	50	10	-

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1. Time breakdown by contractual residual maturity of financial assets and liabilities

(€ million)

	AMOUNT AS AT 31-12-2018									
ITEMS/MATURITY	ON DEMAND	1 TO 7 DAYS	7 TO 15 DAYS	15 DAYS TO ONE MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	INDEFINITE MATURITY
A. On-balance sheet assets	**14,586**	**1,508**	**1,091**	**3,201**	**8,554**	**4,300**	**2,295**	**25,938**	**39,305**	**915**
A.1 Government securities	2	-	-	101	715	781	409	7,416	2,705	-
A.2 Other debt securities	51	1	-	-	533	310	19	696	1,274	14
A.3 Units in investment funds	1	-	-	-	-	-	-	-	-	75
A.4 Loans	14,532	1,506	1,091	3,100	7,306	3,209	1,868	17,826	35,326	827
- Banks	7,686	190	178	1,180	6,155	2,307	254	858	756	394
- Customers	6,846	1,316	913	1,920	1,151	902	1,614	16,968	34,570	433
B. On-balance sheet liabilities	**58,814**	**763**	**542**	**1,048**	**2,544**	**3,270**	**2,680**	**13,338**	**8,439**	**551**
B.1. Deposits and current accounts	58,461	702	497	1,048	2,407	1,950	1,723	7,012	4,511	403
- Banks	9,210	627	112	687	98	625	318	6,060	3,767	9
- Customers	49,251	75	385	360	2,309	1,325	1,405	952	743	394
B.2 Debt securities	-	62	45	-	137	1,320	957	6,049	3,928	148
B.3 Other liabilities	353	-	-	-	-	-	-	276	-	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with capital swap										
- Long positions	489	691	15	687	17	26	33	35	9	-
- Short positions	489	691	14	687	17	26	33	35	9	-
C.2 Financial derivatives without capital swap										
- Long positions	50	640	263	1,184	963	732	121	1,137	3,221	-
- Short positions	50	640	263	1,184	963	732	121	1,137	3,221	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- Long positions	17,089	3	18	341	422	268	872	6,652	2,748	25
- Short positions	16,817	3	18	341	414	267	854	6,640	2,748	-
C.5 Financial guarantees given	97	354	-	264	22	35	74	594	707	-
C.6 Financial guarantees received	3,125	-	1	160	81	31	149	1,588	5,231	-
C.7 Credit derivatives with capital swap										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital swap										
- Long positions	-	-	-	-	-	37	-	9	60	-
- Short positions	-	-	-	-	-	37	-	9	60	-

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Funding

The business model of Bank Austria as a Commercial Bank leads to a good diversified refinancing basis. The funding pillars are a strong customer base and an extensive product mix (call, fixed-term and savings deposits), supplemented by the placement of own issues in the medium-term and long-term maturity segment to fulfil the relevant funding needs under the various regulatory requirements, including buffers (e.g. Liquidity Coverage Ratio, Net Stable Funding Ratio). Against this background, the Bank was also able to successfully return to benchmark format on the capital market during 2019. Furthermore, the Bank has starting the planning and implementation of setting up bail-in-eligible instruments, in order to comply with the upcoming "MREL standards" on time.

E.4 – Market risk

Market risk management at Bank Austria encompasses all activities in connection with our Markets and Corporate Treasury Sales operations and management of the balance sheet structure. Risk positions are aggregated at least daily, analysed by the independent risk management unit and compared with the risk limits set by the Management Board and the committees (including MACO) designated by the Management Board. At Bank Austria, market risk management includes ongoing reporting of the risk position, limit utilisation of all positions associated with market risk. Most of the positions held in Bank Austria are attributable to the banking book. Bank Austria uses uniform Group-wide risk management procedures for all market risk positions. These procedures provide aggregate data and make available the major risk parameters for the various risk takers once a day. In addition to value-at-risk (VaR) [1)], stress-oriented sensitivity and position limits are of equal importance. The limit system is supplemented by Loss Warning Levels (based on the cumulative results in a specific period), Stressed VaR (SVaR) Limit (calculated for the trading book with a separate observation period), IRC (Incremental Risk Charge) [2)] Limit, Stress Test Warning Limit (limiting the loss when applying a predefined stress event) and Granular Market Risk Limits (GML).

As mentioned above, Bank Austria uses a standard measurement procedure which is also applied in UniCredit Group. The model, approved by supervisory authorities, is used for internal risk management and for determining regulatory capital requirements for market risk. Bank Austria is embedded in the market risk governance framework of UniCredit Group and leverages on the Group-wide risk management platform UGRM. The Group-wide Front-to-Back Office platform "Murex" and UGRM form an integrated risk system.

The internal model (IMOD) is based on a historical simulation. The market data time window for generating scenarios has been reduced from 500 days to 250 days within the context of a model change approved by the regulator. It is applied by Market & Liquidity Risk within Bank Austria and is being further developed in cooperation with UniCredit. Further development includes reviewing the model as part of back-testing procedures, integrating new products, implementing requirements specified by the Management Board and the Market Risk Committee, and executing the Model Maintenance Report on a quarterly basis.

Since 2016, the model has supported the modelling of negative interest rates both for the internal risk management and the determination of regulatory equity requirements for the market risk. This further development not only covers the EUR and CHF currencies, but also other currencies, whose effect on Bank Austria is however to be classified as low.

Furthermore, from mid-2019, the contractual pension commitments of Bank Austria are taken into account in the risk presentation.
The inclusion of pension obligations, based on a Group-wide initiative, is intended to contribute to a more precise risk presentation of the Bank.

1) Value-at-Risk (VaR) is calculated daily with a 99 % quantile based on 250 PnL strips (i.e. PnL of the last 250 business days) and is scaled to a ten-day horizon to calculate the regulatory RWAs. /2) IRC (incremental risk charge) forms the migration and default risks for a defined period and confidence interval (one year, 99.9 %). The scope includes CDS and bond positions in the trading book. /3) E.g. BPV or CPV limits, which describe the sensitivity to changes in interest rates or credit spreads.

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Risk governance

Regarding the introduction of new products in the Market and Liquidity Risk department, a new product process (NPP) has been established, within the context of which, Risk Management is crucially involved in the product approval. The risk model covers all major risk categories: interest rate risk and equity risk (both general and specific), credit spread risk, currency risk and commodity position risk. The IMOD is subject to an annual review by Group Internal Validation (GIV) and internal audit. The structure of the risk report presented at MACO's meetings, which are held every two weeks, covers (stress) sensitivities in addition to VaR, and utilisation levels in the areas of IRC and SVaR (both for the regulatory trading books). Regular and specific stress tests complement the information provided to MACO and the Management Board.

Stress tests

Bank Austria executes a comprehensive stress test programme for market risk. The results are reviewed and reported in the MACO at least quarterly or on an ad-hoc basis given unfavourable market developments. Macro scenarios show the potential adverse impacts of global developments with specific effects on the respective risk categories, while stress sensitivities of individual risk factors or groups of risk factors show the potential adverse impacts on partial market segments. Stress scenarios are based on assumptions of extreme movements in individual market risk parameters. The Bank analyses the effect of such fluctuations and a liquidity disruption in specific products and risk factors on the Bank's results. The assumed fluctuations are dependent on currency, region, liquidity and credit rating, and are set in the Open Market Risk Forum (OMRF) with the relevant experts from other bank areas (such as UniCredit research, trade and market risk). Bank Austria takes part in the UniCredit Group-wide Open Market Risk Forum (OMRF), which is the platform for CRO units to discuss stress test results and agree on further common Group-wide scenario definitions. The "ICAAP scenarios" are updated at least once per year and used for stress test analyses, monitoring stress test limits and the regulatory stress report in the entire UniCredit Group.

Fair value measurement

The principles established in IFRS 13 to determine fair value have been implemented. In this context the presentation of results also reflects CVAs/DVAs (Credit/Debit Valuation Adjustments) and FundVA (Funding Valuation Adjustment) for OTC derivatives. Reporting covers the components reflected in IFRS-based profit and the marking to market of all investment positions regardless of their recognition in the IFRS-based financial statements ("total return"). The daily explanation of the results is organisationally situated in the Accounting, Reporting, Tax & Corporate Relations department and is supported by the "ERCONIS" Intranet application; the detailed results are available to the Trading and Risk Management units of Bank Austria by portfolio, P/L item and currency.

Prudent valuation

The regulatory approach to prudent valuation in the trading book is implemented primarily by Market Risk and further developed on an ongoing basis through cooperation within UniCredit Group. A Group-wide Independent Price Verification (IPV) process ensures the independence and reliability of valuation and risk measurement. The front-end system "Murex" is supplied with the "golden copy" market data of UniCredit Group for daily valuation purposes. The Group-wide "golden copy" is drawn up by competence centres which are structured by asset class and independent of trading operations. Moreover, UniCredit Bank Austria AG takes part in meetings of the asset-class committees, which address and resolve valuation and market-data issues. The regulatory principle of prudence is met by determining all relevant Additional Valuation Adjustments (AVA).

Market risk

At the end of 2019, the VaR for the trading and banking book of Bank Austria was at around €35.8 million (year-end 2018: €23.6 million). The SVaR for the regulatory trading book was €0.9 million at the end of 2019 (year-end 2018: €1.3 million). In comparison, the VaR for the trading book amounted to €0.6 million at year-end (year-end 2018: €0.4 million). Credit spread risk and interest rate risk account for most of the total risk in the trading and banking books of Bank Austria. Other risk categories (e.g. share price risk) are less significant by comparison.

As of 31 December 2019, the entire interest rate position for Bank Austria's trading book and banking book for major currencies was composed as follows:

Basis point values (BPVs) of Bank Austria, 2019 **)

(in €) Granular Market Limits Warning Level

		31-12-2019						ANNUAL AVERAGE 2019, MIN/MAX		
		0 TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 3 YEARS	3 TO 10 YEARS	OVER 10 YEARS	TOTAL	MAXIMUM	MINIMUM	ABSOLUTE AVERAGE)
Europe	**EUR**	(149,656)	201,942	(207,105)	158,281	2,231,882	2,235,344	3,960,562	(1,220,432)	2,155,159
	CHF	77,088	3,256	(38,495)	(479,903)	(601,191)	(1,039,244)	(842,416)	(2,208,772)	1,249,549
	GBP	41	(41)	(1,460)	24,242	-	22,783	22,783	(7,419)	8,788
New EU countries	**BGN**	(271)	281	(2,780)	93	-	(2,677)	81	(2,901)	1,243
	HUF	(280)	(48)	(1,348)	(319)	1	(1,995)	(1,217)	(1,995)	1,598
	PLN	(1,769)	(744)	25	-	-	(2,487)	2,248	(3,856)	1,808
	RON	(296)	(1,227)	(9,727)	(177)	-	(11,428)	(10,991)	(14,526)	12,393
Central and Eastern Europe incl. Turkey	**RUB**	(119)	117	-	-	-	(2)	1	(1,049)	150
	TRY	(65)	(2)	8	-	-	(59)	1,680	(59)	1,311
Overseas – highly	**USD**	(21,094)	12,223	(9,656)	45,718	(6,800)	20,391	56,297	(313)	25,324
	JPY	5,330	856	2,164	(21,780)	(23,030)	(36,460)	(36,460)	(52,690)	45,441
Other countries	**CNH**	-	-	-	-	-	-	1,388	-	758
	BPV < 500	(1,049)	203	(355)	17	-	(1,184)	16,456	(1,184)	8,472
TOTAL		**(92,140)**	**216,817**	**(268,729)**	**(273,828)**	**1,600,862**	**1,182,982**	**2,331,074**	**(2,129,844)**	**1,730,853**

*) Average of the monthly absolute values
**) Basis-point value indicates the sensitivity in relation to interest rate movements to the extent of +1 basis point

Basis point values (BPVs) of Bank Austria, 2018

(in €) Granular Market Limits Warning Level

		31-12-2018						ANNUAL AVERAGE 2018, MIN/MAX		
		0 TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 3 YEARS	3 TO 10 YEARS	OVER 10 YEARS	TOTAL	MAXIMUM	MINIMUM	ABSOLUTE AVERAGE)
Europe	**EUR**	3,210	133,074	43,857	(652,146)	(883,046)	(1,355,052)	467,406	(1,670,665)	884,061
	CHF	93,017	(419)	(90,782)	(523,436)	(578,716)	(1,100,336)	(724,633)	(1,100,336)	898,799
	GBP	(287)	713	(4,789)	51	-	(4,312)	(642)	(7,174)	3,962
New EU countries	**BGN**	(524)	1,010	(148)	(443)	-	(106)	3,991	(1,097)	1,598
	HUF	(235)	(211)	(73)	(897)	(10)	(1,427)	(1,056)	(6,686)	1,964
	PLN	(5,107)	(1,508)	4,389	28	-	(2,197)	1,317	(13,937)	2,313
	RON	600	(201)	(12,683)	(277)	-	(12,561)	3,606	(12,561)	2,852
Central and Eastern Europe incl. Turkey	**RUB**	(148)	(20)	(6)	-	-	(174)	(138)	(5,487)	1,798
	TRY	(43)	120	1,076	488	-	1,641	4,493	1,362	2,436
Overseas – highly	**USD**	(15,293)	20,365	(16,404)	22,865	(12,959)	(1,427)	124,929	(6,241)	40,855
	JPY	2,590	(5,754)	9,259	(20,671)	(27,341)	(41,916)	(3,471)	(42,901)	25,783
Other countries	**CNH**	14	1,167	265	-	-	1,446	3,321	1,446	2,233
	BPV < 500	(2,752)	2,189	4,599	399	-	4,435	8,585	(1,671)	3,531
TOTAL		**75,041**	**150,524**	**(61,440)**	**(1,174,038)**	**(1,502,072)**	**(2,511,985)**	**(327,713)**	**(2,697,298)**	**1,691,660**

*) Monthly average

By analogy to the detailed presentation of basis point positions in the interest rate sector, daily reporting presents details of credit spread by sector and maturity band.

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Credit-Spread-Basis-Point-Values (CPVs) der Bank Austria 2019 *)

(in €)

CPVS	SECTOR	29-12-2018	31-12-2019	Maximum	Minimum	Average
Main sectors	ABSs	(70,589)	(52,128)	(52,128)	(69,945)	(61,559)
	Financial	(340,017)	(656,730)	(362,147)	(656,730)	(468,354)
Corporates	Industrial	(24,814)	-	-	(25,227)	(2,102)
	Consumer non cyclical	(3,936)	(2,921)	(2,921)	(3,865)	(3,399)
	Other	(3,853)	(23,719)	(3,790)	(29,784)	(22,080)
Government	Europe	(3,165,374)	(3,671,016)	(2,688,629)	(3,966,594)	(3,424,015)
	Other	(650,765)	(786,347)	(570,306)	(854,971)	(685,683)
TOTAL 2019		**(4,259,348)**	**(5,192,861)**	**(3,836,943)**	**(5,308,807)**	**(4,667,193)**

*) Credit spread basis-point value refers to the sensitivity in relation to the movements of the credit spread to the extent of +1 basis point.

Measured by the total basis-point value, Bank Austria's credit spread position in 2019 was on average between -€3.8 million and -€5.3 million

Overall, Treasury-near instruments continue to account for the largest part of the credit spread positions. The financials and corporates exposure is very low by comparison. The positions of asset-backed securities (ABSs) and mortgage-backed securities (MBSs) were further reduced in 2019, primarily through redemptions.

Backtesting

Bank Austria performs a daily backtesting of both the hypothetical and actual (i.e. economic P/ L excluding fees, commissions, and net interest income) changes in the portfolio's value in accordance with Article 366 of the CRR. As at 31 December 2019, the number of backtesting excesses (negative change in value larger than model result) for Bank Austria in both P/L dimensions was equal to 7, thus the add-on factor for the VaR multiplier for the number of excesses is equal to 0.65.

The chart below shows the hypothetical P/L backtesting time series for Bank Austria's regulatory trading book; the hypothetical P/L is based on hypothetical changes in the portfolio value assuming unchanged positions.

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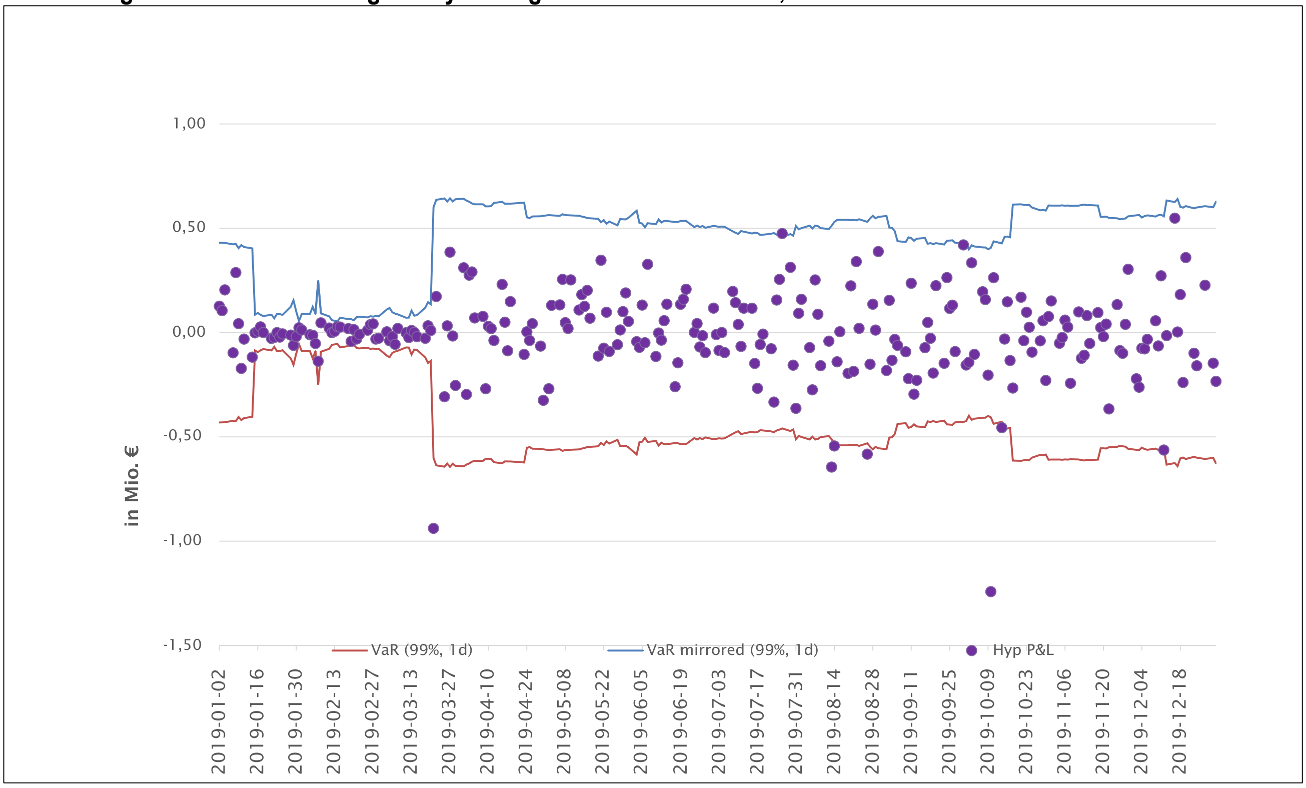
Backtesting time series for the regulatory trading book of Bank Austria, 2019



Capital requirements for market risk

The parameters used for calculating capital requirements are a 10-day holding period, a confidence level of 99% and a multiplier of 3.85 (base is 3.2 and the current add-on is 0.65) in respect of the Value-at-Risk figures, which is used in determining the capital requirement for market risk.

As of 31/12/2019, the following capital requirements resulted for Bank Austria in connection with Value at Risk (VaR), stressed VaR (SVaR) and incremental risk charge (IRC):

- VaR: €6.8 million (€4.5 million year-end 2018)
- SVaR: €8.6 million (€11.5 million year-end 2018)
- IRC: €0.01 million (€0.2 million year-end 2018)

Management of balance sheet structure

An allocation to the Bank's business divisions according to the costs-by-cause principle is possible as a result of the reference interest rate system applied across UniCredit Group. The banks' risk committees ensure that the Bank's overall liquidity and interest rate gap structure is optimised.

Products for which the material interest-rate and capital maturity is not defined, such as variable-rate sight deposits, are modelled in respect of maturity and interest rate sensitivity by means of analyses of historical time series, and taken into account in the banks' overall risk position. The Risk division is responsible for modelling customer deposits.

To assess the Bank's balance-sheet and profit structure, the Value-at-Risk assessment is used with scenario analyses concerning the simulation of future net interest income under different interest rate scenarios ("earnings perspective").

The low and sustained negative interest rates in the Group's main currencies had a negative impact on interest margins as deposit rates were at or close to zero in many cases. Taking into account the current pricing of loans, our simulation calculations show a significant deterioration of net interest if interest rates move into negative territory as a result of further reductions.
Legal provisions require the measurement at Group level and for UniCredit Bank Austria AG of "interest rate risk in the banking book" in relation to the Bank's capital by comparing a change in the market value of the banking book after a 2% interest rate shock with the Group's net capital

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resources. In the event that such an interest rate shock absorbs more than 20% of a bank's net capital resources, the bank supervisory authority could require the bank to take measures to reduce risk. The revised requirements of the supervisory authorities (EBA, Basel) in regard to interest rate risk in the banking book are generally taken into account through the Group's Group-wide application. Regulatory requirements generally provide for underlying customer business to be broadened with regard to available options (especially against the background of a negative interest rate environment) and base risks while significantly expanding scenario and stress analyses to cover present-value and interest-income dimensions.

This 2% interest-rate shock uses approximately 5.23% (2018: 8.02%) of the Group's chargeable equity at the end of 2019. This means that the figure for Bank Austria is far below the outlier level of 20%. In addition, the rest of a 2% interest rate shock is significantly more restrictively limited (15% in relation to Tier 1 capital) in the context of risk appetite.

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E.5 – Financial derivatives

Derivatives shown in the following tables are classified as financial derivatives and credit derivatives, according to the underlying financial instrument. In these categories, a distinction is made between trading book and banking book and between different counterparties. Bank Austria's business volume in derivatives focuses on interest rate contracts.

A.1 Cash-flow hedging derivatives: end-of-period notional amounts

(€ million)

UNDERLYING ACTIVITIES/TYPE OF DERIVATIVES	AMOUNTS AS AT 31-12-2019				AMOUNTS AS AT 31-12-2018			
	OVER THE COUNTER			ORGANISED MARKETS	OVER THE COUNTER			ORGANISED MARKETS
	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES			CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		
		WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT			WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	
1. Debt securities and interest rate indexes	**-**	**90,343**	**-**	**-**	**-**	**94,806**	**-**	**-**
a) Options	-	2,315	-	-	-	2,339	-	-
b) Swap	-	88,028	-	-	-	92,467	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and stock indexes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Gold and currencies	**-**	**3,556**	**-**	**-**	**-**	**4,606**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	3,556	-	-	-	4,606	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**93,899**	**-**	**-**	**-**	**99,412**	**-**	**-**

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A.2 Cash-flow hedging derivatives: positive and negative gross fair value - breakdown by product

(€ million)

	AMOUNT AS AT 31-12-2019				AMOUNT AS AT 31-12-2018				AMOUNT AS AT 31-12-2019	AMOUNT AS AT 31-12-2018
	POSITIVE AND NEGATIVE FAIR VALUE				POSITIVE AND NEGATIVE FAIR VALUE				CHANGES IN VALUE USED TO CALCULATE HEDGE INEFFECTIVENESS	
	OVER THE COUNTER				OVER THE COUNTER					
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES				
TYPE OF DERIVATIVES	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	ORGANISED MARKETS	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	ORGANISED MARKETS		
1. Positive fair value										
a) Options	-	38	-	-	-	22	-	-	-	-
b) Interest rate swap	-	1,711	-	-	-	1,538	-	-	-	-
c) Cross currency swap	-	45	-	-	-	39	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	23	-	-	-	20	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**1,817**	**-**	**-**	**-**	**1,619**	**-**	**-**	**-**	**-**
2. Negative fair value										
a) Options	-	53	-	-	-	43	-	-	-	-
b) Interest rate swap	-	1,703	-	-	-	1,263	-	-	-	-
c) Cross currency swap	-	40	-	-	-	49	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	22	-	-	-	14	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**1,819**	**-**	**-**	**-**	**1,369**	**-**	**-**	**-**	**-**

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A.3 OTC Cash-flow hedging derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

	AMOUNTS AS AT 31-12-2019			
UNDERLYING ACTIVITIES	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
Contracts not included in netting agreement				
1) Debt securities and interest rate indexes				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
2) Equity instruments and stock indexes				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
3) Gold and currencies				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
4) Commodities				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
5) Other				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
Contracts included in netting agreement				
1) Debt securities and interest rate indexes				
- Notional amount	-	89,927	-	416
- Positive fair value	-	1,789	-	5
- Negative fair value	-	1,702	-	94
2) Equity instruments and stock indexes				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
3) Gold and currencies				
- Notional amount	-	3,556	-	-
- Positive fair value	-	23	-	-
- Negative fair value	-	22	-	-
4) Commodities				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
5) Other				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-

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A.3 OTC Cash-flow hedging derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

UNDERLYING ACTIVITIES	AMOUNTS AS AT 31-12-2018			
	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
Contracts not included in netting agreement				
1) Debt securities and interest rate indexes				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
2) Equity instruments and stock indexes				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
3) Gold and currencies				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
4) Commodities				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
5) Other				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
Contracts included in netting agreement				
1) Debt securities and interest rate indexes				
- Notional amount	-	94,404	-	402
- Positive fair value	-	1,594	-	5
- Negative fair value	-	1,269	-	85
2) Equity instruments and stock indexes				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
3) Gold and currencies				
- Notional amount	-	4,606	-	-
- Positive fair value	-	20	-	-
- Negative fair value	-	14	-	-
4) Commodities				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
5) Other				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-

A.4 OTC Cash-flow hedging derivatives - residual life: notional amounts

(€ million)

UNDERLYING/RESIDUAL MATURITY	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A.1 Financial derivative contracts on debt securities and interest rates	27,849	31,385	31,109	90,343
A.2 Financial derivative contracts on equity securities and stock indexes	-	-	-	-
A.3 Financial derivative contracts on exchange rates and gold	3,556	-	-	3,556
A.4 Financial derivative contracts on other values	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31-12-2019	**31,405**	**31,385**	**31,109**	**93,899**
Total 31-12-2018	**39,529**	**10,059**	**49,824**	**99,412**

Micro hedging and macro hedging: breakdown by hedged item and risk type

(€ million)

	AMOUNT AS AT 31-12-2019	
	MICRO HEDGE: CARRYING AMOUNT	MACRO HEDGE: CARRYING AMOUNT
A) Fair value hedge		
1. Assets		
1.1 Financial assets measured at fair value through other comprehensive income	**-**	**-**
1.1.1 Interest rate	-	X
1.1.2 Equity	-	X
1.1.3 Foreign exchange and gold	-	X
1.1.4 Credit	-	X
1.1.5 Other	-	X
1.2 Financial assets measured at amortised cost	**25**	**-**
1.2.1 Interest rate	25	X
1.2.2 Equity	-	X
1.2.3 Foreign exchange and gold	-	X
1.2.4 Credit	-	X
1.2.5 Other	-	X
2. Liabilites		
2.1 Financial liabilities measured at amortised costs	**778**	**178**
2.1.1 Interest rate	778	X
2.1.2 Equity	-	X
2.1.3 Foreign exchange and gold	-	X
2.1.4 Credit	-	X
2.1.5 Other	-	X
B) Cash flow hedge		
1. Assets	**-**	**X**
1.1 Interest rate	-	X
1.2 Equity	-	X
1.3 Foreign exchange and gold	-	X
1.4 Credit	-	X
1.5 Other	-	X
2. Liabilites	**-**	**X**
2.1 Interest rate	-	X
2.2 Equity	-	X
2.3 Foreign exchange and gold	-	X
2.4 Credit	-	X
2.5 Other	-	X
C) Hedge of net investments in foreign operations	**-**	**X**
D) Porftolio - Assets	**X**	**811**
E) Porftolio - Liabilities	**X**	**425**

For information on the presentation of hedging transactions see section A.5.3.3 Hedge accounting and sections B.5 and C.21.

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Micro hedging and macro hedging: breakdown by hedged item and risk type

(€ million)

	AMOUNT AS AT 31-12-2018	
	MICRO HEDGE: CARRYING AMOUNT	MACRO HEDGE: CARRYING AMOUNT
A) Fair value hedge		
1. Assets		
1.1 Financial assets measured at fair value through other comprehensive income	**-**	**-**
1.1.1 Interest rate	-	X
1.1.2 Equity	-	X
1.1.3 Foreign exchange and gold	-	X
1.1.4 Credit	-	X
1.1.5 Other	-	X
1.2 Financial assets measured at amortised cost	**38**	**-**
1.2.1 Interest rate	38	X
1.2.2 Equity	-	X
1.2.3 Foreign exchange and gold	-	X
1.2.4 Credit	-	X
1.2.5 Other	-	X
2. Liabilites		
2.1 Financial liabilities measured at amortised costs	**769**	**178**
2.1.1 Interest rate	769	X
2.1.2 Equity	-	X
2.1.3 Foreign exchange and gold	-	X
2.1.4 Credit	-	X
2.1.5 Other	-	X
B) Cash flow hedge		
1. Assets	**-**	**X**
1.1 Interest rate	-	X
1.2 Equity	-	X
1.3 Foreign exchange and gold	-	X
1.4 Credit	-	X
1.5 Other	-	X
2. Liabilites	**-**	**X**
2.1 Interest rate	-	X
2.2 Equity	-	X
2.3 Foreign exchange and gold	-	X
2.4 Credit	-	X
2.5 Other	-	X
C) Hedge of net investments in foreign operations	**-**	**X**
D) Porftolio - Assets	**X**	**271**
E) Porftolio - Liabilities	**X**	**-**

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A.1 Trading financial derivatives: end-of-period notional amounts

(€ million)

UNDERLYING ACTIVITIES/TYPE OF DERIVATIVES	AMOUNTS AS AT 31-12-2019				AMOUNTS AS AT 31-12-2018			
	OVER THE COUNTER				OVER THE COUNTER			
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES		
	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	ORGANISED MARKETS	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	ORGANISED MARKETS
1. Debt securities and interest rate indexes	**-**	**28,813**	**4,065**	**-**	**-**	**27,236**	**3,276**	**45**
a) Options	-	3,155	368	-	-	4,101	699	-
b) Swap	-	25,658	3,697	-	-	23,135	2,577	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	45
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and stock indexes	**-**	**1,425**	**700**	**-**	**-**	**801**	**772**	**-**
a) Options	-	1,425	700	-	-	801	772	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Gold and currencies	**-**	**11,895**	**1,475**	**-**	**-**	**11,527**	**409**	**-**
a) Options	-	1,121	18	-	-	1,532	13	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	10,774	1,457	-	-	9,995	396	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**818**	**28**	**-**	**-**	**848**	**67**	**-**
5. Other	**-**	**142**	**82**	**-**	**-**	**31**	**3**	**-**
Total	**-**	**43,094**	**6,350**	**-**	**-**	**40,443**	**4,527**	**45**

A.2 Trading financial derivatives: positive and negative gross fair value - breakdown by product

(€ million)

TYPE OF DERIVATIVES	AMOUNTS AS AT 31-12-2019				AMOUNTS AS AT 31-12-2018			
	OVER THE COUNTER				OVER THE COUNTER			
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES		
	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	ORGANISED MARKETS	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	ORGANISED MARKETS
1. Positive fair value								
a) Options	-	117	6	-	-	100	8	-
b) Interest rate swap	-	565	97	-	-	399	74	-
c) Cross currency swap	-	78	1	-	-	60	2	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	141	11	-	-	134	6	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**900**	**115**	**-**	**-**	**693**	**90**	**-**
2. Negative fair value								
a) Options	-	63	60	-	-	51	29	-
b) Interest rate swap	-	680	25	-	-	453	24	-
c) Cross currency swap	-	83	2	-	-	62	6	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	146	5	-	-	137	3	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**972**	**92**	**-**	**-**	**703**	**62**	**-**

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A.3 OTC trading financial derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

	AMOUNTS AS AT 31-12-2019			
UNDERLYING ACTIVITIES	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
Contracts not included in netting agreement				
1) Debt securities and interest rate indexes				
- Notional amount	X	-	185	3,880
- Positive fair value	X	-	4	95
- Negative fair value	X	-	-	28
2) Equity instruments and stock indexes				
- Notional amount	X	-	70	630
- Positive fair value	X	-	-	3
- Negative fair value	X	-	2	54
3) Gold and currencies				
- Notional amount	X	154	102	1,218
- Positive fair value	X	1	-	10
- Negative fair value	X	-	1	4
4) Commodities				
- Notional amount	X	-	-	28
- Positive fair value	X	-	-	2
- Negative fair value	X	-	-	-
5) Other				
- Notional amount	X	1	-	81
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	2
Contracts included in netting agreement				
1) Debt securities and interest rate indexes				
- Notional amount	-	17,290	9	11,514
- Positive fair value	-	136	-	518
- Negative fair value	-	698	-	81
2) Equity instruments and stock indexes				
- Notional amount	-	1,066	-	359
- Positive fair value	-	68	-	9
- Negative fair value	-	12	-	9
3) Gold and currencies				
- Notional amount	-	7,012	22	4,861
- Positive fair value	-	85	-	47
- Negative fair value	-	75	-	62
4) Commodities				
- Notional amount	-	423	-	395
- Positive fair value	-	18	-	14
- Negative fair value	-	16	-	18
5) Other				
- Notional amount	-	142	-	-
- Positive fair value	-	4	-	-
- Negative fair value	-	-	-	-

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A.3 OTC trading financial derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

UNDERLYING ACTIVITIES	AMOUNTS AS AT 31-12-2018			
	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
Contracts not included in netting agreement				
1) Debt securities and interest rate indexes				
- Notional amount	X	2	72	3,202
- Positive fair value	X	-	4	73
- Negative fair value	X	-	-	33
2) Equity instruments and stock indexes				
- Notional amount	X	-	79	693
- Positive fair value	X	-	-	2
- Negative fair value	X	-	1	24
3) Gold and currencies				
- Notional amount	X	111	107	191
- Positive fair value	X	-	-	4
- Negative fair value	X	-	-	1
4) Commodities				
- Notional amount	X	-	-	67
- Positive fair value	X	-	-	5
- Negative fair value	X	-	-	2
5) Other				
- Notional amount	X	2	-	2
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
Contracts included in netting agreement				
1) Debt securities and interest rate indexes				
- Notional amount	-	15,856	50	11,330
- Positive fair value	-	115	2	383
- Negative fair value	-	498	-	40
2) Equity instruments and stock indexes				
- Notional amount	-	801	-	-
- Positive fair value	-	30	-	-
- Negative fair value	-	3	-	-
3) Gold and currencies				
- Notional amount	-	6,393	35	5,099
- Positive fair value	-	55	-	81
- Negative fair value	-	88	-	52
4) Commodities				
- Notional amount	-	457	-	391
- Positive fair value	-	11	-	10
- Negative fair value	-	15	-	9
5) Other				
- Notional amount	-	31	-	-
- Positive fair value	-	4	-	-
- Negative fair value	-	-	-	-

A.4 OTC financial derivatives - residual life: notional amounts

(€ million)

UNDERLYING/RESIDUAL MATURITY	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A.1 Financial derivative contracts on debt securities and interest rates	2,487	14,077	16,315	32,878
A.2 Financial derivative contracts on equity securities and stock indexes	1,417	571	138	2,125
A.3 Financial derivative contracts on exchange rates and hold	11,798	1,545	27	13,370
A.4 Financial derivative contracts on other values	777	69	-	846
A.5 Other financial derivatives	63	63	99	224
Total 31-12-2019	**16,542**	**16,324**	**16,578**	**49,444**
Total 31-12-2018	**12,857**	**4,201**	**27,956**	**45,014**

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B.1 Trading credit derivatives: end of period notional amounts

(€ million)

	TRADING DERIVATIVES	
CATEGORY OF TRANSACTIONS	WITH A SINGLE COUNTERPARTY	WITH MORE THAN ONE COUNTERPARTY (BASKET)
1. Protection buyer's contracts		
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total 31-12-2019	**-**	**-**
Total 31-12-2018	**-**	**-**
2. Protection seller's contracts		
a) Credit default products	69	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total 31-12-2019	**69**	**-**
Total 31-12-2018	**105**	**-**

B.3 OTC trading credit derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

	AMOUNTS AS AT 31-12-2019			
	CENTRAL COUNTERPARTIES	BANKS	FINANCIAL COMPANIES	OTHER ENTITIES
Contracts not included in netting agreement				
1) Protection buyer's contracts				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
2) Protection seller's contracts				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
Contracts included in netting agreement				
1) Protection buyer's contracts				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
2) Protection seller's contracts				
- Notional amount	-	69	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-

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B.3 OTC trading credit derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

	AMOUNTS AS AT 31-12-2018			
	CENTRAL COUNTERPARTIES	BANKS	FINANCIAL COMPANIES	OTHER ENTITIES
Contracts not included in netting agreement				
1) Protection buyer's contracts				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
2) Protection seller's contracts				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
Contracts included in netting agreement				
1) Protection buyer's contracts				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
2) Protection seller's contracts				
- Notional amount	-	105	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	4	-	-

B.4 OTC trading credit derivatives - residual life: notional amounts

(€ million)

UNDERLYING/RESIDUAL MATURITY	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
1. Protection buyer's contracts	9	50	10	69
2. Protection seller's contracts	-	-	-	-
Total 31-12-2019	**9**	**50**	**10**	**69**
Total 31-12-2018	**37**	**9**	**60**	**106**

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E.6 – Currency risk

Assets and liabilities in foreign currency

(€ million)

ITEMS	31-12-2019 USD	GBP	YEN	CAD	CHF	OTHER
A. Financial assets	**3,314**	**561**	**886**	**38**	**6,532**	**690**
A.1 Debt securities	-	-	645	-	-	21
A.2 Equity securities	-	-	-	-	-	-
A.3 Loans to banks	257	4	14	1	1,138	349
A.4 Loans to customers	3,049	557	226	38	5,393	320
A.5 Other financial assets	8	-	-	-	-	-
B. Other assets	**20**	**-**	**-**	**-**	**-**	**-**
C. Financial liabilities	**3,174**	**547**	**84**	**61**	**88**	**473**
C.1 Deposits from banks	1,281	443	-	32	23	200
C.2 Deposits from customers	1,773	103	21	29	65	262
C.3 Debt securities in issue	120	-	63	-	-	10
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**2**	**-**	**-**	**-**	**2**	**-**

Assets and liabilities in foreign currency

(€ million)

ITEMS	31-12-2018 USD	GBP	YEN	CAD	CHF	OTHER
A. Financial assets	**3,773**	**199**	**720**	**15**	**6,364**	**1,530**
A.1 Debt securities	-	-	481	-	-	23
A.2 Equity securities	-	-	-	-	-	-
A.3 Loans to banks	418	27	4	4	479	1,093
A.4 Loans to customers	3,346	172	235	11	5,885	415
A.5 Other financial assets	8	-	-	-	-	-
B. Other assets	**1**	**-**	**-**	**-**	**-**	**-**
C. Financial liabilities	**3,568**	**205**	**90**	**67**	**148**	**537**
C.1 Deposits from banks	1,636	89	9	7	73	259
C.2 Deposits from customers	1,764	116	20	60	75	269
C.3 Debt securities in issue	168	-	61	-	-	10
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**2**	**-**	**-**	**-**	**2**	**-**

CHF risk

CHF loans were further decreased in 2019. Loans and receivables with customers reduced by around a further €0.4 billion in consideration of the net volume (after impairments) and reduced from €5.9 billion to €5.4 billion. Approximately 2.2% thereof was classified as non-performing. The majority of the loans and receivables come from Retail Banking, to which 91% of the CHF volume is allocated.

Other currency risks

Customer loans in other currencies (exclusively CHF) amounted to €4.1 billion as at 31 December 2019 (2018: €4.2 billion), a large part of which were loans in USD (primarily to customers in the Corporate & Investment Banking segments and Corporate Banking).

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E.7 – Counterparty risk

Trading in derivatives at Bank Austria is primarily related to the hedging of positions entered into vis-à-vis customers.

Contracts are valued at current prices using recognised and tested models. Market values show the contract values as at the balance sheet date, positive current market values and estimated future market values indicate the potential default risk arising from the relevant activity.

For the purposes of portfolio management and risk limitation in connection with derivatives, securities lending transactions and repurchase agreements, UniCredit Bank Austria AG uses an internal counterparty risk model (IMM). The model is based on a Monte Carlo path simulation for risk management in derivatives and securities financing business with banks and customers to estimate the potential future exposure at portfolio level for each counterparty.

The UCI Group-wide counterparty risk model applies an expected shortfall of 87.5% (equals a 95% quantile) and 3,000 scenarios with 52 gridpoints for the purpose of internal risk control. Furthermore, the model is based on a standardised margin period of risk and on the use of default conditional metrics.
The calculations are based on market volatility, correlations between specific risk factors, future cash flows and stress considerations. Netting agreements and collateral agreements are also taken into account for simulation purposes.
The simulation calculations are performed for all major types of transactions, e.g. forward foreign exchange transactions, commodity futures transactions, interest rate instruments, securities lending transactions and repurchase agreements, equity-related, commodity-related or inflation-related instruments and credit derivatives. Other (exotic) products are taken into account with an add-on factor approach (depending on volatility and maturity).
The counterparty risk model is constantly being improved. The calculation was extended to cover negative interest rates (with regard to the pricing functions used and scenario generation). In 2019, the basis for generating the scenarios was also changed over from historical fluctuations to market-implicit volatilities. This extended model has already been used for internal risk control since mid-2019. The significant model change resulting from this regarding the calculation of the capital requirements has been applied for with the ECB.

Line utilisation for derivatives business is available in realtime in the central treasury system MLC ("Murex Limit Controller"). The MLC treasury system is the central limit system used by UniCredit Bank Austria AG. In addition to current line utilisation – at customer level – resulting from derivatives and securities financing transactions, the system shows utilisation levels for money-market, issuer and settlement risk.
UniCredit Bank Austria AG additionally limits the credit risk arising from its derivatives business through strict use of master agreements, through collateral agreements and break clauses. In combination with the very good average credit rating of our business partners, management takes proper account of default risk.

In addition to determining the potential future exposure for internal risk control purposes, the path simulation also enables the Bank to calculate the average exposure and the modified average exposure (exposure at default) pursuant to Basel 3, as well as the effective maturity of the exposure and the "stressed EPE" (Expected Positive Exposure) for each counterparty. This makes it possible to include counterparty risk in a Basel 3-compliant internal model to calculate capital requirements. The regulatory exposure at default is calculated at netting-set level. A netting set is a group of transactions between the Bank and a customer which is subject to a legally enforceable bilateral netting agreement.

UniCredit Bank Austria AG has implemented the requirements in the area of counterparty credit risk resulting from the publications of the Basel Committee (Basel 3) and the Capital Requirements Regulation (CRR). The regulatory requirements include the calculation of normal counterparty exposure and of stressed counterparty exposure (comparable with the stressed VaR in market risk), the capital backing for market risk in respect of credit valuation adjustments (CVA market risk) and stricter standards for collateral management.

The requirements regarding the mandatory exchange of securities in bilateral margining agreements with financial counterparts for margin variation were implemented in line with regulations.
The requirements to be met with regard to stress testing and backtesting in respect of counterparty credit risk have also been implemented at UniCredit Bank Austria AG. Backtesting is performed at regular intervals – at the level of individual counterparties and at overall bank level – to review the model quality on a regular basis.

Moreover, in accordance with the European Market Infrastructure Regulation (EMIR), the central clearing obligation for OTC derivatives was implemented at UniCredit Bank Austria AG. UniCredit Bank Austria AG is a clearing member of the "London Clearing House" (LCH

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Clearnet) clearing institution. There are no derivative positions with LCH as at the end of 2019. Regardless, there are indications from the EU that EU 27 companies will also continue to be able to clear via UK Central Counterparts, temporarily, even in the case of a hard Brexit. Furthermore, UniCredit Bank Austria AG clears repurchase agreements at the EUREX central counterparty.

The internal IT systems are used for calculating counterparty risk arising from derivatives business, securities lending transactions and repurchase agreements, and for determining risk arising from other risk types. This ensures that exposures resulting from derivatives business as well as money-market risk, issuer risk and settlement risk are calculated centrally using the internal IT systems (FRE – Full Revaluation Engine, AGE – Aggregation Engine).
Moreover, country risk is calculated and reported separately for external and internal country risk.

Separate reporting on counterparty credit risk is in place with a view to informing UniCredit Bank Austria AG's Market Risk Committee (MACO) and Derivative Committee (DECO) of current exposure trends, stress testing, collateral management and wrong way risk while also providing additional information relevant to risk management.

Based on the calculation method of counterparty credit risk used in the Group-wide risk systems, derivative transactions, repurchase agreements and securities lending transactions resulted in the following exposures for Bank Austria at the end of the year:
BA AG exposure: €2,455 million (previous year: €1,576 million)

The total exposure at the end of 2019 can also be split into the following sectors:

Exposure by industry sector

(€ million)

Sector	2019	2018
Industry and trade	775	692
Financial services sector	594	441
Real estate	402	286
Energy	262	83
Public sector	41	37
Central Clearing Counterparts (CCP)	381	37
TOTAL	**2,455**	**1,576**

Exposure by rating class

(€ million)

Rating class	2019	2018
1	293	249
2	1,478	716
3	202	221
4	231	198
5	135	121
6	99	53
7	9	15
8	3	1
9	6	3
10		

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E.8 – Country risk and sovereign risk

Risk associated with cross-border transactions with all customer groups is reflected in country risk ("transfer and convertibility risk"; country risk includes, for example, loans to foreign corporate customers or banks). Risk associated with the state itself (e.g. the purchase of government bonds) is reflected in sovereign risk, irrespective of whether such risk is cross-border or local risk. Both risks are assessed via a UniCredit Group-wide credit process. Country limits and sovereign limits are assessed by the responsible risk management team, approved by the relevant body having approval authority, and assigned to UniCredit subsidiaries according to business needs. In general, cross-border business is not limited for countries which are presumed less risky, e.g. the US, Japan, core EU countries; for all other countries, cross-border business is limited via the assigned country limit. Sovereign risk is in each case limited via counter party limits. The overall bond exposure is monitored via nominal credit risk limits and market risk limits. Impairment losses are recognised, if necessary, according to international financial reporting standards.

Breakdown of sovereign debt securities by country and portfolio

(€ million)

	31-12-2019			31-12-2018		
COUNTRY/PORTFOLIO	NOMINAL VALUE	BOOK VALUE	FAIR VALUE	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
Austria	**4,972**	**5,435**	**5,439**	**5,721**	**6,273**	**6,279**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	60	77	77	35	35	35
Fair value through other comprehensive income	4,819	5,264	5,264	5,589	6,140	6,140
Financial assets at amortised cost	93	94	98	97	98	104
Designated at fair value through profit or loss	-	-	-	-	-	-
Spain	**3,862**	**4,213**	**4,214**	**2,357**	**2,594**	**2,594**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	3,854	4,205	4,205	2,349	2,587	2,587
Financial assets at amortised cost	8	8	9	8	7	7
Designated at fair value through profit or loss	-	-	-	-	-	-
Italy	**770**	**864**	**864**	**845**	**936**	**936**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	770	864	864	845	936	936
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-

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COUNTRY/PORTFOLIO	31-12-2019 NOMINAL VALUE	31-12-2019 BOOK VALUE	31-12-2019 FAIR VALUE	31-12-2018 NOMINAL VALUE	31-12-2018 BOOK VALUE	31-12-2018 FAIR VALUE
Luxembourg	**-**	**-**	**-**	**526**	**539**	**539**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	-	-	-	526	539	539
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Japan	**640**	**645**	**645**	**477**	**481**	**481**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	640	645	645	477	481	481
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Poland	**434**	**481**	**481**	**434**	**482**	**482**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	434	481	481	434	482	482
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
France	**-**	**-**	**-**	**130**	**131**	**131**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	-	-	-	130	131	131
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-

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COUNTRY/PORTFOLIO	31-12-2019 NOMINAL VALUE	31-12-2019 BOOK VALUE	31-12-2019 FAIR VALUE	31-12-2018 NOMINAL VALUE	31-12-2018 BOOK VALUE	31-12-2018 FAIR VALUE
Romania	**165**	**182**	**182**	**165**	**180**	**180**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	165	182	182	165	180	180
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Belgium	**115**	**124**	**124**	**15**	**16**	**16**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	115	124	124	15	16	16
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Other Countries	**1,359**	**1,319**	**1,319**	**570**	**497**	**497**
Held for trading (Net exposures)	115	-	-	115	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	1,243	1,319	1,319	455	497	497
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
TOTAL	**12,317**	**13,262**	**13,267**	**11,240**	**12,129**	**12,135**

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Breakdown of sovereign debt securities by portfolio

	31-12-2019					
	HELD FOR TRADING (NET EXPOSURES)	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS AT AMORTIZED COST	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	TOTAL
Book value of sovereign portfolio	-	77	13,083	102	-	13,262
Total portfolio of debt securities	-	89	14,838	1,110	-	16,037
% Portfolio	100.00%	86.06%	88.17%	9.23%	0.00%	82.70%
	31-12-2018					
	HELD FOR TRADING (NET EXPOSURES)	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS AT AMORTIZED COST	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	TOTAL
Book value of sovereign portfolio	-	35	11,989	105	-	12,129
Total portfolio of debt securities	-	442	13,461	1,124	-	15,028
% Portfolio	0.00%	7.96%	89.06%	9.33%	0.00%	80.71%

Die Volumina gegenüber staatlichen Stellen umfassen Anleihen, die von Zentralbanken, Staaten und anderen öffentlichen Stellen begeben wurden, und Kredite an staatliche Kreditnehmer. Asset-backed Securities (ABS) sind darin nicht enthalten.

Breakdown of sovereign loans by country

(€ million)

COUNTRY	31-12-2019	31-12-2018
Austria	5,947	6,083
Indonesia	174	178
Gabun	118	136
Angola	95	98
Ghana	91	95
Laos	105	112
Philippines	73	84
Vietnam	69	72
Sri Lanka	87	78
Honduras	56	57
Bosnia and Herzegovina	22	26
Serbia	-	7
Other	389	382
TOTAL SOVEREIGN LOANS	**7,225**	**7,409**

E – Risk report

E.9 – Operational risk

Since the beginning of 2008, UniCredit Bank Austria AG has been using the Advanced Measurement Approach (AMA Approach) for calculating the OpRisk capital, with the model calculation for all AMA subsidiaries being performed by UniCredit Group.

Austrian subsidiaries

Schoellerbank AG and UniCredit Leasing Austria GmbH apply the AMA in the area of operational risk.

Implementation of disclosure requirements pursuant to the Capital Requirements Regulation (CRR)

Within UniCredit Group, comprehensive disclosure (under the Pillar 3 disclosure requirements pursuant to the CRR) is carried out by the parent company UniCredit on its website, based on the consolidated financial position in its function as EU parent bank of Bank Austria. Bank Austria is a significant subsidiary pursuant to Article 13 of the CRR and, for the 2019 financial year, discloses information regarding its capital resources ("own funds", Article 437 of the CRR), capital requirements (Article 438 of the CRR), capital buffers (Article 440 of the CRR), credit risk adjustments (Article 442 of the CRR), remuneration policy (Article 450 of the CRR), leverage ratio (Article 451 of the CRR) and use of credit risk mitigation techniques (Article 453 of the CRR).

The disclosure by Bank Austria is available at its website www.bankaustria.at /Investor Relations/Disclosure according to Basel 2 and 3 (CRR).

Operational risk (OpRisk) is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events (including legal risks – see also "E.13 – Legal risks"). For example, compensation paid to customers for incorrect/inadequate product-related advice, IT system failures, damage to property, processing errors or fraud are subject to accurate and consolidated risk measurement and management (collection of loss data, external data, scenarios, indicators), on which the calculation of capital to be held for operational risk is based.

Loss data are collected, and processes are optimised, in close coordination and cooperation across departments and units including the business areas, Internal Audit, Compliance, Legal Affairs, ICT & Security Management and the insurance sector. Over the years, UniCredit Bank Austria AG has taken numerous measures in the various divisions to manage and reduce operational risk. Thus data security measures, measures to ensure the confidentiality and integrity of stored data, access authorisation systems, the two-signatures principle, and a large number of monitoring and control processes as well as staff training programmes have been implemented among other measures.

In line with other types of risk, UniCredit Bank Austria AG – like UniCredit Group – has built up a decentralised operational risk management framework in the form of OpRisk representatives (so-called "Decentralised OpRisk & RepRisk Managers" (DORRM) for all relevant company divisions – in addition to central operational risk management. There are also OpRisk Managers or contact persons in all subsidiaries of UCBA. The central OpRisk & RepRisk function was directly assigned to the CRO as a staff unit at UniCredit Bank Austria in 2018.

While the main task of central risk management is to define the methods used and to perform risk measurement and analysis, decentralised risk managers are responsible for taking measures to reduce, prevent, or take out insurance against risks.

Activities in 2019 focused on:
- Integrating the OpRisk & RepRisk strategy issues of 2019 and their monitoring by reference to key risk indicators in the Permanent Work Group (a cross-divisional OpRisk work group which holds regular meetings).
- Implementing risk-minimising measures for the identified strategy topics (through DORRMs and experts) and their report in the Permanent Work Group and the Operational & Reputational Risk Committee (OpRRiCo).
- Monitoring the OpRisk exposure based on the ELOR key figure (expected loss on budget revenues; part of the Risk Appetite Framework).
- Carrying out and expanding the annual OpRisk ICT assessment process for critical business processes at UniCredit Bank Austria AG. Carrying out OpRisk assessments for relevant outsourcings.
- Revising the KRI monitoring framework on an ongoing basis to measure risk more effectively and carry out the scenario analysis.
- Increasing awareness of OpRisk issues through various training courses, as well as the existing mandatory online training.
- Revising OpRisk-relevant accounts and books as part of accounting reconciliation, general ledger analysis and transitory and suspense account analysis in order to ensure complete OpRisk data collection.
- Carrying out focal point analyses on various OpRisk-relevant subject areas, e.g.: internal fraud, external fraud in the credit business and the document filing process, external sales partners.
- Performing a Risk & Control Self Assessment (RCSA) for relevant company processes of UCBA AG, as well as an OpRisk survey

of all directly reporting subsidiaries.

A network of independent functions and teams are involved in managing and controlling risks, providing the Management Board with sufficient information on the risk situation and enabling the Management Board to manage risk.

The task of dealing with operational risk issues is performed by a separate Operational & Reputational Risk Committee (OpRRiCo), whose meetings are held on a quarterly basis and are attended by the Chief Risk Officer, the Head of UC Operational & Reputational Risk Management, Compliance, Audit, Regulatory Affairs and the decentralised Operational & Reputational Risk Managers. The Committee is a major step towards integrating operational risk in the Bank's processes; its main tasks are to report on current operational risk issues and developments, to approve operational risk-relevant documents, to report losses and serve as a body to which unresolved issues are referred.

E.10 – Reputational risk

UniCredit Group has identified reputational risk as the current or future risk of a decline in profits as a result of a negative perception of the Bank's image by customers, counterparties, shareholders, investors, employees or regulators.

Since 2012, the CRO team has been entrusted with managing and monitoring strategic reputational risk agendas. In 2018, the Op&RepRisk office was directly assigned to the CRO as a staff unit.

Subjects relevant to reputational risks are reported in the Operational & Reputational Risk Committee on a quarterly basis. For example:
- Business decisions, which were made in the Reputational Risk / Credit Committee
- Information on accepting new RepRisk policies
- Relevant reports on UniCredit Bank Austria
- RepRisk status of AMA subsidiaries

Reputational risk activities in 2019 focused mainly on the continuation of providing support to subsidiaries in further implementing and expanding structures, reputational risk policies and training, on monitoring and reporting cases of reputational risk and trends with regard to relevant topics, and on enhancing awareness of reputational risk management through training activities within UniCredit Bank Austria AG and subsidiaries.

E.11 – Business risk

Business risk is defined as unexpected adverse changes in business volume and/or margins which cannot be attributed to other types of risk. Adverse impacts of such changes on profitability result mainly from a significant deterioration in market conditions, changes in the competitive position or customer behaviour, and from changes in the legal environment.

Business risk measurement thus measures the influence of external factors on a decline in profits and the effect on the market value.

As part of general income and cost management, operational management of business risk is the responsibility of the individual business units.

E.12 – Financial investment risk and real estate risk

In dealing with risks arising from the bank's shareholdings and equity interests, Bank Austria takes into account potential market price fluctuations in its equity holdings in listed and unlisted companies.

Not included are equity interests in consolidated subsidiaries of Bank Austria because risks associated with such companies are determined and recorded under the various other risk types. The portfolio includes various strategic investments; real estate holding companies are taken into account in real estate risk.

Financial investment risk and real estate risk are covered by a value-at-risk approach under the ICAAP.

E.13 – Legal risks

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

UniCredit Bank Austria AG is also referred to hereinafter as "UCBA".

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

E.13.1 Madoff

Background

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

Civil law procedures in Austria

Investors in the Primeo and Herald Madoff Feeder Funds have filed numerous civil suits, of which 21 are still open, with a claimed amount of €5.7 million plus interest. The claims asserted in these proceedings are either that UCBA committed certain breaches of duty in its capacity as prospectus controller or that UCBA incorrectly advised certain investors (directly or indirectly) to invest in these funds, or a combination of these claims. The Austrian Supreme Court has issued twenty-five final decisions with regard to the prospectus liability claims asserted in the proceedings. As regards the proceedings concerning the Primeo Feeder funds, the Austrian Supreme Court issued fifteen final decisions in favour of UCBA. In two proceedings, the Supreme Court rejected UCBA's extraordinary appeal and has thus made the Court of Appeal's rulings in favour of the plaintiffs final. With regard to the Herald Feeder Fund, the Austrian Supreme Court has ruled on the prospectus liability claims five times, twice in favour of UCBA and three times in favour of the plaintiffs. In a prospectus liability case where investments were made in Primeo and Herald, the Supreme Court ruled in favour of UCBA; in two further prospectus liability cases where investments were made in Primeo and Herald, the Supreme Court rejected the plaintiffs' extraordinary appeals, thereby ruling the decisions of the Court of Appeal to be legally binding in favour of UCBA.

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

Regarding the Austrian civil proceedings pending against UCBA in relation to the fraud by Madoff, Bank Austria has formed provisions in an amount which is regarded as adequate for the current risks.

Criminal proceedings in Austria

The UCBA was listed as a defendant in criminal proceedings in Austria based on the suspicion that provisions of the InvFG (Austrian Investment Fund Act) had been infringed, as well as allegations of fraud and breach of trust in connection with the Madoff case. The public prosecutor's investigation against UCBA and all defendants was completely abandoned in November 2019. Private parties have, however, submitted applications to continue. A decision is still pending.

Proceedings in the United States

Actions by the SIPA trustee

In December 2010, the insolvency administrator (the "SIPA Trustee") brought an action to liquidate BLMIS as well as other actions including an action at a United States Federal Court against dozens of defendants, including HSBC, UniCredit S.p.A., UCBA and some of its affiliates (the "HSBC Proceedings").

In the HSBC Proceedings, the SIPA Trustee filed civil claims and avoidance claims (also known as "clawback claims") worth several billion US dollars. The civil claims were dismissed in 2011 and no further appeals are pending against this decision. In 2015, the SIPA trustee dropped the appeals against UniCredit S.p.A and the Alternative Investments Division of Pioneer ("PAI") in the HSBC Proceedings by waiving the claims, as well as the appeals against UCBA, without waiving the claims; this was done following claim adjustments that did not concern UniCredit S.p.A., PAI or UCBA and were considered by the SIPA trustee to satisfy the relevant claims. A judgement was issued by the Bankruptcy Court on 22 November 2016 which ordered the avoidance claims against BA Worldwide Fund Management Ltd ("BAWFM") to be rejected. On 9 March 2017, the SIPA Trustee commented on the rejection of the avoidance claims against BAWFM in writing. On 16 March 2017, the SIPA Trustee filed an appeal against the rejection of the claims. In February 2019, the Court of Appeal annulled the decision of the Bankruptcy Court of 22 November 2016 and decided that the SIPA trustee may reclaim transfers of funds by the BLMIS to the BAWFM and other similar parties prior to its insolvency. BAWFM and other defendants requested a new hearing before the Court of Appeal by an "en banc" body (hence by all judges). The Court of Appeal dismissed this request in April 2019. At the defendant's request, the Court of Appeal paused the proceedings so as to prevent the procedure from continuing during the appeal process at the Supreme Court. BAWFM and the other defendants submitted an appeal on 30 August 2019. Even if this appeal were not admitted or were not to be successful, there is no significant potential compensation claim. Certain current or former related individuals named as defendants in the HSBC Proceedings may be granted rights to indemnification by UniCredit S.p.A. and its affiliates.

Possible ramifications
Above and beyond the aforementioned proceedings and investigations in connection with the Madoff case against UCBA, its affiliates and some of their employees and former employees, further proceedings in connection with the Madoff case may possibly be brought in future in the USA, Austria or in other countries . These potential actions could in future be brought against UCBA, its affiliates and their current employees and former employees. The pending proceedings and potential actions may in future have a negative impact on UCBA.

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

E.13.2 Alpine Holding GmbH
Alpine Holding GmbH issued one bond in 2010, one in 2011 and one in 2012. In 2010 and 2011, UCBA acted as joint lead manager in each of the two years, together with another bank. In June/July 2013, Alpine Holding GmbH and Alpine Bau GmbH became insolvent and bankruptcy proceedings followed. Numerous bondholders then wrote to the banks involved in the bond issues to assert claims. At least as far as UCBA is concerned, the bondholders largely based their claims on the prospectus liability of the joint lead managers and also, in fewer cases, on flawed investment advice. Investors have filed civil lawsuits, including three class actions by the Federal Chamber of Labour (Bundeskammer für Arbeiter und Angestellte) (with claims amounting to some €20.26 million), in which UCBA is named as a defendant in addition to other banks. The main plea is prospectus liability. These civil proceedings are predominantly still pending at first instance. Until now, the Supreme Court has not made a legally binding decision on actions against UCBA concerning prospectus liability. In addition to the aforementioned proceedings against UCBA, further actions were threatened against UCBA in connection with the Alpine insolvency, which could be introduced in the future. Pending or future actions may negatively impact UCBA. UCBA intends to use all available means to defend itself against these claims. At present, it is not possible to estimate the timing and outcome of the various proceedings or to assess UCBA's level of responsibility, if any.

Criminal proceedings in Austria
A number of individuals accused are being prosecuted in Austria in connection with the Alpine insolvency case. UCBA had joined forces with the criminal proceedings as a private party. The preliminary proceedings were conducted by the Public Prosecutor's Office also against unknown responsible persons of the issuing banks. By resolutions from May 2017 and May 2018, the WKStA closed the preliminary proceedings against all those accused without charge. The last of the investors' petitions to continue the proceedings were rejected by the Regional Court for Criminal Matters in Vienna in July 2019.

E.13.3 Proceedings from export financing
UCBA has concluded a credit agreement as a lender. The funding of three industrial machines was regulated with this credit agreement, covered by a guarantor. The funding of the purchase of the relevant machines was provided for in two tranches according to the credit agreement. The borrower has concluded two separate purchase agreements with the exporter for purchasing the relevant machines, whereby the borrower asked for one of the machines not to be purchased. Nor was there any payment made of the relevant amount of the loan.

The first tranche was paid out and the relevant machines were also purchased and installed; the borrower is in arrears with their instalments. UCBA has therefore terminated the credit agreement due to late payment and has asked the borrower to repay the total outstanding amount.

E – Risk report

The borrower is for its part asserting claims in connection with the non-funding of the machines ultimately required by the borrower, in particular fees and costs, credit amount, contractual penalties for third parties and loss of profit. The borrower has submitted a request for arbitration in this regard to the VIAC against which UCBA intends to defend itself. The claims asserted appear to be insubstantial and there is an overwhelming opportunity to win the case on that basis.

The UCBA intends to introduce a counterclaim in the current arbitration proceedings based on the amount of the loan outstanding amounting to approx. € 3.1 million, where the chances of success are estimated to be more than 90 %.

Legal costs are difficult to assess, and reasonable provisions for risks and charges have been made with regard to the arbitration proceedings.

E.14 – Information on the squeeze-out pursuant to the Austrian Federal Act on the Squeeze-out of Minority Shareholders (Gesellschafterausschlussgesetz) of the holders of bearer shares in UniCredit Bank Austria AG

The company's Annual General Meeting on 3 May 2007 adopted a resolution concerning the planned squeeze-out. The legal actions for rescission and declaration of nullity brought against various resolutions adopted at the Annual General Meeting on 3 May 2007 were terminated in spring 2008. The squeeze-out was entered in the Register of Firms on 21 May 2008. After that date, former minority shareholders initiated proceedings for a review of the cash compensation offered by UniCredit. The democratically legitimised party in these proceedings is not UniCredit Bank Austria AG, but rather UniCredit S.p.A. In these proceedings an appraiser has been appointed who is reviewing the amount of the cash compensation; the appraisal report is available and essentially confirms the adequacy of the cash compensation paid as part of the shareholders' resolution. The evidence proceedings have not yet been completed and a first-instance decision on this matter is not yet available.

E.15 – Report on key features of the internal control and risk management systems in relation to the financial reporting process

The Management Board is responsible for establishing and designing internal control and risk management systems which meet the company's requirements in relation to the financial reporting process. The audit committee oversees the efficacy of the internal control and risk management system in addition to the accounting process as a whole; it may, if required, issue recommendations and suggestions to ensure the reliability of the accounting process.

The objective of the internal control system is to assist management in assuring internal controls in relation to financial reporting which are effective and are improved on an ongoing basis. The system is geared to complying with rules and regulations and creating conditions which are conducive to performing specific controls in key accounting processes.

Following the integration of the Bank Austria Group in UniCredit Group, the Italian Savings Law, Section 262 (detailed descriptions of processes, risk and control for minimising risk in preparing financial statements) in particular, must be complied with in addition to the existing internal control system.

Pursuant to the "262 Saving Law", the CEO and the CFO are liable, under civil and criminal law, for any violation of the legal provisions. They are also responsible for subsidiaries defined by UniCredit S.p.A. within the group of consolidated companies.

Internal Audit performs independent and regular reviews of compliance with legal provisions and internal rules also in the area of accounting. The Head of Internal Audit reports directly to the Management Board and provides the Chairman of the Supervisory Board and the Audit Committee with quarterly reports.

Control environment

UniCredit S.p.A., the parent company of UniCredit Bank Austria AG, works to maintain effective communication and convey the corporate values defined in the Integrity Charter.

The Integrity Charter embodies the UniCredit Group's identity and is based on the following shared values: fairness, transparency, respect, reciprocity, freedom to act and trust.

E – Risk report

The implementation of the internal control system in relation to the financial reporting process is also set out in the internal rules and regulations.

All accounting entries are made within the guidelines established in the Accounting Policy, and release follows defined instruction and control criteria. Appropriate processes have been implemented and are reviewed by Internal Audit on an ongoing basis.

Risk assessment

In the course of the "262 Savings Law" project, the persons having process responsibility identified risks in relation to the financial reporting process and described them in detail using the method defined by UniCredit S.p.A. These risks are monitored on an ongoing basis and checked for up-to-dateness at least on a half-yearly basis. The focus is on those risks which are typically considered to be material.

To meet the "262 Savings Law" requirements, controls pursuant to the methodology used by UniCredit S.p.A. are required to be performed on a half-yearly basis (for full-year and half-year reporting) at a minimum. Such control evidence must be kept on file for 10 years by the person having process responsibility. Any controls that do not meet the relevant criteria are identified under this method and reported to management together with a proposal for a solution.

Controls

All controls are applied in the current business process to ensure that potential errors or deviations in financial reporting are prevented or detected and corrected. Coordination measures range from a management review of results for the various periods to specific reconciliation of accounts and the analysis of continuous accounting processes.

The levels of hierarchy are designed such that an activity and the control of that activity are not performed by the same person (four-eyes principle). In the course of the preparation of financial reports, the general ledger accounts are reconciled with business and front-end systems.

IT security controls are a cornerstone of the internal control system. Defined IT controls are documented under the "262 Saving Law" and are audited by external auditors pursuant to the "International Standards for Assurance Engagements (ISAE) No.3402".

Information and communication

Management regularly updates rules and regulations for financial reporting and communicates them to all employees concerned.

Moreover, regular discussions on financial reporting and on the rules and regulations applicable in this context take place in various bodies and are repeatedly communicated to UniCredit Bank Austria AG. Employees in Financial Accounting receive regular training in new methods of international financial reporting in order to counteract risks of unintended misreporting at an early stage.

To perform monitoring and control functions with a view to proper financial accounting and reporting, extensive financial information is made available at key levels of the Bank. The Supervisory Board and Management Board shall receive relevant information and middle management shall also be provided with detailed reports.

Monitoring

As part of the implementation of the internal control system pursuant to the "262 Savings Law", instruments were introduced to monitor the effectiveness of controls. In connection with the compulsory, half-yearly certification process for the preparation of the management report, the relevant responsible persons are required to carry out tests to check the up-to-dateness of descriptions and the effectiveness of controls. It must be ascertained whether the controls work according to their design and whether the persons who perform controls have the competence/authority and qualifications required to perform the controls effectively.

All relevant responsible persons shall confirm, by means of certification, that their processes are adequately documented, risks have been identified and controls have been evaluated with a view to deriving measures to minimise risk.

E – Risk report

The Management Board of UniCredit Bank Austria AG receives the certifications of UniCredit Bank Austria AG and of the subsidiaries defined by UniCredit S.p.A. within the group of consolidated companies in the form of a consolidated management report on a half-yearly basis, and provides UniCredit S.p.A. and the public with confirmation of the reliability and effectiveness of the internal control system pursuant to the "262 Savings Law" in the context of the half-yearly and the annual financial statements.

F – Additional disclosures

F – Additional disclosures

F.1 – Supervisory Board and Management Board

The following persons are members of the Management Board of UniCredit Bank Austria AG:

Chairman/General Director: Robert ZADRAZIL
Deputy Chairman: Romeo COLLINA (until 28/02/2019)
Members: Mag. Dieter HENGL (until 31/08/2019), Mag. Gregor HOFSTÄTTER-POBST, Dr Jürgen KULLNIGG, Mauro MASCHIO, Günter Schubert (from 01/09/2019 onwards), Mag. Doris TOMANEK (until 06/05/2019), Mag. Susanne WENDLER

The following persons were members of the Supervisory Board of UniCredit Bank Austria AG in the reporting year:

Chairman: Dr. Gianni Franco PAPA (until 31/12/2019), Gianfranco BISAGNI (01/01/2020 onwards)
Deputy Chairman: Ranieri De MARCHIS, MBA
Members: Dr. Livia ALIBERTI AMIDANI, Dr. Olivier Nessime KHAYAT (08/04/2019 onwards), Dr. Aurelio MACCARIO (08/04/2019 onwards), Dr. Eveline STEINBERGER-KERN, Dr. Ernst THEIMER, Andrea VARESE (until 08/04/2019), Dr. Carlo VIVALDI (from 21/01/2019 until 08/04/2019), Mag. Adolf LEHNER, Mag.(FH) Christine BUCHINGER, Mario PRAMENDORFER, MBA, Mag. Karin WISAK-GRADINGER.

As at 31 December 2019, there were the following interlocking relationships with UniCredit:
- Three members of the Supervisory Board of UniCredit Bank Austria AG were members of the Executive Management Committee of UniCredit.
- One member of the Management Board of UniCredit Bank Austria AG was a member of the Executive Management Committee of UniCredit.

F.2 – Related party disclosures

Related party disclosures as at 31 December 2019

(€ million)

	PARENT COMPANY	UNCONSO-LIDATED SUBSIDIARIES	ASSOCIATES	JOINT VENTURES	KEY MANAGEMENT OF ENTITY OR ITS PARENT	OTHER RELATED PARTIES	TOTAL
Loans and advances	348	2,407	313	-	2	-	3,071
Equity instruments	-	-	699	2	-	-	701
Other receivables	1	2,145	124	-	-	2	2,272
TOTAL ASSETS	**349**	**4,553**	**1,136**	**2**	**2**	**2**	**6,044**
Deposits	414	870	8,967	-	4	-	10,255
Other financial liabilities	500	960	-	-	-	2	1,462
Other liabilities	13	1,760	-	-	-	-	1,773
TOTAL LIABILITIES	**927**	**3,589**	**8,967**	**-**	**4**	**-**	**13,490**
Guarantees issued by the group	305	765	1,735	-	-	-	2,805
Guarantees received by the group	338	209	-	-	-	-	547

F – Additional disclosures

Related party disclosures as at 31 December 2018

(€ million)

	PARENT COMPANY	UNCONSO-LIDATED SUBSIDIARIES	ASSOCIATES	JOINT VENTURES	KEY MANAGEMENT OF ENTITY OR ITS PARENT	OTHER RELATED PARTIES	TOTAL
Loans and advances	73	4,565	702	-	1	1	5,342
Equity instruments	-	-	717	-	-	1	717
Other receivables	37	1,854	91	-	-	-	1,982
TOTAL ASSETS	**110**	**6,419**	**1,510**	**-**	**1**	**1**	**8,041**
Deposits	715	885	8,324	-	3	59	9,987
Other financial liabilities	-	616	-	-	-	-	616
Other liabilities	14	1,408	-	-	-	-	1,421
TOTAL LIABILITIES	**728**	**2,909**	**8,324**	**-**	**3**	**59**	**12,023**
Guarantees issued by the group	495	946	2,074	-	-	-	3,515
Guarantees received by the group	180	167	-	-	-	-	347

The Bank Austria Group received the following subsidies from public sector entities:

UniCredit Bank Austria AG, Austria

The Municipality of Vienna serves as deficiency guarantor for the following items in the statement of financial position under a guarantee totalling €5,035 million:

Items in the statement of financial position

(€ million)

	31-12-2019	31-12-2018
Deposits from banks	170	212
Deposits from customers	369	394
Debt securities in issue	971	982
of which: subordinated	971	968
Other liabilities	39	*40*
Provisions for post-retirement benefit obligations	3,486	3,222
Total	**5,035**	**4,850**

F.2.1 – Information on members of the Management Board, the Supervisory Board and the Employees' Council of UniCredit Bank Austria AG

F.2.1.1 – Emoluments of members of the Management Board and the Supervisory Board

The emoluments paid by UniCredit Bank Austria AG to Management Board members in the 2019 financial year (excluding payments into pension funds) totalled €1,442,549.04 (comparable emoluments in the previous year totalled €1,975 thousand), of which € 1,089,221.52 was fixed fees (2018: €1,570 thousand) and €353,327.52 of which was variable fees (2018: €404 thousand). Moreover, a provision was made for variable remuneration for 2019 (subject to malus) in the amount of € 2,332,000.00, which may be paid in subsequent years pursuant to the same legal provisions governing compensation.

Several members of the Management Board receive their emoluments from companies which are not included in the group of consolidated companies of Bank Austria. These emoluments granted to members of the Management Board for their activities at UniCredit Bank Austria AG and associates in the 2019 financial year amounted to € 1,831,560.44 (2018: €1,670 thousand) and were partly (2019: € 1,320,693.62; 2018: €1,108 thousand) allocated to UniCredit Bank Austria AG. The Management Board members also received emoluments for activities not connected with the Bank Austria Group but which are in the interest of UniCredit Group.

Payments to former members of the Management Board and their surviving dependants (excluding payments into pension funds) totalled € 8,268,418.45. (Of this total, € 4,053,444.26 was paid to former Management Board members of Creditanstalt AG, which merged with Bank Austria in 2002, and their surviving dependants; € 1,729,933.89 was paid to former Management Board members of Österreichische Länderbank AG, which merged with Zentralsparkasse in 1991, and their surviving dependants.)

F – Additional disclosures

The comparative figure for the previous year was €7,456 thousand. Emoluments paid to this group of persons for activities in subsidiaries amounted to €17,133.64 (2018: €17k).

F.2.1.2 – Loans to members of the Management Board and of the Supervisory Board

Loans to members of the Management Board were recorded at € 1,059,456.40 (2018: €1,273 thousand) and used credit lines which amounted to €39,818.84 (2018: €34 thousand). During the financial year, € 50,733.42 (2018: €51 thousand) was repaid.

Loans to members of the Supervisory Board amounted to € 296,188.43 (2018: €297 thousand) and used credit lines were recorded at €60,630.57 (2018: €58 thousand). During the financial year, € 62,572.31 (2018: €39K) was repaid.

Loans to the Supervisory Board include those made to members of the Employees' Council who are members of the Supervisory Board. The maturities of the loans range from five to thirty years. The rate of interest payable on these loans is the rate charged to employees of UniCredit Bank Austria AG.

F.2.2 – Related party disclosures

In order to ensure full compliance with the legal and regulatory provisions for related party disclosures currently in effect, UniCredit has introduced procedures to determine transactions with related parties. These procedures ensure that the relevant information is provided in order to ensure compliance with the obligations of the members of UniCredit's Board of Directors as a stock-market listed company and parent company of the Group.

Transactions carried out within the Group and/or generally with Austrian and foreign related parties are executed as a rule on an arm's length basis, on the same terms and conditions as those applied to transactions entered into with independent third parties. The same principle applies to services rendered.

Pursuant to IAS 24, Bank Austria's related parties include:
- companies belonging to UniCredit Group and companies controlled by UniCredit but not consolidated;
- associates and joint ventures;
- UniCredit's "key management personnel";
- close family members of key management personnel and companies controlled (or jointly controlled) by key management personnel or their close family members;
- Beneficiaries of the Group employee post-employment benefit plans.

Information on the share capital and exercise of special rights

As at 31 December 2019, the subscribed capital of UniCredit Bank Austria AG amounted to €1,681,033,521.40, all of which was represented by registered ordinary shares.

As at 31 December 2019, UniCredit S.p.A. held a direct interest of 99.996% in UniCredit Bank Austria AG.

The registered shares with restricted transferability which are held by "Privatstiftung zur Verwaltung von Anteilsrechten (AVZ Stiftung)", a private foundation under Austrian law, and by "Betriebsratsfonds des Betriebsrats der Angestellten der UniCredit Bank Austria AG Region Wien (Betriebsratsfonds)", the Employees' Council Fund of the Employees' Council of Employees of UniCredit Bank Austria AG in the Vienna region, have a long tradition and carry special rights based on historical developments: for specific resolutions to be adopted at a general meeting of shareholders, the holders of registered shares with restricted transferability have to be present when the resolutions are adopted. The relevant resolutions are specified in Article 20 (13) and (14) of UniCredit Bank Austria AG's Articles of Association.

Restated Bank of the Regions Agreement (ReBoRA)

The "Restated Bank of the Regions Agreement" (ReBORA) is a syndicate agreement concluded between UniCredit S.p.A., the AVZ Stiftung and the Betriebsratsfonds. In the ReBORA, the AVZ Stiftung and Betriebsratsfonds have given an undertaking to UniCredit to the effect that if they want to sell UniCredit Bank Austria AG shares, they will first offer such shares held by them to UniCredit. If UniCredit does not accept the offer, the relevant contracting party could sell the UniCredit Bank Austria AG shares to a third party. In this case UniCredit has a right of preemption.
Under this agreement concluded in 2006, the AVZ Stiftung had the right, until 31 March 2016, to nominate two members of the Supervisory Board of UniCredit Bank Austria AG. Thereafter it can nominate one member of the Supervisory Board for the duration of the guarantee issued by "AV-Z Stiftung" and the Municipality of Vienna.

Transfer of CEE business

In connection with the transfer of CEE business, UniCredit S.p.A. has given certain undertakings in favour of UniCredit Bank Austria AG with regard to the future business activities and capital structure of UniCredit Bank Austria AG; the majority of the obligations on the part of UniCredit S.p.A. will end at the end of June 2024.

F – Additional disclosures

There are no compensation agreements between UniCredit Bank Austria AG and members of its Management Board and Supervisory Board or its employees in the case of a public takeover offer.

Cooperation agreement
In the course of the integration of HVB (now UniCredit Bank AG) into the UniCredit group of companies, HVB has been assigned the role of centre of competence for markets and investment banking for the entire corporate group. Among other things, UniCredit Bank AG acts as counterparty for derivative transactions conducted by UniCredit companies in this role. For the most part, this involves hedging derivatives that are externalised on the market via UniCredit Bank AG. UniCredit Bank Austria AG and UniCredit Bank AG signed a corresponding cooperation agreement for 10 years in 2010. This cooperation agreement was cancelled in consideration of a one-year cancellation notice period in May 2019 with effect from 31 May 2020.

F.2.3 – Other information on related party relationships

Under Section 92 (9) of the Austrian Banking Act, "Privatstiftung zur Verwaltung von Anteilsrechten" ("AV-Z Stiftung", a private foundation under Austrian law) serves as deficiency guarantor for all liabilities of UniCredit Bank Austria AG in the event of the company's insolvency.

After the change in the legal form of Anteilsverwaltung-Zentralsparkasse into a private foundation ("AV-Z Stiftung") in 2001, the Municipality of Vienna serves as deficiency guarantor for all outstanding liabilities, and obligations to pay future benefits, of UniCredit Bank Austria AG (then Bank Austria Aktiengesellschaft) which were entered into prior to and including 31 December 2001.

In the course of the spin-off of the CEE business, UniCredit S.p.A. issued a guarantee for the bank's pension obligations until 31 December 2028.

F.3 – Share-based payments

F.3.1 – Description of share-based remuneration

F 3.1.1. The Group's medium and long-term incentive programme for selected employees include:
- **Share options** that are awarded to selected top and senior managers as well as important talent within the Group, and which are represented through subscription rights for UniCredit shares.
- **Group Executive Incentive System** which offers qualified Group management personnel variable remuneration which is paid within five years. The beneficiary shall receive payment in cash and/or UniCredit shares. The payment is related to achieving performance conditions (where market conditions are not considered) which are established in the rules of the programme.
- **Group Executive Incentive System (Bonus Pool)** which offers qualified Group management personnel and employees, determined according to regulatory rules, a bonus structure that consists of advance payments (following the time of the performance assessment) and pending payment in cash and shares to be paid over a period of between one and six years. This payment structure ensures the focus on the interests of shareholders and is subject to malus conditions of the Group (which apply if specific profitability, capital and liquidity objectives at Group and country/business area level are not achieved) and individual repayment conditions (as long as they are legally enforceable) pursuant to their definition in the rules of the programme (not market-dependent awarding conditions).
- **Employee Share Ownership Plan (ESOP - Let's share)** which offers qualified employees of the Group the opportunity to buy UniCredit ordinary shares with the advantage of ensuring free ordinary shares ("free shares") or rights based on the quantity of shares purchased by each participant ("investment shares") during the "registration periods". Ensuring free ordinary shares is subject to the rules of the programme..
- **Long Term Incentive 2017-2019** which offers qualified management personnel and important persons in the Group an incentive based 100% on UniCredit ordinary shares, subject to a postponement of three years and malus and repayment conditions, as long as they are legally enforceable, pursuant to the rules of the programme. The structure of the programme is based on a three-year performance period in accordance with UniCredit's new strategy plan and provides for the awarding of premiums based on the preconditions with regard to profitability, liquidity, capital and risk position in addition to various performance conditions with focus on Group targets in accordance with Transform 2019.

Furthermore, it is noted that, in accordance with Banca d'Italia circular 285 (update VII of 22 November 2017), share-based remuneration paid with equity that is represented by postponed payments in UniCredit ordinary shares which are not subject to any awarding conditions shall be used for relevant employees to pay for a so-called "golden parachute" (i.e. severance payment).

F – Additional disclosures

F 3.1.2. – Valuation model
Share options
The Hull-White assessment model is used to measure the economic value of share options.
This model is based on a trinomial tree rate distribution using the Boyle algorithm and estimates with regard to the likelihood of premature exercising based on a deterministic model in connection with:
- achieving a market share value equal to an exercising price multiple (M)
- the likelihood of a premature departure of the beneficiaries (E) after the end of the vesting period.

Recording the economic effects and equity effects is based on the vesting period.

In 2019, no new share options programmes were guaranteed. In 2019, no new share options were issued to members of the Executive Board; no share options were exercised by the members of the Management Board.

Share options of management and other employees
In the period 2011-2019, no share options were issued to management or other employees and no share options were exercised. The term of options from the past has already expired.

Group Executive Incentive System
The amount is determined based on quantitative and qualitative goals set by the programme. In particular, the overall assessment is expressed as a percentage by the relevant superior of the employee which ranges from a minimum of 0% to a maximum of 150% (non-market-dependant awarding conditions). This percentage, adjusted by the application of a risk/opportunity factor – Group Gate – multiplied by the bonus target, determines the actual amount paid to the beneficiary. Economic effects and net equity effects are demarcated based on the instruments' vesting period.

Group Executive Incentive System (Bonus Pool)
The economic value of performance-based share remuneration is measured in consideration of the market price of the shares on the awarding date less the cash value of future dividends during the vesting period. Economic effects and net equity effects are demarcated over the term of the instruments' vesting period.

Group Executive Incentive System "Bonus Pool 2018" - shares
The programme is split into blocks, each of which may comprise three or four instalments of share-based remuneration over a period of time determined by the rules of the programme.

	SHARES GRANTED GROUP EXECUTIVE INCENTIVE SYSTEM – BONUS POOL 2018			
	INSTALLMENT 2021	INSTALLMENT 2022	INSTALLMENT 2023	INSTALLMENT 2024
Date of bonus opportunity economic value granting	07. Feb. 2018	07. Feb. 2018	07. Feb. 2018	07. Feb. 2018
Date of board resolution (to determine number of shares)	07. Mar. 2019	07. Mar. 2019	07. Mar. 2019	07. Mar. 2019
Vesting period start-date	01. Jan. 2018	01. Jan. 2018	01. Jan. 2018	01. Jan. 2018
Vesting period end-date	31. Dec. 2018	31. Dec. 2020	31. Dec. 2021	31. Dec. 2022
UniCredit share market price (€)	11.015	11.015	11.015	11.015
Economic value of vesting conditions (€)	-0.908	-1.557	-2.329	-3.237
Performance shares' fair value per unit at the grant date (€) *)	**10.107**	**9.458**	**8.686**	**7.778**

*) The same fair value per share is used to quantify the costs associated with share-based remuneration to make possible severance payments.

F – Additional disclosures

Group Executive Incentive System 2019 (Bonus Pool)
The new Group Incentive System 2019 is based on a bonus pool approach geared towards the regulation requirements and market practices, and defines the following:
- Sustainability through a direct connection with the company's results and focus on relevant risk categories, the use of specific indicators connected with the risk appetite framework.
- Connection between bonuses and the company structure which defined the pool at country/business area level with further verification at Group level
- Awarding of bonuses to management personnel and other relevant employees that have been identified based on the rules of the European Banking Authority (EBA) pursuant to local ordinances
- Requirement of establishing the payment structure pursuant to regulations under supervisory law in Directive 2013/36/EU (CRD IV) and payment within a period of six years in the form of a mix of shares and cash

All effects on the profit and loss account and net equity in connection with the programme are recorded during the vesting period.

Long Term Incentive 2017-2019
The economic value of performance-based share remuneration is measured in consideration of the market price of the shares on the awarding date less the cash value of future dividends during the vesting period.
The programme is split into blocks based on the position of the beneficiaries, each of which may comprise three or four instalments of share-based remuneration over a period of time determined by the rules of the programme.

F 3.2. – Further information

Effects on the profit and loss account
All share-based remuneration guaranteed after 7 November 2002 and whose vesting period ended after 1 January 2005 fall within the scope of application of IFRS 2.

Presentation of share-based remuneration in the consolidated financial statements

(€ thousand)

	YEAR 2019	YEAR 2018
Costs / revenues	**(3,127)**	**(2,844)**
connected to equity-settled plans	(3,127)	(2,844)
connected to cash-settled plans	-	-
Debts for cash-settled plans	-	-

F.4 – Employees

In 2019 and 2018, the Bank Austria Group employed the following average numbers of staff (full-time equivalents):

Employees

	YEAR 2019 2)	YEAR 2018 2)
Salaried staff	5,336	5,411
Other employees	-	1
TOTAL 1)	**5,336**	**5,412**
of which: in Austria	5,261	5,329
of which: abroad	75	83

1) Average full-time equivalents of staff employed in the Bank Austria Group, excluding employees on unpaid sabbatical or maternity/paternity leave.
2) Values exclusive of the FTE of Immobilien Holding companies intended for sale.

F – Additional disclosures

F.5 – Auditors' fees

(pursuant to Section 238 (1) 18 and Section 251 (1) of the Austrian Business Code)

The following table shows the fees charged by the auditors of the consolidated financial statements for the 2019 financial year in the following categories:

Auditors' fees

(€ thousand)

	YEAR 2019	YEAR 2018
Fees for the audit of the financial statements and the consolidated financial statements	**4,760**	**5,052**
Deloitte Network	3,420	4,201
Austrian Savings Bank Auditing Association	1,340	851
Other services involving the issuance of a report	**1,853**	**1,718**
Deloitte Network [1)]	1,832	1,690
Austrian Savings Bank Auditing Association	21	28
Tax consulting services	**-**	**154**
Deloitte Network	-	154
Austrian Savings Bank Auditing Association	-	-
Other services	**1,075**	**991**
Deloitte Network	185	68
Austrian Savings Bank Auditing Association	890	923
TOTAL	**7,688**	**7,915**

1) In the 2019 financial year, all of the costs during the year for quarterly reviews were allocated under other confirmation services. In the 2018 financial year, the first and third quarter and the IFRS 9 quality review are included under other confirmation services.

F.6 – Geographical distribution

Disclosures pursuant to Section 64 (18) of the Austrian Banking Act ("country-by-country reporting")

Section 64 (18) of the Austrian Banking Act requires disclosure of specific information on a country-by-country basis.
Information on the country in which each of our subsidiaries in the Group has its registered office is given in section A.8.
In addition, the following information is required to be given on a consolidated basis, broken down by country:

COUNTRY	NET INTEREST INCOME (€ million)	OPERATING INCOME (€ million)	TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS (€ million)	TAX EXPENSE (INCOME) RELATED TO PROFIT OR LOSS FROM CONTINUING OPERATIONS (€ million)	EMPLOYEES (FTE)
Austria	958	1,708	526	178	5,227
Hungary	1	-	7	(1)	18
Slovakia	1	4	-	-	31
Poland	-	3	-	-	24
Other countries	(1)	-	(15)	-	1
TOTAL	**960**	**1,715**	**519**	**177**	**5,301**

F – Additional disclosures

F.7 – Effects of netting agreements on the statement of financial position

7. Financial assets subject to accounting offsetting or under master netting agreements and similar agreements

(€ million)

INSTRUMENT TYPE	GROSS AMOUNTS OF FINANCIAL ASSETS (A)	FINANCIAL LIABILITIES OFFSET IN BALANCE SHEET (B)	NET BALANCE SHEET VALUES OF FINANCIAL ASSETS (C=A-B)	RELATED AMOUNTS NOT SUBJECT TO ACCOUNTING OFFSETTING: FINANCIAL INSTRUMENTS (D)	RELATED AMOUNTS NOT SUBJECT TO ACCOUNTING OFFSETTING: CASH COLLATERAL RECEIVED (E)	NET AMOUNT 31-12-2019 (F=C-D-E)	NET AMOUNT 31-12-2018
1. Derivatives	2,718	-	2,718	1,940	269	508	423
2. Reverse repos	472	-	472	-	-	472	204
3. Securities lending	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
Total 31-12-2019	**3,189**	**-**	**3,189**	**1,940**	**269**	**980**	**X**
Total 31-12-2018	**2,516**	**-**	**2,516**	**1,615**	**274**	**X**	**627**

8. Financial liabilities subject to accounting offsetting or under master netting agreements and similar agreements

(€ million)

INSTRUMENT TYPE	GROSS AMOUNTS OF FINANCIAL LIABILITIES (A)	FINANCIAL ASSETS OFFSET IN BALANCE SHEET (B)	NET BALANCE SHEET VALUES OF FINANCIAL LIABILITIES (C=A-B)	RELATED AMOUNTS NOT SUBJECT TO ACCOUNTING OFFSETTING: FINANCIAL INSTRUMENTS (D)	RELATED AMOUNTS NOT SUBJECT TO ACCOUNTING OFFSETTING: CASH COLLATERAL RECEIVED (E)	NET AMOUNT 31-12-2019 (F=C-D-E)	NET AMOUNT 31-12-2018
1. Derivatives	2,791	-	2,791	1,940	692	159	153
2. Reverse repos	13	-	13	-	-	13	312
3. Securities lending	-	-	-	-	-	-	-
4. Others	12,393	-	12,393	-	-	12,393	12,151
Total 31-12-2019	**15,197**	**-**	**15,197**	**1,940**	**692**	**12,565**	**X**
Total 31-12-2018	**14,538**	**-**	**14,538**	**1,615**	**308**	**X**	**12,615**

The above table shows the potential netting of derivatives (recognised financial assets and liabilities) which are subject to an enforceable ISDA Master Netting Agreement and Cash Settlement Agreement, which cannot be offset in the statement of financial position and for which the entity currently has the legally enforceable right to offset the recognised amounts in case of insolvency or termination.

F – Additional disclosures

F.8 – Assets pledged as security

3. Assets used to guarantee own liabilities and commitments

(€ million)

PORTFOLIOS	AMOUNTS AS AT 31-12-2019	AMOUNTS AS AT 31-12-2018
1. Financial assets at fair value through profit or loss	-	-
2. Financial assets at fair value through other comprehensive income	3,537	5,779
3. Financial assets at amortised cost	29,982	27,144
4. Property, plant and equipment	-	-
of which: inventories of property, plant and equipment	-	-

Assets include loans and receivables as well as securities which are collateral for the bank's own liabilities and are not derecognised. The bank's own liabilities for which such collateral was provided primarily include cover pools of public-sector covered bonds and mortgage bonds, and for funded UniCredit Bank Austria bonds, funding transactions with the European Central Bank and other collateral arrangements. The contractual terms for these transactions are in line with normal market conditions.

F.9 – Transfer of financial assets

In the ordinary course of business, the Group enters into transactions that result in the transfer of financial assets, primarily debt and equity securities and loans and advances to customers. The transferred financial assets continue either to be recognised in their entirety, or are derecognised in their entirety.

The Group transfers financial assets primarily through the following transactions:

- Sale and repurchase of securities
- Securitisation activities in which loans and advances to customers or investment securities are transferred to special-purpose entities or to investors in the notes issued by special-purpose entities. Every special-purpose entity is assessed in order to evaluate whether consolidation is required in accordance with IFRS 10.

Transferred, but not derecognised financial assets (fair value) and corresponding financial liabilities

(€ million)

	FINANCIAL ASSETS HELD FOR TRADING		NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS		FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS		FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		FINANCIAL ASSETS AT AMORTISED COST		
	A	B	A	B	A	B	A	B	A	B	TOTAL
Balance-sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**126**	**-**	**158**	**-**	**284**
Debt securities	-	-	-	-	-	-	126	-	-	-	126
Loans	-	-	-	-	-	-	-	-	158	-	158
Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Associated financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**13**	**-**	**81**	**-**	**94**
Deposits from customers	-	-	-	-	-	-	-	-	81	-	81
Deposits from banks	-	-	-	-	-	-	-	-	-	-	-
Debt securities in issue	-	-	-	-	-	-	13	-	-	-	13
TOTAL 31-12-2019	**-**	**-**	**-**	**-**	**-**	**-**	**113**	**-**	**77**	**-**	**190**
TOTAL 31-12-2018	**-**	**-**	**-**	**-**	**-**	**-**	**281**	**-**	**44**	**-**	**325**

A = Financial assets sold and fully recognised.
B = Financial assets sold and partially recognised.

F – Additional disclosures

The carrying amounts are equal to the fair values.

F.10 – Subordinated assets/liabilities

(€ million)

	31-12-2019	31-12-2018
Financial assets held for trading	-	-
Financial assets designed at fair value	-	-
Financial assets mandatorily at fair value	12	29
Financial assets at fair value through other comprehensive income	-	5
Financial assets at amortised cost with banks	313	313
Financial assets at amortised cost with customers	23	24
Non current assets and disposal groups classified as held for sale	-	-
Subordinated assets	**349**	**371**
Deposits from banks - subordinated	-	-
Deposits from customers - Subordinated	90	87
Debt securities in issue	1,090	1,081
Liabilities included in disposal groups classified as held for sale	-	-
Subordinated liabilities	**1,180**	**1,168**

The total amount of expenses for subordinated liabilities in 2019 was €15 million (previous year: €15 million).

F – Additional disclosures

F.11 – Trust assets

(€ million)

	31-12-2019	31-12-2018
Loans and receivables with banks	-	-
Loans and receivables with customers	171	195
Equity securities and other variable-yield securities	-	-
Debt securities	-	-
Other assets	-	-
TRUST ASSETS	**171**	**195**
Deposits from banks	67	72
Deposits from customers	104	123
Debt securities in issue	-	-
Other liabilities	-	-
TRUST LIABILITIES	**171**	**195**

F.12 – Return on assets

Disclosure pursuant to Section 64 (1) 19 of the Austrian Banking Act

	YEAR 2019	YEAR 2018
Net profit in € million	710	653
Total assets in € million	101,663	99,029
Return on assets	0.70%	0.66%

F.13 – Consolidated capital resources and regulatory capital requirements

F.13.1 – Capital management

Bank Austria, as part of UniCredit Group, places a high priority on capital management and capital allocation. The Bank's capital management strategy is characterised by a strong commitment to maintaining a sound capital base; the strategy is based on a risk-oriented and earnings-oriented allocation of capital to achieve the highest possible shareholder value.

At present, Bank Austria's internal capital is set at a level that will cover adverse events with a probability of 99.90 % (confidence interval).

At the same time regulatory capital ratio targets (Common Equity Tier 1 and capital adequacy ratio) are set so as to be consistent with regulatory expectations and the Risk Appetite Framework defined by the bank.

Capital management activities form a major part of the Group's planning and budgeting process as well as within ICAAP processes. Bank Austria regularly monitors capital evolution and regulatory trends at national and Group level.

Capital management activities comprise:
- planning and budgeting processes:
  - proposals as to risk propensity, development and capitalisation objectives
  - analysis of RWA development and changes in the regulatory framework
  - proposals for the financial plan and an appropriate dividend policy (MDA)
- monitoring processes
  - analysis and monitoring of limits for Pillar 1 and Pillar 2
  - analysis and monitoring of the capital ratios of the Bank Austria Group

Capital is managed dynamically which means that Bank Austria prepares the financial plan, monitors capital ratios for regulatory purposes on an ongoing basis and anticipates the appropriate steps required to achieve the goals set.

F – Additional disclosures

F.13.2 – Capital requirements

The capital requirements pursuant to the Capital Requirements Regulation comprise requirements resulting from credit risk, all types of risk in the trading book, commodities risk and foreign-exchange risk outside the trading book, operational risk and the CVA risk.

F.13.3 – Regulatory developments – Basel 3/CRD IV, CRR

With the EU Banking Package, additional, important components of the Basel 3 framework were implemented at the European level through changes to the CRR ("CRR II") and CRD IV ("CRD V"), among other things. The EU Banking Package was published on 7 June 2019 in the Official Journal of the European Union and has been in force since 27 June 2019.

Basel 3 demands stricter requirements for regulatory capital with a minimum of Common Equity Tier 1 Capital of 4.5% of RWA, Total Tier 1 Capital of 6% and Total Capital of 8%.

In addition, all banks will be required to hold a capital conservation buffer consisting of Common Equity Tier 1 Capital of 2.5% on top of the new minimum requirements. This leads to an effective capital requirement of 7% Common Equity Tier 1 Capital, 8.5% Tier 1 Capital and 10.5% Total Capital.

Member States can set an additional buffer requirement to dampen excess lending growth (counter-cyclical buffer up to 2.5 %). The Austrian Capital Buffer Regulation (Kapitalpuffer-Verordnung – KP-V) set the counter-cyclical capital buffer for major loan exposures in Austria at 0% from 1 January 2016. In addition, the authorities can set systemic risk buffers (SRB) and capital surcharges for systemically important banks. Under the KP-V, the SRB is currently set at 2% from 2019. If an authority imposes the systemic risk buffer and the systemic bank surcharge is applicable, the higher of the two will apply.

F.13.4 – Development of equity at the Bank Austria Group

In 2019, the total capital ratio decreased minimally from 21.4% to 21.3% compared to the previous year. In comparison to the previous year, the regulatory capital decreased by €194 million to €7,144 million. Bank Austria continues to have a sound capital base to fulfil the capital requirements according to Art. 92 CRR in conjunction with Art 129 et seqq. CRD IV (Tier I capital requirement). No Tier 2 capital was issued in 2019.

Consolidated capital resources

(€ million)

	31-12-2019	31-12-2018
Paid-in capital instruments	1,681	1,681
Reserves (incl. profit) and minority interests	6,725	6,426
Adjustments to Common Equity Tier 1	(2,067)	(1,731)
Transitional adjustments to Common Equity Tier 1 [1)]	-	-
Common Equity Tier 1 (CET1)	**6,338**	**6,376**
Additional Tier 1 capital and qualifying Additional Tier 1 instruments issued by subsidiaries	2	-
Adjustments to Additional Tier 1	-	(5)
Transitional adjustments to Additional Tier 1 [1)]	-	58
Additional Tier 1 (AT1)	**2**	**53**
Tier 1 capital (T1=CET1+AT1)	**6,340**	**6,428**
Tier 2 capital and qualifying Tier 2 instruments issued by subsidiaries	712	798
Adjustments to Tier 2 capital	92	76
Transitional adjustments to Tier 2 capital [1)]	-	35
Tier 2 capital (T2)	**803**	**909**
Total regulatory capital (TC=T1+T2)	**7,144**	**7,338**

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

F – Additional disclosures

Total risk exposure amount

(€ million)

	31.12.2019	31.12.2018
a) Credit risk pursuant to standardised approach	7,468	7,685
b) Credit risk pursuant to internal ratings-based (IRB) approach	22,607	23,212
c) Other (contribution to default fund of a central counterparty [CCP])	3	6
Credit risk	30,078	30,903
Settlement risk	-	-
Position. foreign exchange and commodity risk	205	218
Operational risk 1)	3,164	3,209
Risk positions for credit value adjustments (CVA)	46	36
TOTAL RWAs	**33,493**	**34,365**

1) On the basis of the ECB approval for a new AMA model, a conservatism add-on for operational risk has no longer been applicable since 30 June 2019, as at 31 December 2018, an add-on of €288 million was recognised.

Key performance indicators

	31-12-2019	31-12-2018
Common Equity Tier 1 ratio [1]	18.9%	18.6%
Tier 1 ratio [1]	18.9%	18.7%
Total capital ratio [1]	21.3%	21.4%

1) Based on all risks.

The calculation of consolidated regulatory capital and consolidated regulatory capital requirements as at 31/12/2019 is based, in conformity with the CRR, on International Financial Reporting Standards (IFRS).

F.14 – Trading book

Information pursuant to Section 64(1)(15) of the Austrian Banking Act

(€ million)

	31-12-2019	31-12-2018
Securities (carrying amount)	-	-
Money market instruments	-	-
Derivatives (notional amount)	46,539	41,579

F.15 – Non-financial performance indicators

As a member of UniCredit Group, Bank Austria does not prepare its own non-financial declaration in accordance with Section 267a of the Austrian Commercial Code (UGB), since it is included in UniCredit S.p.A.'s non-financial report pursuant to Section 267a (7) UGB. This report is available on UniCredit's website (https://www.unicreditgroup.eu/en.html).

F.16 – Events after the reporting period

There are no major events after the reporting period.

Concluding Remarks of the Management Board

The Management Board of UniCredit Bank Austria AG has prepared the consolidated financial statements for the financial year beginning on 1 January 2019 and ending on 31 December 2019 in accordance with International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board as adopted by the European Union. The management report of the Group was prepared in accordance with the Austrian Business Code and is consistent with the consolidated financial statements.

The consolidated financial statements and the management report of the Group contain all required disclosures; in particular, events of special significance which occurred after the end of the financial year, and other major circumstances that are significant for the future development of the Group have been appropriately explained.

Vienna, 18 February 2020

Robert Zadrazil
CEO
Chief Executive Officer
(Chairperson)

Gregor Hofstätter-Pobst
CFO Finance

Jürgen Kullnigg
CRO Risk Management

Mauro Maschio
Privatkundenbank

Günter Schubert
Corporate & Investment
Banking Division

Susanne Wendler
Unternehmerbank

Report of the Auditors

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of UniCredit Bank Austria AG, Vienna (the Company), and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements under section 245a UGB (Austrian Commercial Code) and the Austrian Banking Act.

Basis for Opinion

We conducted our audit in accordance with the Regulation (EU) No. 537/2014 and the Austrian Generally Accepted Auditing Standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of UniCredit Bank Austria AG in accordance with laws and regulations applicable in Austria and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Determination of Expected Credit Losses
(see the Notes to the Consolidated Financial Statements, E.2 and A 5.3.3)

Description and Issue
Loss allowances represent management's best estimate of the expected credit losses from the loan portfolios at the reporting date.

At 31 December 2019, loans and advances (financial assets at amortized cost, which include loans to customers and credit institutions) after impairments amounted to EUR 76,736 mn. For those assets loan loss provisions of EUR 1,374 mn were recorded.

For the purpose of calculating expected credit losses, UniCredit Bank Austria AG has implemented processes to identify loss events and significant increases in credit risk. Based on these, various methods to determine the expected credit losses are applied depending on the asset class. In principle, all of these methods are discounted cash flow methods considering multiple scenarios. Where necessary, the considered parameters are estimated based on regulatory requirements and adapted for IFRS 9 purposes:

- Expected credit losses on loans in default that are deemed to be material on a customer level are determined individually. The probabilities of the scenarios, the expected cash flows and the expected recoveries from collateral (if available) are estimated based on all available information and with the assistance of internal specialists.
- Expected credit losses on loans in default that have comparable risk profiles and that are not deemed to be material on an individual level are collectively determined. The expected cash flows from redemptions and collateral are estimated using statistical methods.

Report of the Auditors

- Expected credit losses on loans that have not defaulted are calculated by using model-based estimates of default probabilities and loss rates. If, at the reporting date, the credit risk has not increased significantly, the loss allowance is measured at an amount equal to 12-month expected credit losses. If credit risk has increased significantly, the loss allowance is measured at an amount equal to the lifetime expected credit losses.
- The models used for foreign currency loans that have not defaulted as well as for bullet loans with repayment vehicles in the retail segment are adapted to account for the special risk characteristics of these portfolios. In particular, UniCredit Bank Austria AG assesses significant increases in credit risk on a collective level for these portfolios.

The calculation of loss allowances in all described forms is based on significant management judgement and includes uncertainties. These exist in the identification of loss events or significant increases in credit risk as well as in the estimation of expected cash flows and the determination of parameters depicting the latter. Hence, we considered the measurement of expected credit losses to be a key audit matter.

Our Response

To assess the adequacy of loss allowances, we evaluated the calculation methodology for expected credit losses applied by UniCredit Bank Austria AG and its compliance with the requirements of IFRS 9.

We reviewed the key processes and models in credit risk management, as well as a sample of loans regarding the loan loss provisions. We identified and tested key controls in the credit process, especially in the monitoring and in the early warning process. We examined the internal control system for the correct application of rating models and collateral valuation.

We examined the adequacy of individual loan loss provisions based on a sample of test cases. Apart from the adherence to internal guidelines referring to rating, collateral assignment and collateral valuation, we examined whether major loss events were identified. For this, we tested loans and advances that had not been identified by management as defaulted to form our own assessment as to whether events with material impact on the repayment capability of the borrower had occurred. For non-performing loans we critically assessed the estimated cash flows that are expected from redemptions and collateral, and retraced the present value calculation.

We examined the adequacy of collective provisions considering lifetime parameters, forward looking information and the identification of significant increases in credit risk, as well as the underlying rating models. We assessed the internal control system for regulatory models and relevant risk parameters based on their performance, backtesting results and stability. Furthermore, we critically examined the analyses performed by UniCredit Bank Austria AG regarding the detection of significant increases in credit risk.

Recognition and Valuation of Deferred Tax Assets

(see Notes to the Consolidated Financial Statements, C.10)

Description and Issue

In the consolidated financial statements, UniCredit Bank Austria AG recognized deferred tax assets in the amount of EUR 615 mn after netting with deferred tax liabilities were applicable. Of those deferred tax assets as per 31 December 2019 EUR 215 mn result from tax loss carryforward, thereof EUR 210 mn from UniCredit Bank Austria AG. A material deferred tax asset for tax loss carryforwards is recognized for the first time in UniCredit Bank Austria AG on 31 December 2019.

The assessment of the recognition and recoverability of deferred tax assets includes judgement and is based on a forecast of taxable income during the planning period. The taxable income depends to a large extent on the assessment of the macroeconomic environment. The recognition depends also on the fact that UniCredit Bank Austria AG regards the plans, despite the existing uncertainties as sufficiently convincing evidence for the recoverability of the deferred tax assets.

Because of the considerable amount of deferred tax assets and the uncertainties regarding the underlying data, forecasts and estimations, we have identified the recognition and recoverability of deferred tax assets as a key audit matter.

Our Response

We have captured the process and internal controls regarding the calculation of deferred taxes and have reviewed the effectiveness of controls relevant for the audit process.

We have critically assessed the assumptions, parameters and estimates made for the profit development on the basis of the new multi-year plan "Team 23". The figures in the plan were discussed with management and the responsible employees. Furthermore, we have analyzed and critically assessed the quality of past plans of UniCredit Bank Austria AG.

Report of the Auditors

We have reviewed the key data for the calculation of deferred taxes (amount of unused tax loss carryforwards, temporary differences) and audited the reconciliation of the IFRS plans to the planned tax base with the assistance of internal tax specialists. Furthermore, we have verified the mathematical accuracy of the calculation.

Recognition and Measurement of Restructuring Provisions for Staff-Related- Measures
(see Notes to the Consolidated Financial Statements, C.20)

Description and Issue
Based on the UniCredit's group-wide multi-year plan for 2020 to 2023 ("Team23"), UniCredit Bank Austria AG has resolved restructuring measures. Among other things, these include a reduction in staff during the period of 2020 to 2023. UniCredit Bank Austria AG recognized a restructuring provision for the expected expenses.

The restructuring provision for staff-related measures for staff-related measures amounts to EUR 160.9 mn. The planned measures for the reduction in staff include different offers ranging from early retirement to an agreement on the time of retirement in exchange for a one-off payment through to a termination of the employment contract.

Due to the numerous assumptions underlying the determination of the restructuring provision and the significance for the consolidated financial statements we have identified the recognition and measurement of the restructuring provision as a key audit matter. Such assumptions relate to e.g. expenses per employee for the different offers, the probability that a certain offer is accepted by the employees, relevance of historical information regarding previous restructuring plans, the period of the restructuring measures.

Our Response
We have examined the processes that UniCredit Bank Austria AG applied in order to calculate the restructuring provision. Moreover, we have reviewed the key data for the calculation and evaluated the effectiveness of the material control we have identified.

We have analyzed whether the requirements for the recognition of a provision are met.

We have critically assessed and compared the underlying assumptions to UniCredit Bank Austria AG´s experiences from previous restructuring plans and discussed them with management and responsible employees.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the additional requirements under section 245a UGB and the Austrian Banking Act, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Report of the Auditors

As part of an audit in accordance with Regulation (EU) 537/2014 and in accordance with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Consolidated Management Report

Pursuant to statutory provisions, the consolidated management report is to be audited as to whether it is consistent with the consolidated financial statements and whether it has been prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the consolidated management report in accordance with the Austrian Commercial Code.

Report of the Auditors

We conducted our audit in accordance with laws and regulations applicable with respect to the consolidated management report.

Opinion

In our opinion, the consolidated management report is prepared in accordance with the applicable legal requirements, the disclosures pursuant to section 243a UGB are appropriate, and it is consistent with the consolidated financial statements.

Statement

Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the consolidated management report came to our attention.

Other Information

Management is responsible for the other information. The other information comprises the information in the annual report but does not include the consolidated financial statements, the consolidated management report and our auditors' report thereon. The annual report is expected to be made available to us after the date of the auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Regarding the management report we refer to the section "Report on the Audit of the Consolidated Management Report".

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Additional Information in Accordance with Article 10 of the EU Regulation

According to section 24 of the Austrian Savings Banks Act (SpG) and the Auditing Rules for Savings Banks (Anlage zu § 24 SpG), the Savings Bank Auditing Association (Sparkassen-Prüfungsverband) acts as statutory auditor of UniCredit Bank Austria AG.

Under section 23 para 3 SpG in conjunction with sections 60 and 61 of the Austrian Banking Act (BWG, Bankwesengesetz), the audit requirement also includes the consolidated financial statements.

By resolution of Bank Austria's annual general shareholders' meeting on 11 April 2018, pursuant to section 1 para 1 of the Auditing Rules for Savings Banks, Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, was appointed as additional auditor of the unconsolidated and consolidated financial statements of Bank Austria for the fiscal year ending on 31 December 2019. In accordance with the above, the chairman of the Supervisory Board of Bank Austria engaged Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, by letter dated 24 April 2018 as additional auditor. Furthermore, by resolution of Bank Austria's annual general shareholders' meeting on 8 April 2019, Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna was appointed as additional auditor for the subsequent fiscal year and engaged by the chairman of the Supervisory Board on 23 April 2019.

Deloitte Audit Wirtschaftsprüfung GmbH has been the additional auditor uninterrupted since the financial year ending 31 December 2013.

We confirm that the audit opinion in the section "Report on the Consolidated Financial Statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

Report of the Auditors

Engagement Partner
The engagement partner responsible for the audit is Herwig Hierzer on behalf of Austrian Savings Bank Auditing Association and Peter Bitzyk on behalf of Deloitte Audit Wirtschaftsprüfungs GmbH.

Consolidated Financial Statements 2019
UniCredit Bank Austria AG, Vienna

Vienna, 21 February 2020

Austrian Savings Bank Auditing Association
Auditing Board

Herwig Hierzer
Certified Accountant

Reinhard Gregorich
Auditor

Deloitte Audit Wirtschaftsprüfungs GmbH

Peter Bitzyk
Certified Accountant

Wolfgang Wurm
Certified Accountant

This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the consolidated financial statements together with our auditors' opinion is only allowed if the financial statements and the management report are identical with the audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 para 2 UGB applies to alternated versions.

Report of the Supervisory Board for 2019

During the reporting period the Supervisory Board performed its duties and obligations as defined by law and in the Articles of Association and Rules of Procedure without any restrictions, and it advised the Management Board at regular intervals and supervised the Management Board's activities. To ensure optimum performance of its duties, the Supervisory Board created four committees. In 2019, the Supervisory Board held five meetings and passed seven resolutions by written circular vote. The Supervisory Board was involved in all decisions of fundamental importance and passed resolutions on matters within its competence after in-depth analysis. Apart from the Supervisory Board meetings there were also continuous exchanges between the Chairperson of the Supervisory Board and the Chairperson of the Management Board concerning the main developments.

Focus of the Supervisory Board's activity

In the 2019 financial year, the Management Board regularly provided information to the Supervisory Board, both in writing and orally, as well as in a timely and comprehensive manner on the business policy, the financial development, the earnings performance, the regulatory changes, as well as on risk, liquidity and capital management. With these activities, the Supervisory Board continuously performed its supervisory and advisory functions after in-depth analysis and consideration of all relevant facts.

One focal point of its activities related to the set of measures taken in connection with the separate financial statements and consolidated financial statements 2018, including the audit reports, as well as the proposals for profit distribution and the selection of the auditors and the group auditors for the 2020 financial year. The Annex to the Audit Report pursuant to Section 63 (5) and (7) of the Austrian Banking Act (BWG) was brought to the attention of the Supervisory Board.

At regular intervals the Supervisory Board dealt with the reports presented by Internal Audit and granted powers to staff members to act on behalf of the company. During the year under review, reports were given on the enlargement of the Austrian corporate tax group and the signing of new tax compensation agreements, the risk strategy in 2019, the structure of the loan portfolio, and the principles underlying risk policy, as well as the large exposures pursuant to Section 28b of the Austrian Banking Act (BWG).

The items under deliberation dealt with customer development, initiatives to maintain customer relations as well as to acquire new customers. Retail initiatives, IT investments and the future position of the Bank with regard to B&C Privatstiftung were further topics on which reports were received. The range of the reports was rounded off by status reports on the Task Forces Retail and IT as well as the Sunrise and Puls projects.

The legal updates covered the developments of the Madoff case as well as the two proceedings on the ASVG transfer of bank employees to the state pension scheme. They also related to such issues as negative interest rates, the EURIBOR methodology, the Polish exchange rates, and the legal proceedings concerning 3-Banken. In connection with Project Mozart, the Supervisory Board agreed to the signing of settlements with the US authorities, and the Board was informed about the subsequent further developments as well as the OFAC Compliance Program.

The Supervisory Board was informed about the results of the ECB and/or FMA inspections, especially with regard to "Compliance Governance", "Loans granted to the Municipality of Matrei", "On-Site Inspection pursuant to Section 90 (3) Number 3 of the 2018 Securities Supervisory Act", "IT Risk", as well as "IT Risk – Access Rights".

The Supervisory Board approved amendments to the Internal Rules of the Management Board, the distribution of tasks and the rules on representation within the Management Board, as well as the Fit & Proper policy. The scope of activities also covered information about the use of advance approvals for loans to executive managers in 2018 pursuant to the Section 28 (1) and (4) of the Austrian Banking Act (BWG) as well as the advance approvals for 2020.

The Supervisory Board extended the mandate of one Management Board member and appointed one new Management Board member. Due to the withdrawal of two Supervisory Board members as well as the Chairperson of the Supervisory Board, the Board proposed candidates for election to the General Meeting, elected a new Chairperson and dealt with the composition of the Supervisory Board committees.

With regard to participations, one should highlight the sale of Österreichische Hotel- und Tourismusbank GmbH, a capital injection to FaktorBank AG as well as the transfer of shares in PSA Payment Services Austria GmbH, held by Schoellerbank AG, to UniCredit Bank Austria AG.

The Supervisory Board engaged in an in-depth discussion of the Multi-Year Plan 2020-2023 and the 2020 Budget, including the Risk Appetite 2020-2023, as well as the Funding Plafond for 2020, and it took the respective resolutions.

The Supervisory Board received information on an ongoing basis concerning the main issues under discussion as well as the decisions taken in the meetings of its committees. In the course of the Supervisory Board meetings training sessions were held on Fit & Proper topics, Governance issues and conflicts of interest, outsourcing, EBA, ECB and FMA priorities in 2019, new developments resulting from CRR II/CRD V, as well as an outlook on the changes due to Basel IV.

Report of the Supervisory Board for 2019

Committee activities

The **Credit/Risk Committee** held four meetings and passed eighteen resolutions by written circular vote.

The Credit/Risk Committee voted on the loan applications within the Committee's competences, and it was informed, on an ongoing basis, of the loans decided under the approval authority of the Management Board. Emerging risks in connection with the loan portfolio were the subject of discussions; the portfolios of Spain and the Nordic countries were discussed in detail.

In addition, there were reports about market and liquidity risk, operating risk, reputational risk as well as ICAAP. Resolutions were taken on the 2019 risk strategy, including the Capital Adequacy Statement, as well as on an update to the 2019 Risk Appetite. In addition to receiving timely information on individual risk exposures, the Committee was also informed regularly on regulatory capital as well as the funding and liquidity management. Furthermore, the Committee was informed about the status of the minimum requirements for own funds and eligible liabilities (MREL) as well as the underlying regulations. The Committee was also informed about loans to political organizations. The work of the Committee was rounded off by dealing with the 2019 Recovery Plan and the large exposures pursuant to Section 28b of the Austrian Banking Act (BWG).

The **Audit Committee** met for four meetings, which were regularly attended by representatives of the auditors. The Committee dealt in detail with the separate financial statements and the consolidated financial statements 2018 as well as the audit reports, and forwarded the respective information to the Supervisory Board. The auditors informed the Committee about audit planning and the focus areas of the full-year audit of the 2019 accounts.

Compliance informed the Committee about focal areas of activities at regular intervals. Moreover, the report on activities for the entire year 2018 and the annual reports on Securities Compliance and Anti Financial Crime were presented. The Committee also dealt with the 2019 Compliance Plan and the Group Compliance Guidelines. Internal Audit presented its annual report for 2018 and detailed quarterly reports to the Committee. In addition, the Internal Audit Charter and the 2019 Audit Plan, including its review, were adopted. In its activities the Committee also covered the Governance Monitoring Report, the report for the year 2018 on complaints management as well as the evaluation of the ICS management in 2018. Moreover, the Committee monitored the financial reporting process, giving due regard to the 262 Savings Law, as well as the report on risk management. In the course of comprehensive reporting on regulatory matters, the findings of the supervisory bodies were discussed comprehensively. Detailed information was also provided on the inspections as well as the action plans focusing on Compliance Governance, the on-site inspection pursuant to Section 90 (3) Number 3 of the 2018 Securities Supervision Act, IT risk – access rights and IT risk. The Committee received the SREP optimization plan for the period 2018/2019.

Further activities of the Committee were to give a recommendation to the Supervisory Board on the election of the auditors for the separate financial statements and the consolidated financial statements for the 2020 financial year, to deal with the Management Letter by the auditors, to approve amendments to the engagement letter for limited reviews of the quarterly results obtained for Q1, Q2 and Q3 of 2019 and the engagement letter for 2020. Moreover, the Audit Committee approved additional auditing services concerning the loan societies (Kreditvereine) of Bank Austria, the agreed audit activities concerning credit claims as well as the development project for Global Mobile Leadership.

The **Strategic and Nomination Committee** held one meeting and passed five resolutions by written circular vote, which related to the Fit & Proper policy as well as the evaluation of the Fit & Properness of new appointments of Management Board and Supervisory Board members, as well as the extension of the mandate of one Management Board member. The Committee also undertook the Fit & Proper re-evaluation for 2019 of the Management Board and the Supervisory Board, the gender balance at the Bank, and it reviewed the course pursued by the Management Board when selecting senior managers. In addition, the Committee passed resolutions on succession planning with regard to the Chairperson of the Supervisory Board and its Committees.

The **Remuneration Committee** held one meeting and passed one decision by written circular vote in connection with the implementation of the KYC Bonus Gates. The Committee received the report by the Risk Committee as well as general information about the implementation of the regulatory framework. The Committee approved the Group Bonus Pools for 2018 as well as the access conditions defined for Bank Austria, the Bonus Pool 2018 for Commercial Banking and Corporate & Investment Banking, the incentive payments in connection with plans from previous years, the bonus payments for 2018 and the persons within its scope. Moreover, the persons within the scope in 2019 were defined, and possible bonus payments to the managing directors of the subsidiary companies were approved. The Committee also dealt with the Group Incentive System 2019 as well as the Group Compensation and Group Termination Policies 2019.

Report of the Supervisory Board for 2019

Supervisory Board and Management Board changes

At the Extraordinary General Meeting held on 21 January 2019 Dr. Carlo Vivaldi was elected, with immediate effect, as Supervisory Board member. At the closing of the Ordinary General Meeting held on 08 April 2019 Mr. Andrea Varese and Dr. Carlo Vivaldi resigned from their Supervisory Board functions, and Dr. Olivier Nessime Khayat and Dr. Aurelio Maccario were elected, with immediate effect, as new Supervisory Board members.

Dr. Gianni Franco Papa, Chairperson of the Supervisory Board, stepped down from his position as at 31 December 2019. In its meeting on 25 November 2019 the Supervisory Board proposed that Mr. Gianfranco Bisagni should become his successor. At the Extraordinary General Meeting, held on 19 December 2019, he was elected as Supervisory Board member as at 01 January 2020. In keeping with a Supervisory Board decision, he assumed the position as Chairperson of the Supervisory Board on the same day.

Dr. Mauro Maschio, responsible for "Privatkundenbank", and Mag. Susanne Wendler, responsible for "Unternehmerbank", took up their positions as new members of the Management Board as at 01 January 2019. The Management Board mandate of Mr. Romeo Collina ended on 28 Februar 2019, the mandate of Mag. Doris Tomanek ended on 06 May 2019.

At the Supervisory Board meeting on 04 March 2019, the mandate of Mag. Gregor Hofstätter-Pobst as Management Board member with responsibility for the CFO Division was extended up to 30 September 2022. In its resolution of 11 July 2019, the Supervisory Board appointed Mr. Günter Schubert as Management Board member with responsibility for Corporate & Investment Banking as of 01 September 2019 and up to 31 August 2022. Mag. Dieter Hengl resigned as Management Board member as at 31 August 2019.

The Supervisory Board acknowledges the commitment and the constructive cooperation of the resigned Supervisory Board members and Management Board members.

The detailed list of Supervisory Board members and Supervisory Board Committee members as well as of the Management Board during the 2019 financial year can be found in the relevant section on officers of the company.

Audit of the separate financial statements and the consolidated financial statements

The accounting records, the 2019 separate financial statements and the management report were audited by the Auditing Board of the Austrian Savings Bank Auditing Association and by Deloitte Audit Wirtschaftsprüfungs GmbH. As the audit did not give rise to any objections, and as there was full compliance with the legal requirements, the auditors expressed their unqualified audit opinion.

The Supervisory Board endorsed the audit findings, indicates its acceptance of the separate financial statements, the management report and the proposal for the appropriation of profits, as presented by the Management Board, and it approves the 2019 separate financial statements of UniCredit Bank Austria AG, which are thereby adopted pursuant to Section 96 (4) of the Austrian Joint Stock Companies Act.

The 2019 consolidated financial statements were audited by the Auditing Board of the Austrian Savings Bank Auditing Association and by Deloitte Audit Wirtschaftsprüfungs GmbH, for consistency with the International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board, as adopted by the European Union; the Group management report was audited for consistency with Austrian legal provisions. The audit did not give rise to any objections and there was full compliance with the legal requirements. In the opinion of the auditors, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and of the results of the Group's operations and its cash flows for the financial year beginning on 1 January 2019 and ending on 31 December 2019, in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, as well as pursuant to the additional requirement of Section 245a of the Austrian Commercial Law Code (UGB) and the Austrian Banking Act.

The auditors certify that the Group management report is consistent with the consolidated financial statements, and that the legal requirements pursuant to Austrian law were met concerning the exemption from the obligation to prepare also separate consolidated financial statements, and they express their unqualified audit opinion.

The Supervisory Board has endorsed the audit findings.

Report of the Supervisory Board for 2019

Acknowledgements

The Supervisory Board thanks the Management Board, all staff members as well as the employees' representatives for their valuable performance which, once again, has contributed to the success of the company during the expired business year.

Vienna, 2 March 2020

The Supervisory Board

Gianfranco Bisagni
Chairperson of the Supervisory Board

Statement by Management

We state to the best of our knowledge that the consolidated financial statements prepared in accordance with the applicable financial reporting standards provide a true and fair view of the financial position and performance of the Group, and that in the management report of the Group the business trends including business results and the position of the Group have been presented in such a way as to provide a true and fair view of the financial position and performance of the Group, and that the management report of the Group describes the material risks and uncertainties to which the Group is exposed.

Vienna, 18 February 2020

The Management Board

Robert Zadrazil
CEO
Chief Executive Officer
(Chairperson)

Gregor Hofstätter-Pobst
CFO Finance

Jürgen Kullnigg
CRO Risk Management

Mauro Maschio
Privatkundenbank

Günter Schubert
Corporate & Investment
Banking Division

. Susanne Wendler
Unternehmerbank

Supervisory Board and Management Board

Information regarding the Management Board

Chairperson
Robert Zadrazil, born 1970
Chief Executive Officer (CEO)
Member from 01 October 2011 and Chairman from 01 March 2016, end of the current term of office: 30 September 2020

Deputy Chairperson
Romeo Collina, born 1953
Member from 01 March 2016 until 28 February 2019 and Deputy Chairman from 01 October 2016 until 28 February 2019

Members
Dieter Hengl, born 1964
Corporate & Investment Banking
From 01 August 2011 until 31 August 2019

Gregor Hofstätter-Pobst, born 1972
CFO Finance
From 01 October 2016, end of the current term of office: 30 September 2022

Jürgen Kullnigg, born 1961
CRO Risk Management
From 01 November 2012, end of the current term of office: 31 October 2021

Mauro Maschio, born 1969
Privatkundenbank
From 01 January 2019, end of the current term of office: 31 December 2021

Günter Schubert, born 1968
Corporate & Investment Banking Division
From 01 September 2019, end of the current term of office: 31 August 2022

Doris Tomanek, born 1956
Human Capital
From 07 May 2010 until 06 May 2019

Susanne Wendler, born 1967
Unternehmerbank
From 01 January 2019, end of the current term of office: 31 December 2021

Supervisory Board and Management Board

Information regarding the Supervisory Board

The term of office of elected members will end with the Annual General Meeting in 2023. The employees' representatives are delegated to the Supervisory Board without a time limit.

Chairperson

Gianfranco Bisagni, born 1958
Co-CEO Commercial Banking, Central Eastern Europe
UniCredit S.p.A.
(Member and Chairperson from 01 January 2020)

Gianni Franco Papa, born 1956
(Member from 15 January 2016 until 31 December 2019, Chairperson from 10 December 2018 until 31 December 2019)

Deputy Chairperson

Ranieri De Marchis, born 1961
Co-Chief Operating Officer
UniCredit S.p.A.
(Member and Deputy Chairperson since 07 November 2016)

Members

Livia Aliberti Amidani, born 1961
(since 11 April 2018)

Olivier Nessime Khayat, born 1963
Co-CEO Commercial Banking Western Europe
UniCredit S.p.A.
(since 08 April 2019)

Aurelio Maccario, born 1972
Head of Group Regulatory Affairs
(since 08 April 2019)

Eveline Steinberger-Kern, born 1972
Managing Director
The Blue Minds Company GmbH
(since 04 May 2015)

Supervisory Board and Management Board

Ernst Theimer, born 1947
Chairperson of the Management Board Privatstiftung zur Verwaltung von Anteilsrechten (since 07 July 2010)

Andrea Varese, born 1964
Group Chief Lending Officer
UniCredit S.p.A.
(from 27 November 2017 until 08 April 2019)

Carlo Vivaldi, born 1965
Co-Chief Operating Officer
UniCredit S.p.A.
(from 21 January 2019 until 08 April 2019)

Delegated by the Employees' Council

Christine Buchinger, born 1968
Member of the Central Employees' Council
(since 23 January 2017)

Adolf Lehner, born 1961
Chairperson of the Central Employees' Council
(since 04 December 2000)

Mario Pramendorfer, born 1973
Member of the Central Employees' Council
(since 23 September 2016)

Karin Wisak-Gradinger, born 1964
Member of the Central Employees' Council
(from 01 December 2017)

Representatives of the Supervisory Authorities

Commissioner
Hans-Georg Kramer
Federal Ministry of Finance

Christoph Pesau (from 01 December 2019)
Federal Ministry of Finance

Deputy Commissioner
Ulrike Huemer
Magistrate's Directorate of the City of Vienna

State Commissioner for the Cover Fund
Alfred Katterl

Deputy State Commissioner for the Cover Fund
Christian Wenth

Supervisory Board and Management Board

Trustee pursuant to the Austrian Mortgage Bank Act
Peter Part

Deputy Trustee pursuant to the Austrian Mortgage Bank Act
Gabriela Offner
Thomas Schimetschek (from 01 November 2019)

The Supervisory Board formed the following permanent committees:

Credit-/Risk Committee:
Chairperson:
Eveline Steinberger-Kern
(Member since 08 May 2015, Chairperson since 16 April 2018)

Deputy Chairperson:
Olivier Nessime Khayat (Member and Deputy Chairperson since 09 April 2019)
Andrea Varese (Member from 27 November 2017 until 08 April 2019, Chairperson from 27 November 2017 until 16 April 2018, Deputy Chairperson from 16 April 2018 until 08 April 2019)

Members:
Aurelio Maccario (since 09 April 2019)
Carlo Vivaldi (from 23 January 2019 until 08 April 2019)

Delegated by the Employees' Council:
Mario Pramendorfer (since 16 April 2018)
Karin Wisak-Gradinger (since 01 December 2017)

Audit Committee:
Chairperson:
Ernst Theimer (Member and Chairperson since 08 May 2015)

Deputy Chairperson:
Ranieri De Marchis (Member since 16 April 2018, Deputy Chairperson since 23 January 2019)

Members:
Olivier Nessime Khayat (since 09 April 2019)
Carlo Vivaldi (from 23 January 2019 until 08 April 2019)

Delegated by the Employees' Council:
Christine Buchinger (since 27 April 2017)
Adolf Lehner (since 02 May 2006)

Supervisory Board and Management Board

Remuneration Committee:

Chairperson:
Livia Aliberti Amidani
(Member and Chairperson since 16 April 2018)

Deputy Chairperson:
Aurelio Maccario (Member and Deputy Chairperson since 09 April 2019)
Andrea Varese (Member and Deputy Chairperson from 23 January 2019 until 08 April 2019)

Members:
Ranieri De Marchis (since 16 April 2018)

Delegated by the Employees' Council:
Christine Buchinger (since 16 April 2018)
Adolf Lehner (since 06 November 2011)

Strategic & Nomination Committee:

Chairperson:
Livia Aliberti Amidani (Member and Chairperson since 16 April 2018)

Deputy Chairperson:
Olivier Nessime Khayat (Member and Deputy Chairperson since 09 April 2019)
Carlo Vivaldi (Member and Deputy Chairperson from 23 January 2019 until 08 April 2019)

Members:
Gianfranco Bisagni (since 01 January 2020)
Gianni Franco Papa (from 15 January 2016 until 31 December 2019)

Delegated by the Employees' Council:
Adolf Lehner (since 02 May 2006)
Karin Wisak-Gradinger (since 01 December 2017)

Supervisory Board and Management Board

Vienna, 18 February 2020

The Management Board

Robert Zadrazil
CEO
Chief Executive Officer
(Chairperson)

Gregor Hofstätter-Pobst
CFO Finance

Jürgen Kullnigg
CRO Risk Management

Mauro Maschio
Privatkundenbank

Günter Schubert
Corporate & Investment
Banking Division

Susanne Wendler
Unternehmerbank

Additional Information

Office Network

Office Network Austria

Head Office

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Tel.: +43 (0) 5 05 05-0
Fax: +43 (0) 5 05 05-56155
Internet: www.bankaustria.at
E-Mail: info@unicreditgroup.at

Branches

Amstetten*, Baden, Bludenz, Bregenz*, Bruck/Mur, Deutsch Wagram, Dornbirn, Eisenstadt*, Feldkirch, Gänserndorf*, Gmünd*, Graz* (5), Groß-Enzersdorf, Hall /Tirol, Hallein, Hollabrunn, Horn, Imst, Innsbruck* (2), Judenburg*, Kitzbühel, Klagenfurt* (2), Klosterneuburg, Knittelfeld, Krems*, Leibnitz*, Leoben*, Lienz*, Linz* (2), Mattersburg, Mödling* (2), Neunkirchen, Neusiedl / See*, Oberpullendorf, Oberwart*, Perchtoldsdorf, Purkersdorf*, Salzburg* (3), Schladming*, Schwaz*, Schwechat, Spittal /Drau, St. Pölten*, Stegersbach, Steyr*(2), Stockerau*, Traun, Tulln*, Villach* (3), Vöcklabruck, Weiz*, Wels*, Vienna* (53), Wiener Neustadt*, Wolfsberg, Wörgl, Zell / See*.

*) With offices serving Business Customers & Professionals resp. Premium Banking Customers

Retail Banking - Regional Offices

Vienna City
1010 Vienna, Stephansplatz 7a
Tel.: 05 05 05-48803

Vienna South-East
1030 Vienna, Landstraßer Hauptstraße 15
Tel.: 05 05 05-62300

Vienna West
1150 Vienna, Märzstraße 45
Tel.: 05 05 05-51055

Vienna North-West
1200 Vienna, Wallensteinstraße 14
Tel.: 05 05 05-50600

Vienna South-West
1120 Vienna, Schönbrunner Straße 263
Tel.: 05 05 05-55300

Vienna North-East
1210 Vienna, Kürschnergasse 9
Tel.: 05 05 05-59800

Lower Austria North
3100 St. Pölten, Rathausplatz 2
Tel.: 05 05 05-55066

Lower Austria South & Burgenland
2340 Mödling, Enzersdorfer Straße 4
Tel.: 05 05 05-38500

Office Network

Styria
8010 Graz, Herrengasse 15
Tel.: 05 05 05-37661

Carinthia & East Tyrol
9500 Villach, Hans-Gasser-Platz 8
Tel.: 05 05 05-64100

Upper Austria & Salzburg
4020 Linz, Hauptplatz 27
Tel.: 05 05 05-65100

Tyrol & Vorarlberg
6020 Innsbruck, Maria-Theresien-Straße 36
Tel.: 05 05 05-67100

Alternative Sales Channels
1020 Vienna, Rothschildplatz 1
Tel.: 05 05 05-38700

Premium Banking – Regional Offices

Vienna City
1010 Vienna, Fichtegasse 9
Tel.: 05 05 05-45140

Vienna East
1010 Vienna, Fichtegasse 9
Tel.: 05 05 05-52970

Vienna North
1020 Vienna, Am Tabor 46
Tel.: 05 05 05-46200

Vienna West
1170 Vienna, Hernalser Hauptstraße 72-74
Tel.: 05 05 05-48804

Austria North
4020 Linz, Hauptplatz 27
Tel.: 05 05 05-67242

Austria South
8010 Graz, Herrengasse 15
Tel.: 05 05 05-63100

Austria West
6900 Bregenz, Kornmarktplatz 2
Tel.: 05 05 05-46317

Business Customers & Professionals - Regional Offices

Vienna City
1010 Vienna, Stephansplatz 7a
Tel.: 05 05 05-47248

Office Network

Vienna West
1190 Vienna, Döblinger Hauptstraße 73a
Tel.: 05 05 05-36195

Austria East
2340 Mödling, Enzersdorfer Straße 4
Tel.: 05 05 05-36609

Austria South
9500 Villach, Bahnhofstraße 1
Tel.: 05 05 05-38121

Austria North
5020 Salzburg, Rainerstraße 2
Tel.: 05 05 05-66351

Austria West
6020 Innsbruck, Maria-Theresien-Straße 36
Tel.: 05 05 05-65158

Corporate Banking - Regional Offices

Vienna Large Corporates
1020 Vienna, Jakov-Lind-Straße 13
Tel.: 05 05 05-56022

Vienna SME
1020 Vienna, Jakov-Lind-Straße 13
Tel.: 05 05 05-62220

Austria East
3100 St. Pölten, Rathausplatz 3
Tel.: 05 05 05-50933
2340 Mödling, Enzersdorfer Straße 4
Tel.: 05 05 05-50933

Austria West
6020 Innsbruck,
Maria-Theresien-Straße 36
Tel.: 05 05 05-95172
6900 Bregenz, Kornmarktplatz 2
Tel.: 05 05 05-68111

Austria South
8010 Graz, Herrengasse 15
Tel.: 05 05 05-93126
9020 Klagenfurt, Karfreitstraße 13
Tel.: 05 05 05-64104

Austria North
5020 Salzburg, Rainerstraße 2
Tel.: 05 05 05-96145
4020 Linz, Hauptplatz 27
Tel.: 05 05 05-67501

Office Network

Selected subsidiaries and equity interests of UniCredit Bank Austria AG in Austria

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Bank Austria Finanzservice GmbH
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Tel.: +43 (0) 5 05 05-53000
www.baf.at

Bank Austria Real Invest Immobilien-Management GmbH
1020 Vienna, Rothschildplatz 4
Tel.: (+ 43 1) 331 71-0
www.realinvest.at

Immobilien Rating GmbH
1020 Vienna, Rothschildplatz 4
Tel.: +43 (0) 5 06 01-51880
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Bank Austria Wohnbaubank AG
1020 Vienna, Rothschildplatz 4
Tel.: +43 (0) 5 05 05-40304

card complete Service Bank AG
1020 Vienna, Lassallestraße 3
Tel.: (+ 43 1) 711 11-0
www.cardcomplete.com

DC Bank AG (Diners Club)
1020 Vienna, Lassallestraße 3
Tel.: (+ 43 1) 501 35-0
www.dcbank.at

UniCredit Leasing (Austria) GmbH
1020 Vienna, Rothschildplatz 4
Tel.: + 43 (0) 5 05 88-0
www.unicreditleasing.at

FactorBank Aktiengesellschaft
1020 Vienna, Rothschildplatz 4
Tel.: (+ 43 1) 506 78-0
www.factorbank.com

UniCredit Services GmbH
(wholly-owned subsidiary of UniCredit Services S. C. p. A., Milan)
1020 Vienna, Rothschildplatz 4
Tel.: (+43 1) 717 30-0

Glossary of Alternative Performance Measures

Glossary of alternative performance measures

The following list contains definitions of key financial indicators (alternative performance measures, APMs) used in addition to the applicable financial reporting framework as well as other terms used in this report.

Cost/income ratio: operating costs divided by operating income.

Cost of risk: net write-downs of loans and provisions for guarantees and commitments measured against loans and receivables with customers (average for the period), usually expressed in basis points (1bp = 1/100% = 0.01%). If the cost of risk is calculated for a period of less than a full year, net write-downs of loans and provisions for guarantees and commitments are annualized.

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

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

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

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

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

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

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

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

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

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

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

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

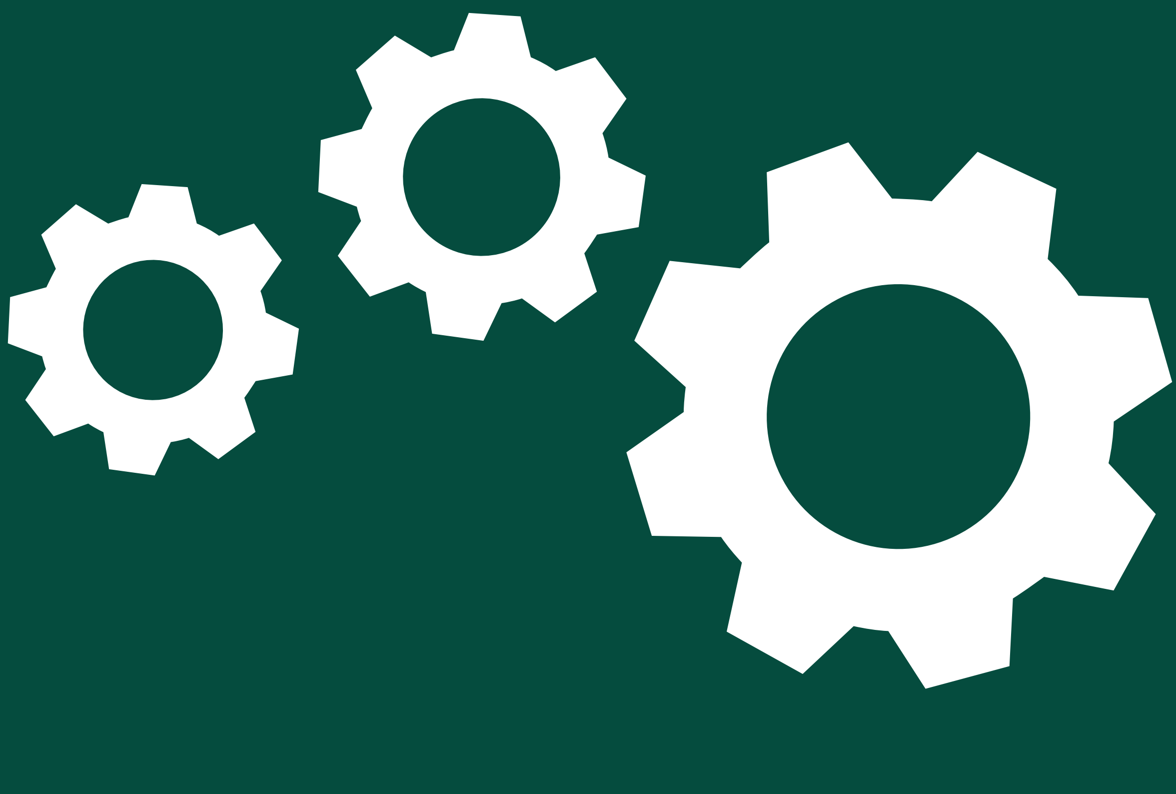
ROAC (return on allocated capital): net profit measured against allocated capital (12.5% of risk-weighted assets). If the return on allocated capital is calculated for a period of less than a full year, net profit is annualized.

Systemic charges: bank levies and other systemic charges, including contributions to bank resolution funds and deposit guarantee schemes established on the basis of European or local regulations.

Glossary of Alternative Performance Measures

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

Transform and Maximise Productivity.



Our customer focus drives the right process optimisation, leading to new ways of working. We will continue to maximise productivity across the value chain, improving processes and products while minimising operational risk. A great example of our transformation is the paperless bank, currently being rolled out across our networks.

UniCredit Bank Austria AG

II. UniCredit Bank Austria AG

Preliminary remarks on the financial statements

UniCredit Bank Austria Aktiengesellschaft, the parent company of the Bank Austria Group, presents its balance sheet as at 31 December 2019 and its profit and loss account for the year ended 31 December 2019, as well as the management report and the notes pursuant to Austrian law.

The consolidated financial statements of the Bank Austria Group for the financial year beginning on 1 January 2019 and ending on 31 December 2019 were prepared in accordance with International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board as adopted by the European Union. The annual report of the UniCredit Bank Austria Group, which includes, inter alia, the consolidated financial statements, as well as the Group's management report and notes may be downloaded from the Investor Relations/Financial Reports site of Bank Austria's website (http:// ir-en. bankaustria.at/financialreports).

The two reporting formats – under IFRSs and under the Austrian Business Code/Austrian Banking Act (UGB/BWG) – cannot be compared with one another because the operations covered by the financial statements differ (consolidated financial statements versus separate financial statements of the Group's parent company), and the valuation and accounting principles are also different.

The annual report of the Group gives readers information on the status of the group of companies controlled by UniCredit Bank Austria AG. The consolidated financial statements provide international comparability, a fair value-based presentation of the financial position and performance, and more detailed information, for example through segment reporting. UniCredit Bank Austria AG's separate financial statements, prepared in accordance with Austrian rules, fulfil other important functions, especially under supervisory aspects.

They are also the basis for determining the profit available for distribution under Austrian law and the dividend payment of UniCredit Bank Austria AG. In making an economic evaluation of the bank, users of the separate financial statements should take into account especially the extensive financial relations between the parent company and its banking subsidiaries. For this reason, the financial statements of the Group provide more comprehensive information.

Management Report

Management Report

1. Report on business development and the financial situation

1.1 Economic environment – market developments

Downturn in the global economy
On the basis of continuing political uncertainties, increasing protectionist trends in international trade as a consequence of the conflict between the USA and China, as well as the negotiations relating to Brexit and the implications of the past tightening of monetary policy, such as in the USA, the global economic sentiment has deteriorated noticeably during the course of 2019 and has led to weaker global economic growth. With just under 3 percent, the dynamics of the global economy fell to its lowest value since the 2009 financial crisis. The diminishing willingness to invest and the falling demand for capital goods have reinforced the weakness of global trade. The export-oriented industry lost momentum. Private consumption was able to respond and support economic growth, but during the course of the year, the signs of the weakness of industry, foreign trade and investments spilling over into the service sector have intensified. At the same time, a combination of unfavourable global trade trends, low commodity prices and volatile capital flows have allowed several larger growth markets – including Argentina, Brazil, Mexico, South Africa and Turkey – to slip into a recession. Economic momentum also slowed down in industrialised countries. In the USA, economic growth fell from 2.9 percent in 2018 to an estimated 2.3 percent, as only private consumption was able to provide support. In the Eurozone, the consequences of global trade weakness were felt more keenly due to the comparably higher dependency on exports and led to a decline in economic growth from 1.9 percent to 1.2 percent in 2019.

Further easing of monetary policy
The economic slowdown and low inflation, which only amounted to 1.2 percent, supported by the fall in the oil price by around 10 percent to 64 US dollars per barrel on average in 2019, triggered further easing of monetary policy in the Eurozone in the second half of the year. While 2019 saw the Fed Funds Target Rate in the USA reduced in three steps of 25 basis points to an interest margin of between 1.50 percent and 1.75 percent by year-end owing to the effect of increasing concerns about the economic situation, the key interest rate in the Eurozone remained unchanged over the year. The main refinancing instrument continues to be at zero percent. However, in mid-September 2019, the deposit interest rate fell from minus 0.4 to minus 0.5 percent. At the same time, however, the European Central Bank set up a two-stage scale system. For surplus reserves up to six times the target minimum reserve, the interest rate is at zero percent, while the deposit interest rate of minus 0.5 percent will only apply over and above this. The ECB has also taken unconventional measures once again. In September 2019, a new series of quarterly targeted longer-term refinancing transactions (TLTROs) were started and in November, net purchases which had been discontinued at the end of 2018 were resumed as part of the programme for purchasing assets (Asset Purchase Programme – APP) in the amount of EUR 20 billion per month. In this monetary policy environment, the yield for European government bonds reached an all-time low in the middle of 2019. For the first time, the yield for the ten-year Austrian government bond slipped into the negative range and fell to minus 0.46 percent at the end of August. At the same time, the eased monetary policy gave momentum to the stock markets. The ATX Vienna Stock Exchange index gained by 16 percent between the beginning and end of 2019.

Economic situation and market developments in Austria
After three years of growth rates above the 2 percent mark, during the course of 2019 the rise in GDP declined steadily. Under the influence of weak global trade, domestic foreign trade lost momentum and the export-driven Austrian industry even slid into a recession in the middle of the year. However, strong domestic demand held economic growth at a level of 1.5 percent throughout 2019. But the slowdown in the speed of growth had an unfavourable impact on the development of the domestic labour market. In view of weakening employment growth, the reduction of the unemployment rate came to a standstill during the course of the year. The annual average unemployment rate of 7.4 percent or 4.6 percent (Eurostat) was three-tenths below that of 2018. Support was provided by the persistently strong private consumption, which benefited from rising real wages and fiscal impulses, such as the introduction of the "Family Bonus Plus". The dynamics of the investment activity slowed down due to the lower foreign demand and general deterioration of economic sentiment, but gross asset investments nevertheless reached a gain of more than 3 percent year-on-year. The particularly high gain in investments in motor vehicles mitigated the noticeable decline in the dynamics of equipment investments. Construction investments also weakened, although residential construction investments grew significantly more strongly than in the previous year. The high dynamics of residential construction loans for households, with an average of more than 5 percent year-on-year, was therefore also a determining driver of the renewed strong growth in lending of just over 5 percent in Austria in 2019, alongside the positive trend in corporate loans, which gained by more than 6 percent. In spite of the low interest rate environment, average deposits in 2019 also continued to grow strongly at more than 4 percent, supported almost exclusively by deposits from households. The downside of the strong domestic economy is the comparably higher price rise in Austria. In spite of the decline from 2.1 in 2018 to 1.5 percent on average in 2019, inflation continues to be above the value for the Eurozone.

Management Report

1.2. Business developments in 2019

Balance sheet development in 2019

A comparison of the most important balance sheet items
Generally, UniCredit Bank Austria AG's balance sheet at 31 December 2019 shows the target structure strategically achieved by an Austrian universal bank focused on traditional commercial banking business with customers. Loans and receivables with customers is the largest item on the asset side by far with a proportion of more than 60%. Commercial Banking and Corporate & Investment Banking accounted for more than two-thirds of total lending volume, emphasising UniCredit Bank Austria AG's leading position as a major lender to the Austrian business sector. Furthermore, the bank holds an important position in lending to Austrian retail customers. Deposits from customers represent more than half of liabilities. The majority of these are comprised of deposits from Retail Banking and provide a solid refinancing basis for UniCredit Bank Austria AG.

2019 balance sheet – structure and changes (overview of combined balance sheet items)

(€ billion)

	31-12-2019 € BILLION	PROPORTION %	CHANGE OVER 2018 +/- € BILLION	+/- %
Assets				
Cash in hand, balances with central banks	6.3	6.5%	1.1	21.7%
Treasury bills and other bills eligible for refinancing at central	10.7	11.0%	0.6	5.9%
Loans and advances to credit institutions	8.0	8.3%	(2.3)	-22.5%
Loans and advances to customers	63.5	65.6%	0.6	1.0%
Bonds and other fixed-income securities; shares and other variable-yield securities	4.1	4.2%	0.8	25.1%
Equity interests and shares in group companies	1.9	1.9%	(0.1)	-2.7%
Fixed assets, other assets, deferred tax assets (incl. intangible assets and accruals)	2.3	2.4%	0.3	12.6%
Total assets	**96.9**	**100.0%**	**1.1**	**1.0%**
Liabilities and shareholders' equity				
Amounts owed to credit institutions	18.2	18.8%	(0.2)	-1.0%
Amounts owed to customers	54.2	55.9%	*1.2*	*2.4%*
Debts evidenced by certificates	11.0	11.4%	*(0.4)*	*-3.2%*
Provisions	4.7	4.8%	0.2	3.6%
Other liabilities items	1.8	1.9%	0.4	27.3%
Tier 2 capital	1.0	1.0%	(0.0)	-3.4%
Capital and reserves	5.9	6.1%	0.0	0.0%
Net profit of the year	0.0	*0.0%*	(0.2)	n.a
Total liabilities and shareholders' equity	**96.9**	**100.0%**	**1.1**	**1.0%**

As at 31 December 2019, the **total assets** of UniCredit Bank Austria AG amounted to €96.9 billion, which represents an increase in total assets of around €1.1 billion or +1.1%.

Loans and receivables with banks reduced by -€2.3 billion to €8.0 billion.

The **loans and receivables with customers** item is by far the largest asset item, at €63.5 billion (65.6%), whereby CIB and Retail Banking achieved particular growth.

Liabilities towards credit institutions reduced compared to the previous year's value by €0.2 billion to €18.2 billion.

Deposits from customers were €1.2 billion higher than the comparative value for the previous year, at €54.2 billion. Deposits from retail customer in particular showed significant growth.

Debt securities in issue fell slightly to €11.0 billion. The repayments during the reporting period were seen alongside three major Pfandbrief issues, among other things.

Management Report

The excellent refinancing basis through non-banks is documented overall in the "**direct funding**" item (customer deposits + debt securities in issue), which amounted to €65.2 billion as at 31 December 2019. This means that loans to non-banks are covered by deposits from non-banks and debt securities in issue to the extent of about 103%.

Provisions includes provisions for pensions and similar obligations, which amounted to €4.0 billion. In 2019, the actuarial interest rate for social capital fell from 1.85% to 1.0%, which crucially led to growth of this provision by €0.2 billion during the financial period. Other provisions include the formation of a restructuring provision, as well as the partial release of a provision for sanctions after a corresponding agreement with the US authorities in the first quarter of 2019. In total, other provisions declined by €80 million.

The reported **shareholders' equity** amounts to €5.9 billion as at the reporting date 31 December 2019 (this equates to 6.1% of total assets). The reported retained profits for 2019 amount to €44.177 million, which include a profit carried forward in the amount of €2.29 million.
The Management Board will propose to the Annual General Meeting that a **dividend payment** in the amount of €43.9 million be made to the owners of UniCredit Bank Austria AG.

Major items in the profit and loss account for 2019

(€ million)

	2019	2018	+/- € MILLION	+/- %
Operating income	**1,779.3**	**1,752.0**	**27.3**	**1.6%**
Net interest income	850.5	876.5	(26.0)	-3.0%
Income from securities and equity interests	245.0	232.6	12.4	5.3%
Net fee and commission income	482.6	507.6	(25.0)	-4.9%
Net profit/loss on trading activities	69.5	70.0	(0.5)	-0.7%
Other operating income	131.7	65.3	66.4	101.7%
Operating expenses	**(1,710.5)**	**(1,465.9)**	**(244.6)**	**16.7%**
Staff costs	(1,119.2)	(815.4)	(303.8)	37.3%
of which: provisions for wages and salaries	-	-	-	n.m.
of which: allocation to the pension provision	(211.2)	(153.2)	(58.0)	37.9%
Other administrative expenses	*(473.4)*	*(510.9)*	37.4	-7.3%
Depreciation and amortisation	*(27.6)*	*(26.8)*	(0.8)	3.1%
Other operating expenses	(90.3)	(112.9)	22.6	-20.0%
Operating results	**68.8**	**286.1**	**(217.3)**	**-75.9%**
Charge for loan loss provisions	(41.0)	36.5	(77.5)	n.a.
Operating results less charge for loan loss provisions	**27.8**	**322.6**	**(294.8)**	**-91.4%**
Net income/ expenses from disposal and valuation of securities / current assets	(0.4)	16.0	(16.4)	n.a.
Net income/ expenses from disposal and valuation of securities / financial fixed assets	11.7	8.3	3.4	41.3%
Net income/ expenses from the disposal and valuation of shares in group companies and equity interests	(56.4)	(120.2)	63.7	-53.0%
Results from ordinary business activities	**(17.3)**	**226.7**	**(244.0)**	**n.a.**
Taxes	120.4	29.2	91.2	n.a
other Taxes	(61.3)	(53.7)	(7.6)	14.1%
Annual surplus/ annual deficit	**41.9**	**202.2**	**(160.3)**	**-79.3%**
Movements in reserves	0.0	0.0	(0.0)	n.m.
Profit / loss for the year	**41.9**	**202.2**	**(160.3)**	**-79.3%**

n.m. = not meaningful

Management Report

Operating income reached €1,779.3 million in 2019 (+1.6% compared to the previous year's value of €1,752 million).

Based on individual component parts, **net interest income** continues to be the largest income item, comprising approximately half of the operating income. At €850.5 million, the previous year's value could not be maintained (-3%) due to the current environment of continuing extremely low, partly negative interest rates and the associated pressure on margins.

Dividends and similar income of €245.0 million were 5.3% above the previous year's value.

Net commission income (€482.6 million) declined in comparison to the same period in 2018 (-4.9%). In spite of the difficult market environment, around two-fifths of the net fees and commissions come from securities business. Almost one-half of net fees and commissions came from payment transactions, a business area which remained a major generator of commissions, with income just under the previous year's level.

The **other operating income** item in the income statement includes items which are not attributable to the income items referred to above. Income of €131.7 million (compared to €65.3 million in the same period of the previous year) was generated in 2019. The majority of this is related to the net release of a provision for sanctions after a corresponding agreement with the US authorities in the first quarter of 2019.

At €1,119.2 million, **payroll costs** were €303.8 million or +37.32% above the comparative value for the previous year, which was mainly due to the additional contribution to the pension and severance payment provision – seen alongside a further reduction of personnel capacities (FTE) – as well as a positive one-off effect regarding social capital.

The decrease in **other administrative costs** by -7.3% to €473.4 million results from UniCredit Bank Austria AG's very strict cost management, which illustrated the bank's special focus within the context of implementing the ongoing UniCredit Corporate Strategy "Transform 2019" into the reporting year. The savings are also attributable in part to the relocation of all central staff to the new location at the Austria Campus in 2018, which is already fully cost-effective in the current period, while the relocation still generated one-off costs in 2018.

Impairments amount to €27.6 million (previous year: €26.8 million).

In total, profit before tax of -€17.3 million was generated from the items cited. In comparison to the 2018 financial year, there was a reduction of €243.9 million.

In the **taxes** item, a positive amount of +€120.4 million is reported, which mainly results from deferred tax income as a consequence of the change to the reference interest rate in social capital.
Other taxes amounted to -€61.3 million, which includes the bank levy of €61.1 million (of which there is a pro rata special payment of €43.6 million). This pro rata special payment, which is paid in four instalments in 2017-20, is based on the 2016 revision of the Austrian bank levy.

Overall, **net profit** amounting to €41.9 million was generated in 2019 compared to €202.2 million in 2018.

1.3. Permanent establishments

There are no permanent establishments.

Management Report

1.4. Financial and non-financial performance indicators

Financial performance indicators

Financial performance indicators

	2019	2018	2017
Total capital ratio	19.4%	19.3%	20.2%
Return on equity before taxes	-0.3%	3.8%	6.6%
Return on equity after taxes	0.7%	3.4%	6.4%
Cost/income ratio	96.1%[2]	83.7%[1]	65.2%
Risk/earnings ratio	3.7%	-3.3%	-1.4%
Risk/earnings ratio (without dividends)	4.8%	-4.2%	-2.3%

[1] adjusted for special effects (social capital provision):of €280 million Cost Income ratio 67.7%

[2] adjusted for special effects (social capital provision):of €528.8 million Cost Income ratio 66.4 % %

Definitions of the performance indicators:

Total capital ratio: Attributable equity expressed as a percentage rate of the total receivable amount according to EU Regulation No. 575/2013 Art. 92

Return on equity before taxes: Net profit before taxes divided by the average balance sheet shareholders' equity

Return on equity after taxes: Net profit divided by the average balance sheet shareholders' equity

Balance sheet shareholders' equity: Subscribed capital, capital reserves, revenue reserves, risk reserve, untaxed reserves

Average balance sheet shareholders' equity Balance sheet shareholders' equity as of 1 January of the reporting year + balance sheet shareholders' equity as of 31 December of the reporting year, divided by 2

Cost-income ratio: Operating costs (incl. impairments) divided by operating income

Risk-earnings ratio: Net write-downs based on the net interest income, i.e. the sum of net interest income and investment income

Branch network

	2019	2018	2017	2016	2015
Domestic retail branches	122	123	123	141	174
Foreign permanent establishments (without banking	0	0	0	0	1
Outlets at companies	0	0	1	1	1
TOTAL	**122**	**123**	**124**	**142**	**176**

Employees

	31-12-2019	AVERAGE FOR 2019	31-12-2018	AVERAGE FOR 2018
Headcount [1]	4,667	4,687	4,717	4,731
Full-time equivalents [1]	4,122	4,166	4,200	4,212

[1] excluding unpaid employees, but including workers and delegates according to the "operation principle"

According to the operation site principle, which applies to UniCredit Bank Austria AG and its subsidiaries, headcounts and staff costs are reported in those companies in which the employees are working.

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Non-financial performance indicators

Research and development

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

In the area of information and communication technology (ICT), investment at UniCredit level focuses on further developing digitisation while maintaining stringent cost management and an orientation towards a Group-wide ICT strategy. The main objective is to enhance the customer experience and expand it to include digital channels in addition to automating internal processes. In addition to the necessary regulatory and system-maintenance measures, the main focus for 2019 was on the digitisation and further development of the online channels (mobile banking, online sales, self-service devices). ICT expenses and investments (investment budgets) are capitalised at the UniCredit subsidiary UniCredit Services and charged to Bank Austria. UniCredit Services provides the entire Group with IT services, enabling UniCredit to benefit from Group-wide developments and joint IT platforms as well as unlocking significant synergies in the IT sector.

Corporate sustainability

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

Social commitment is an essential component of our sustainability strategy. True to our motto "Doing what's important", we intend to make an active contribution to the improvement of social conditions and, with our environmental management, contribute to leaving behind an environment for future generations which is worth living in.

The introduction of "Social Impact Banking" (SIB), with the 3 pillars of "Impact Financing", "Microfinancings" and "Financial Education", supports our goal of contributing to a better society.

With Impact Financing, we promote and finance companies and charitable organisations which achieve social improvements for society. In addition to grants and low-interest loans, we offer additional support, through financial training, among other things.

We promote the founding and development of small companies through microfinancing. This way, we not only enable access to funding, but also make our financial know-how available through a network of mentors.
In addition to company founders, our comprehensive financial education programme is also aimed at youths and young adults. With this target group, our focus is on pupils, who we support on the one hand with financial education workshops, an online platform and competitions. On the other hand, we communicate financial know-how to vulnerable groups, particularly young people and those people who are at risk of being marginalised.

Community

In addition to long-term partnerships which we have developed over many years, it is particularly important for Bank Austria to offer a platform to as many new initiatives as possible – even smaller ones – in order to showcase its day-to-day work to a broader public. Every year, we therefore award the Bank Austria Social Prize in each federal state, which comes with total funding of €81,000. In 2019, we were able to celebrate a small anniversary: 10 years of the Bank Austria Social Prize. We used the anniversary year to make the prize even more attractive for the participating organisations: For the first time this year, the winning projects were not only supported financially, but were also allowed to use the www.impactory.org donation platform for advertising their projects upon request, thereby reaching even more people.

Long-term partnerships which we have developed over many years with well-known charitable organisations are a particularly important aspect of Bank Austria's activities in the social sector, with the active involvement of employees and customers. This strategy, which is based on continuity, is underlined by the cooperation with SOS children's villages for example. The bank maintains sponsorships in children's villages throughout Austria. Caritas is another partner with which we have maintained close cooperation throughout Austria for over 25 years. In addition to proven projects, such as the Käfig League sport integration project, the Bank Austria Volunteers Day, and cooperation within the scope of disaster relief activities, the Caritas Family Fund of Bank Austria has to date helped around 650 Austrian families who have experienced hardship through no fault of their own.

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

The promotion of the arts and culture is also an important part of our social commitment. Bank Austria has long been one of the most important private sponsors in Austria. We focus on long-term partnerships with renowned partners, such as the Bank Austria Art Forum, the Albertina or the Musikverein. We have also long promoted young talent, which we believe to be a sustainable investment in the future.

In order to reach as many projects here as possible as well as keeping our finger on the pulse in terms of support, for the past five years, Bank Austria has been pursuing an innovative path that is unique in Austria in the field of cultural promotion: every year, in cooperation with the *wemakeit* platform, we provide €100,000 for crowdfunding campaigns. As the projects each receive one third of their campaign total as bank sponsoring, a total project volume of three times the amount of the money used is supported. In the past five years, the bank has realised a total of 170 exciting projects and initiatives in this way. Together with around 14,000 supporters, we have contributed to the Austrian art and cultural scene receiving more than €1.5 million.

In the sporting field, we focus on traditional sponsoring activities and on people with special needs. We are proud that we have been a partner of the Austrian Paralympic Committee ever since it was founded and that we actively support the dedicated athletes every year, as well as the athletes of Austrian wheelchair tennis.

Disability

Inclusivity, i.e. the recognition and appreciation of differences, is an integral part of Bank Austria's corporate culture. Therefore, disability has also been an important topic for the company for many years. Two Disability Managers are responsible for the planning and implementation of numerous measures for staff and customers. They are supported by a network of around 60 disability employees.

Measures that have already been implemented for customers include a special bank card for visually impaired people, sections of Bank Austria's website which enable customers to listen to spoken information and read texts in simple language, and a shuttle service introduced in 2010 for customers with limited mobility. With internationally acclaimed Smart Banking in sign language, our tried-and-tested Bank Austria consulting services have been available to the deaf via video telephony since autumn 2015.

UniCredit Bank Austria AG currently employs 288 people with a disability, and has for many years been one of the just 22 percent of local companies which fulfil the legal employment rate for people with disability.

We are very pleased to have received the internationally renowned "*Disability Matters Award 2018*", as an outstanding workplace for the integration of staff with disabilities. Internationally, this prize is one of the most coveted and important honours in the field of accessibility and inclusivity.

In November 2019, we also won the special price for Vienna, as part of the Austria's Leading Companies Awards.

Commitment to the environment

UniCredit Group has committed to make a crucial contribution to climate protection which goes far beyond "business as usual" and pursues quite ambitious targets. Among others, these include: covering the electricity consumption in buildings entirely from renewable energies by 2023, removing all non-recyclable plastic products from the break areas of office buildings in all countries by 2023 and reducing greenhouse gas emissions by 80% (compared to 2008) by the year 2030.

Bank Austria has been making a very significant contribution to these targets for many years, with numerous initiatives and projects. For example, it exceeded the intermediate target of a 60% reduction in CO_2 by 2020 in 2019. Bank Austria has also taken on a leading role in many other areas, such as the development of the paperless office, the reduction of flights and the reduction of waste.

This is made possible by using a structured approach, responsibility for which lies with the environmental management system according to ISO 14001 established back in 2011. The benefit of this environmental management system, which includes all of the branch locations in addition to the

corporate headquarters, is not only ecological and social, but also operational: the significant reduction in resource consumption also means massive cost savings. The new corporate headquarters, which were moved into in 2018 and were built in strict accordance with ecological criteria, and the geothermal plant, which was simultaneously built by Bank Austria at the same site, make a considerable contribution to this reduction.
In order to re-emphasise the efforts for environmental protection and its importance, Bank Austria joined a few other pioneering companies in the Ministry of Sustainability and Tourism's *klima:aktiv pakt 2020* in 2011. As part of this pact, the participating companies voluntarily committed to undertake climate protection efforts far beyond the Austrian climate targets by 2020.

Not least, Bank Austria also intends to make an important contribution to the change towards a low-CO_2 economy. For example, by 2023, UniCredit Group intends to completely exit from the financing of coal power plant projects and significantly expand the already strong involvement in Green Bonds, as well as the financing of renewable energies.

Customers

Excellent customer experiences are the prerequisite for satisfied customers.
For this reason, we measure and analyse customer feedback about our products and services in a structured manner. The measurements are the basis for the identification and implementation of improvement measures, which take place in a permanent "Customer Experience Task Force".

Customer feedback is measured and utilised in two main categories. On the one hand, traditionally, using telephone surveys with around 9,000 interviews per year across all customer segments. On the other hand, online via MyFeedback, immediately after a contact point with the customers. Feedback can be provided easily and immediately using a smartphone. Our customers use this opportunity to intensively articulate their satisfaction, for example following a consultation, a visit to a branch or a transaction in the online channels. In 2019, our customers provided more than twice as much feedback as in the previous year. These 58,000 assessments allow us to react quickly to our customers' requirements (as well as their complaints).
The quality of the feedback about service and advisory services is anchored in the ScoreCards of our advisers and shows a positive trend in 2019: Customer orientation index +3 (Q1-Q4).

Complaints management is the basis for improvements
Avoiding complaints as far as possible is an important target, which offers the potential to further improve customer service, provided it is perceived and interpreted correctly. Complaints are recorded systematically via various channels (branch, OnlineBanking, CallCenter, MyFeedback) and reviewed by us in a project which was specifically initiated for this purpose and is subjected to a continuous improvement process. We set high standards for ourselves when it comes to complaints handling, which results, for example, in a maximum response time for complaints of 48 hours. 92% of complaints were able to be resolved within 24 hours. We have also pooled specific competencies in the ombudsman's office, e.g. for cases of social hardship, where customers in financial difficulty receive assistance to reduce their debt, are granted additional time for payment quickly and without excessive bureaucracy, or by using a specialist team for complaints concerning complex issues. We maintained close contact with consumer protection organisations, the Chamber of Labour, debtor associations and special interest groups in order to proactively prevent specific issues and find solutions together with our customers. Customer annoyances were reduced significantly in the 2nd half of 2019 (-48% compared to the 1st half of 2019).

Employees

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

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

Around 5,300 employees from 16 companies of the Bank Austria Group and the resident UniCredit CEE units are working at the Rothschildplatz 1 and Rothschildplatz 4 buildings, in office space measuring approximately 100,000 m2. Infrastructure facilities, a Bank Austria branch, a self-service branch, a hotel with event centre and restaurants, a nursery and a health centre can be found in close proximity.

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Across the entire Austria Campus, top priority is given to the criteria of ecology and sustainability. Examples of this include the reduction of expensive energy media for energy storage, the use of new media to reduce hardware, printing with the FollowMe printing system and the implementation of an environmentally friendly Paper Policy for efficient paper use, which is also in line with the target of largely avoiding paper in the future as part of the new "Team23" UniCredit strategy.

The geothermal plant on the Austria Campus is one of Europe's largest geothermal energy systems in terms of size. It will be used for cooling in summer and for heating in winter.

A special measure, which is intended to contribute to supporting the various life models of the staff, is the "Career and Family" audit. At the end of 2009, the bank successfully submitted to an external audit in relation to this topic. A successful re-audit was also conducted in 2018.

In the target agreement, which has been concluded for an additional three years, there is a focus on providing an optimum infrastructure to best support working time flexibility and the continued expansion of "Remote Work". Communication activities, as well as special support programmes for management, are also a focus of the measures taken by both management and the Employees' Council. Additional activities to guarantee equal opportunities for women and men have been a self-evident part of the programme from the start. Monitoring is key to the success of these measures: Qualitative objectives and quantitative targets are defined with regard to (almost) any measure and the results are regularly measured.

Human capital Austria

Both of the values, "ethics and respect", define our corporate culture, enshrine the promotion of diversity, strengthen our "speak up" culture and connect all of the staff. Together with the clear guiding principle of "Do the right thing!" we provide our staff with orientation for their behaviour and decisions at all levels and in all regions.

It is our responsibility to create a positive working environment, in which the staff can become involved and actively contribute to our success. Therefore, in 2019 we attached particular importance to supporting the work-life balance of all of our staff and creating a positive working environment so that our staff can develop in the best possible way. By supporting the reconciliation of career and private life, constantly optimising our working methods and offering our staff comprehensive development opportunities, we intend to create conditions which allow our staff to become actively involved, to grow and to learn.

After the successful relocation of our new corporate headquarters to the Austria Campus, we are also setting standards in 2019 for modern working and cooperation in our new headquarters. By making working time more flexible, we are relying on working time arrangements which are as customisable as possible with simplified rules that are fair for everyone. In addition to the opportunity for location and time flexibility, trust, individual responsibility and mutual respect are the cornerstones of work oriented towards results and a liveable work-life balance. Based on mutual understanding, trust and regular discussions, it is our aim and expectation to find solutions which fulfil both individual and business requirements.

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

Assessment of staff performance: Sustainable differentiation, transparency, a feedback culture and commitment are the main drivers of our development and remuneration decisions. Our UniCredit Performance Management is a modern, fair and transparent performance evaluation and development system for all employees of Bank Austria. Each individual always has access to the evaluations and feedback documentation in his/her personal electronic archive. We use this process to reinforce the concept of performance and inclusivity within our bank and our Group, always bearing in mind that this is based on our five guiding principles (Customers First – People Development – Cooperation & Synergies – Risk Management – Execution & Discipline) and that this is the most appropriate way to promote the strengths and skills of our employees and confront development requirements in a forward-looking manner.

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Staff development: Digital learning methods are becoming increasingly important. While advancing digitisation opens up new channels for our customers to do banking business with us, it also offers our employees new ways of cooperating internally and learning. The UniCredit Academy Austria therefore added digital self-study media to the comprehensive portfolio of learning media, with an emphasis on self-determined learning. It is important to us that we give all employees additional, attractive options for personal development which are voluntary, flexible and digital. With the introduction of the goodhabitz.com learning platform, more than 80 exclusive online training courses have been available to our staff since the beginning of this year. Goodhabitz.com thereby complements the existing learning opportunities with division-specific online training courses and training courses which optimally support the business areas.

Furthermore, the Academy learning opportunities are being further expanded on the basis of business priorities, such as

- the optimal support of our new Retail Banking service model with an intensive change and leadership learning path for management staff;
- the successful rollout of the *"#digitalBanking"* learning path, piloted in the previous year, for Relationship Managers;
- the implementation of a curriculum in cooperation with the Vienna University of Economics and Business on "Advanced Data Analytics" for experts from the Finance and Risk Management Competence Lines.

Through the introduction of a new Learning Management System, the rollout of modern e-learning formats has been improved and compliance with regulatory minimum requirements is ensured with extreme efficiency. All of this supports our motto: *#NeverStopLearning*: Employees learn in a self-determined manner and in their own time, allowing them to increase their personal learning yield.

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

Succession planning: Through targeted succession planning, we enable our staff and managers to have an attractive career within our company. Our Executive Development Plan (EDP) ensures that particularly critical positions can be reappointed internally as far as possible, through carefully prepared short-term, medium-term and long-term planning, whereby the development of our management staff is supported within and across divisions with targeted development measures. Our Talent Management Review (TMR) offers us a pipeline of top talents for this, whose skills profiles are a key factor in the success of our company and its transformation. The established process of succession planning sustainably supports the stability of Bank Austria through human resources development.

Diversity and equal opportunities: Diversity inspires and creates the perfect environment for innovation by creating a melting pot for different types of talent, experiences and perspectives. This creates a diversity that promotes open-minded thinking and supports respect and tolerance for one another. For this reason, we focus on a corporate culture of inclusivity – which we believe is the key to lasting success. We strive for the greatest possible diversity, by supporting international cooperation and teamwork across borders and functions. As part of the management training, for example, unconscious prejudices are made apparent. This supports the positive perception of diversity and equal opportunities in personnel decisions. Bank Austria's commitment to these values is also demonstrated by a series of events on the topics of "Gender", "Disability", "Resilience", "Generations" and more. This was offered to our staff as part of the "Diversity & Inclusion Week", for voluntary participation and further education.

Gender balance: UniCredit launched a Group-wide Gender Balance Programme with a view to creating fair workplaces based on equal rights for men and women, and ensuring that these values are firmly anchored in the corporate culture. Not least, this measure is supported by the signing of the "Women in Finance Charter" in London in June 2018 by Jean Pierre Mustier. The degree to which this objective is reached, especially at management level, is measured by means of an annual dashboard for the Strategy & Nomination Committee. The proportion of women on the Supervisory Board remains unchanged at 36%, with a 33% proportion of women on the Executive Committee. Greater value is placed on having candidates of both genders in the appointment process for management positions who will be fairly assessed for each position, ensuring equal opportunities. Salary adjustments always consider gender-equal compensation.

1.5. Equity capital and equity capital requirement of UniCredit Bank Austria AG

The equity capital as at 31 December 2019 (€6,139 million) is calculated according to Basel III requirements (Regulation (EU) No. 575/2013 CRR and (EU) 2019/876 CRR II) and is comprised of common equity (CET1) and supplementary capital.

As at 31 December 2019, the bank had not issued any instruments of additional core capital (AT1).

The share of core capital (common equity + additional core capital) as a proportion of attributable equity is 85.4%.

The share of equity capital as a proportion of attributable equity is 14.6%.

Capital ratios based on all risks

	31-12-2019	31-12-2018
Common Equity Tier 1 capital ratio	16.6%	16.3%
Tier 1 capital ratio	16.6%	16.3%
Total capital ratio	19.4%	19.3%

Despite the decrease in equity capital, the reduction of the total risk amount led to a rise in the common equity ratio from 16.3% (end of 2018) to 16.6% as at 31 December 2019. The total capital ratio increased from 19.3% to 19.4%.

In addition to the minimum capital requirement of 8%, UniCredit Bank Austria AG is obligated to hold a capital retention buffer comprised of Common Equity Tier 1 capital of 2.5% and a system risk buffer of 1%. The counter-cyclical capital buffer for major loan exposures in Austria is currently set at 0%. UniCredit Bank Austria AG is also obligated to hold an institution-specific Pillar 2 buffer.
The CET 1 ratio (16.6%) and the total equity ratio (19.4%) are significantly above the regulatory requirements.

1.6. Information on the share capital and exercise of special rights

As at 31 December 2019, the subscribed capital of UniCredit Bank Austria AG amounted to EUR 1,681,033,521.40, all of which was represented by registered ordinary shares.

As at 31 December 2019, UniCredit S.p.A. held a direct interest of 99.996% in UniCredit Bank Austria AG.

The registered shares with restricted transferability which are held by "Privatstiftung zur Verwaltung von Anteilsrechten (AVZ Stiftung)", a private foundation under Austrian law, and by "Betriebsratsfonds des Betriebsrats der Angestellten der UniCredit Bank Austria AG Region Wien (Betriebsratsfonds)", the Employees' Council Fund of the Employees' Council of Employees of UniCredit Bank Austria AG in the Vienna region, have a long tradition and carry special rights based on historical developments: for specific resolutions to be adopted at a general meeting of shareholders, the holders of registered shares with restricted transferability have to be present when the resolutions are adopted. The relevant resolutions are specified in Article 20 (13) and (14) of UniCredit Bank Austria AG's Articles of Association.

The "Restated Bank of the Regions Agreement" (ReBORA) is a syndicate agreement concluded between UniCredit S.p.A., the AVZ Stiftung and the Betriebsratsfonds.

In the ReBORA, the AVZ Stiftung and Betriebsratsfonds have given an undertaking to UniCredit to the effect that if they want to sell UniCredit Bank Austria AG shares, they will first offer such shares held by them to UniCredit. If UniCredit does not accept the offer, the relevant contracting party could sell the UniCredit Bank Austria AG shares to a third party. In this case UniCredit has a right of preemption.
Under this agreement concluded in 2006, the AVZ Stiftung had the right, until 31 March 2016, to nominate two members of the Supervisory Board of UniCredit Bank Austria AG. Thereafter it can nominate one member of the Supervisory Board for the duration of the guarantee issued by "AV-Z Stiftung" and the Municipality of Vienna.

In connection with the transfer of CEE business, UniCredit S.p.A. has given certain undertakings in favour of UniCredit Bank Austria AG with regard to the future business activities and capital structure of UniCredit Bank Austria AG; the majority of the obligations on the part of UniCredit S.p.A. will end at the end of June 2024.

There are no compensation agreements between UniCredit Bank Austria AG and members of its Management Board and Supervisory Board or its employees in the case of a public takeover offer.

1.7. Information on the squeeze-out pursuant to the Austrian Federal Act on the Squeeze-out of Minority Shareholders (Gesellschafterausschlussgesetz) of the holders of bearer shares in UniCredit Bank Austria AG

The company's Annual General Meeting on 3 May 2007 adopted a resolution concerning the planned squeeze-out. The legal actions for rescission and declaration of nullity brought against various resolutions adopted at the Annual General Meeting on 3 May 2007 were terminated in spring 2008. The squeeze-out was entered in the Register of Firms on 21 May 2008. After that date, former minority shareholders initiated proceedings for a review of the cash compensation offered by UniCredit. The democratically legitimised party in these proceedings is not UniCredit Bank Austria AG, but rather UniCredit S.p.A. In these proceedings an appraiser has been appointed who is reviewing the amount of the cash compensation; the appraisal report is available and essentially confirms the adequacy of the cash compensation paid as part of the shareholders' resolution. The evidence proceedings have not yet been completed and a first-instance decision on this matter is not yet available.

2. Report on risk management, risks and third-party liabilities

2.1. Risk management

UniCredit Bank Austria AG identifies, measures, monitors and manages all risks of Bank Austria. In performing these tasks, Bank Austria works closely with the risk control and risk management units of UniCredit in line with the existing Group structure. In this context, Bank Austria supports UniCredit's ongoing projects, in particular the further harmonisation of Group-wide risk-controlling procedures and processes. Regular risk monitoring and risk management are also performed in close cooperation with a view to ensuring overall risk management across the Group. Moreover, risk management is one of UniCredit's 5 Fundamentals and is of relevance for the annual agreement on objectives and for performance evaluation, thereby contributing to further development of a Group-wide risk culture.

The Management Board and the Supervisory Board determine the risk policy and approve the principles of risk management and the establishment of limits for all relevant risks. The risk monitoring procedure follows Group standards. In performing these tasks, the Management Board is supported by specific committees, independent risk management units and units of other divisions. All centrally organised risk management activities of Bank Austria are combined within a management function at Management Board level directed by the Chief Risk Officer (CRO), and are thus separate from the other divisions up to Management Board level. Lending decisions which exceed the limits of the relevant business units' approval authority, and the handling of problem loans, are the responsibility of the two operative credit risk departments, i.e. Credit Operations Corporate/CIB and Credit Operations Retail. The risk management activities of these departments are complemented by the Strategic Risk Management & Control department and the Market & Liquidity Risk department. To guarantee the independence of the Operational Risk and Validation areas, these also report directly to the CRO. The Finance unit reports to the Chief Financial Officer (CFO) indirectly via the Planning & Finance department and is responsible for risk-adequate pricing of loans, capital planning, the bank's own securitisations and funding (as part of the planning process and under contingency funding arrangements), among other things.

The Bank's internal control system (ICS) is effective at several levels: (1) in the various business areas, (2) at the Risk & Compliance level and (3) at the Internal Audit level. Internal Audit performs regular audits with regard to the adequacy of risk processes and compliance with them. The Management Board and the Supervisory Board are provided with reports on the results of these audits and recommendations. A comprehensive system of rules ranging from Group Policies to operational instructions governs processes at various levels. The most important Policies are adopted directly by the Management Board, managed in a separate system, rolled out and monitored with regard to the degree of implementation.

Cross-divisional control/management and reporting

Bank Austria divides the monitoring and controlling processes associated with risk management into the following categories: credit risk (default risk and migration risk), liquidity and funding risk, market risk (interest rate risk, credit spread risk, currency risk and equity risk), structural FX risk, derivatives-linked risk (counterparty risk, CVA risk), operational risk, reputational risk, business risk, pension risk, financial investment risk and real estate risk.

A key element of risk control by the Management Board is the annual definition of Bank Austria's Risk Appetite, which is approved by the Supervisory Board and takes place in coordination with UniCredit. The Risk Appetite describes the key principles of the Bank's risk orientation, in qualitative terms of a statement and in the form of a quantitative framework of key metrics. The Risk Appetite defines risk categories and the level of risk that Bank Austria is prepared to accept in pursuit of its strategic objectives and business plan and in view of its role within UniCredit Group. In this context the interests of external and internal parties (customers, shareholders and supervisory authorities in particular) are taken into account. For example, markets and investment banking operations are concentrated outside Bank Austria at Munich-based UniCredit Bank; this is reflected in Bank Austria's focus on commercial banking business and in correspondingly low trading book limits. The key Risk Appetite dimensions are business strategy, capital and liquidity adequacy. The defined bundle of key indicators comprises Pillar 1 and Pillar 2 indicators, and recovery plan indicators. The Risk Appetite is integrated in the budgeting process in the context of managing the objectives in defining and selecting the desired risk-return profile. A system of targets, thresholds and limits has been defined for the key indicators to ensure regular monitoring, timely escalation and a link to the recovery plan. In addition to the risk appetite, the Management Board and the Supervisory Board adopt a resolution, once a year, defining Bank Austria's risk strategy, which further operationalises the risk appetite and complements it with additional limits and targets.

Regular risk monitoring at top management level is performed through the overall risk report. The overall risk report is regularly presented also to the Supervisory Board. It comprises a description of the risk appetite, the risk-taking capacity (RTC), of credit risk, liquidity risk, market risk and operational risk, and the results of stress tests. Specialised risk committees have been established at senior management level for the management of key risks. The resolutions and results from this committee are reported directly to the Bank's overall board. Cross-departmental tax matters between sales and overall bank management and an overview of the results of the credit portfolio model, the IRB model, the IFRS 9 model and reports on the economic risk capital (pillar 2) are discussed in the monthly risk committee (RICO). Liquidity risk control is performed by the Liquidity Committee (LICO), which meets every two weeks to deal with current liquidity-related topics. These include operational aspects of liquidity management including market monitoring and compliance with the Liquidity Policy. Control of market risk is ensured by the Market Risk Committee (MACO), which meets every two weeks. MACO deals with short-term business management issues relating to the presentation and discussion of the risk/earnings position of Markets & Corporate Treasury Sales and with limit adjustments, product approvals and positioning decisions in the area of market risk. Other topics discussed and decided include the replication portfolio. Credit risk is assessed by the Credit Committee. The Operational & Reputational Risk Committee (OpRRiCo) meets on a quarterly basis to deal with operational and reputational risk issues. Risk arising from derivative transactions is managed by the Derivative Committee (DECO). DECO deals with classic credit risk and counterparty risk issues and aspects of reputational risk in customer business. Information on the Credit Treasury Committee within the CFO Finance management function is given in the "Credit risk" section.

Risk-taking capacity (ICAAP/ILAAP)

Beyond compliance with regulatory capital rules and liquidity requirements of Pillar 1, Bank Austria controls capital and liquidity adequacy also via the relevant Pillar 2 approaches: Internal Capital Adequacy Assessment Process (ICAAP); Internal Liquidity Adequacy Assessment Process (ILAAP). As part of the ILAAP, and in coordination with UniCredit Group, the Bank reviews the adequacy of the liquidity risk management process, which comprises various components to ensure sufficient liquidity – such as limiting the short-term and the medium-term and long-term liquidity position, stress testing, the funding plan and key regulatory indicators. Risk measurement is based on Group-internal and regulatory requirements. In the context of ICAAP, Bank Austria applies the UniCredit Group approach to internal capital at the consolidated level (including subsidiaries). This approach includes the following phases:

- Perimeter definition and risk identification
- Risk measurement
- Definition of risk appetite and capital allocation
- Regular monitoring and reporting

The process ensures that Bank Austria's perimeter including all relevant Group units and risk types are fully covered and that risk and available financial resources are consistently taken into account. The risk types are measured using procedures which have been developed within the Group and also take concentration risks into account. The Risk-Taking Capacity (RTC) compares Available Financial Resources (AFR) with aggregate Internal Capital (IC): RTC = AFR/IC. It is calculated and reported on a quarterly basis under a going concern approach. This approach requires compliance with all regulatory requirements and the application of the relevant valuation rules and accounting standards. The observation period is one year for all risk categories. In this context, unexpected losses are calculated with a confidence level of 99.9% for all risk categories, corresponding to a long-term Group target rating of A- (single A minus). An annual risk inventory analysis ensures that all materially relevant risk categories are taken into account.
Bank Austria calculates internal capital (also referred to as "economic capital" for individual risk categories) for the following risk categories.

- Credit risk (default and mitigation risk) including possible exposure as a result of the counterparty risk
- Market risk including CVA for trading and banking books (interest rate risk, credit spread risk, currency risk and equity risk)
- Structural FX risk
- Pension risk
- Business risk
- Real estate risk
- Operational risk (including legal risks)
- Financial investment risk (for those equity investments which are not covered on the basis of their relevant individual risk categories, minority interests in particular)
- Model risk (as percentage surcharges on the risk types listed above)

The dominant risk category for Bank Austria is classic credit risk while the other risk categories are much less significant. Both ICAAP and ILAAP of Bank Austria are subject to annual review by Internal Audit.

Concentration risk
The VaR models used for internal capital take concentration risk into account, e.g. concentration risk associated with customers/customer groups and countries/sector concentrations in the credit portfolio model or risk factor concentrations in the market and counterparty risk model. At the holding company level, the allocation of limits with regard to individual and sector positions (bulk-risk and industry limits) is based on economic capital. In its lending operations, Bank Austria follows this Group strategy and the related limits for industrial sectors and large exposures. Monitoring and reporting the largest borrowers (individual customers and groups of companies) and the distribution among industries takes place through the overall risk report on a quarterly basis. At Bank Austria level, economic capital is also an important factor in the approval of large transactions. As part of the quarterly ICAAP report, the Credit Risk Economic Capital Detail Report shows credit positions with a large proportion of internal capital and presents capital allocation by various segments (divisions, asset classes, banking subsidiaries, major sub-portfolios, etc.). Granular sensitivity limits and reports complement VaR limits at the portfolio level in the area of market risk. Stress test limits are also used in connection with market risk. Counterparty limits and counterparty-risk simulations including stress considerations are applied to derivatives and repos. Sovereign limits and country limits specify the maximum amounts permitted for cross-border transactions (see section E.8 “Country risk and sovereign risk”).

The macro risk has focused on Austria and the European area since the CEE subsidiaries were spun off. If we consider the industry distribution of loans, apart from the private customer business, commercial real estate and public sector customers account for the largest volume of loans, as in the previous year.

The proportion of foreign currency loans is described in detail in the section “E.6 – Currency risk”.

Limit system

Regular monitoring of key indicators, with appropriate limits and early warning thresholds, and a detailed network of operational limits ensure that the Bank operates within the adopted risk parameters and that management can take timely measures in the event of unfavourable developments. The top level is the risk appetite, with around 20 key indicators being monitored at Bank Austria Group level (also partly at the Bank Austria AG level). The most significant indicators include liquidity and funding indicators (short-term, structural and stress-based), capital and leverage indicators, risk/return indicators, and indicators focusing on specific risk categories. Violations of risk-appetite thresholds/limits are dealt with according to the defined escalation hierarchy (a number of levels up to Supervisory Board approval authority). The complete overview of all key figures (“RA dashboard”) is reported on a quarterly basis at RICO meetings and as part of the overall risk report to the Management Board and the Supervisory Board.

Reports of the risk committees, which hold meetings at different intervals, are characterised by significantly higher granularity. MACO, for example, which holds meetings every two weeks, discusses the development of market risk positions including compliance with the relevant sensitivity limits, and LICO discusses compliance with liquidity-related limits and liquidity position developments. Depending on the degree of detail in the relevant dimensions (e.g. maturity bands, currencies), the escalation hierarchy comprises a number of levels in these areas, too. Both MACO and LICO use daily reports, which means that the treatment of any limit excesses is escalated in a timely manner and such limit excesses will have been dealt with by the time the complete RA dashboard is presented. Other key indicators are not determined on a daily basis, with the escalation process following the respective frequency of reporting. A central planning variable on the credit risk side is the expected loss (EL) at the sub-portfolio level for existing and new business. Developments in this context are monitored in detail during the year against the defined targets and thresholds; changes in parameters contributing to such developments are analysed and discussed with the relevant business areas and at RICO meetings with regard to a potential need for action. Individual lending decisions follow the defined loan approval process, which involves the operative credit risk departments, Bank Austria’s Credit Committee and the relevant committees at the holding company, according to their respective levels of approval authority

Stress tests

Stress tests are a key component of risk analysis and planning at Bank Austria. The Bank performs overall bank stress tests and individual stress tests. The former cover major risk categories at a specific point in time, with detailed results being aggregated against the background of a coherent scenario and presented on an overall basis. The overall bank stress tests performed regularly include capital stress tests (Pillars 1 and 2) created in line with a regulatory and economic perspective and stress analyses under the recovery plan. Stress analyses under the recovery plan combine capital and liquidity aspects, showing developments over time and in the context of possible management reaction. The most important regular individual stress tests cover credit risk, market risk, counterparty risk and liquidity risk. Individual stress tests are presented at meetings of the respective committees (RICO, MACO, LICO), capital-related overall bank stress tests at RICO meetings and also as part of the overall risk report to the Management Board. Stress tests are performed at defined intervals (capital stress tests at least on a half-yearly basis, individual stress tests on a quarterly basis in most cases) and are also a fixed part of the annual budgeting and planning of the Risk Appetite. Stress tests may also be performed in response to specific issues, e.g. in response to suggestions made by Internal Audit or supervisory authorities. Scenarios are defined centrally and locally over a horizon of several years. The Holding Stress Test Council defines a minimum set of scenarios for Pillar 2 ICAAP stress tests on a half-yearly basis, which need to be calculated and reported locally. Local scenarios are additionally defined where required. Predefined thresholds for specific stress tests require management to consider action plans or contingency plans.

Stress testing is subject to an annual review by Internal Audit.

2.2. Risks

2.2.1. Credit risk

Credit risk is defined as the risk of incurring losses as a result of non-fulfilment by the borrower of terms and conditions agreed under the loan agreement. The credit risk is the bank's most significant risk category which is why the bank has dedicated itself to this area in particular.
Bank Austria's credit risk is determined based on the classic commercial customer businesses geared towards the regional Austrian market and the equally significant private customer business. Approximately two thirds of loans and receivables with customers in the amount of €62.9 billion are attributed to the Corporate and Investment Banking segments. The remaining third is attributable to loans and receivables from private customers. Within this private customer segment, reference must be made to the risk perspective of the approximate 30% share in CHF loans as a risk carrier.

Credit risk methods and instruments

Very important factors in the credit approval process are a detailed assessment of risk associated with each loan exposure, and the customer's credit rating in particular. The basis for every loan decision is a thorough analysis of the loan commitment. Following the initial loan application, the Bank's loan exposures are reviewed at least once a year. If the borrower's creditworthiness deteriorates substantially, shorter review intervals are applied.

Our Bank-internal credit rating check is based on three different rating procedures. In order to estimate the (12-month) loss, the parameters (probability of default – PD; loss given default – LGD; exposure at default – EAD) for the customer/business segments to be assessed on the basis of models specifically developed for these purposes are calculated. The calculations are made in line with the various asset classes pursuant to Article 147 of the CRR, Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions. There are country-specific or region-specific models (e.g. for corporate customers, private and business customers) and Group-wide models (e.g. for sovereigns, banks, multinational corporates). In the reporting period, there was no significant change in the estimate procedure method or assumptions with regard to estimating the loss.

The assessment of a loan exposure is based on data from the respective company's financial statements and on qualitative business factors. For real estate customers, the customer-related rating is complemented by a transaction rating. Bank Austria uses an automated retail scoring system for assessing, monitoring and managing the large number of loan exposures to private customers, small businesses, independent professionals and small non-profit organisations. Retail scoring comprises an application scoring procedure based on effective and recognised mathematical and statistical methods, and a behaviour scoring procedure taking into account such factors as amounts received in the account and customers' payment practices. The retail scoring system provides information that is updated on a monthly basis. This gives the Bank a tool for lending decisions and early recognition of risk. Automated data processing helps Bank Austria to reduce costs required for credit control while accelerating lending decisions.

The various rating and scoring models provide the basis for efficient risk management of Bank Austria and are embedded in all decision-making processes relating to risk management. They are also a key factor for capital required to be held against risk-weighted assets. Great attention is given to consistency in the presentation for supervisory purposes and the requirements of internal control. Risk-adequate pricing and proactive risk management improve the portfolio's diversification and risk/return ratio on an ongoing basis.

All Bank-internal rating procedures are subject to ongoing monitoring. The IRB model is verified regularly. The relevant rating model is verified as to whether it depicts the risks to be measured correctly. In addition to EAD and LGD models, the focus of the 2019 IRB validations was already on the material PD model changes (ECB applications for the fulfilment of new EBA guidelines), whereby the quarterly model monitoring continues to be implemented by Validation for the old PD models. All model assumptions are based on multi-year statistical averages for historical defaults and losses, with appropriate attention being given to the impact of turbulence in international financial markets. Credit risk stress tests, which are required by banking supervisory authorities and are carried out on a regular basis, are an essential instrument for assessing future risks in an unfavourable economic environment. RICO is defined as an expert body within the meaning of Article 189 of the CRR, which deals with all material aspects related to credit risk models (their development, adjustment, control and validation of model soundness). The Strategic Risk Management & Control department, with the relevant methodology and control units and with independent validation units, acts as credit risk control unit within the meaning of Article 190 of the CRR.

Current status of the application of the internal ratings-based approach (IRB approach) to credit risk in UniCredit Bank Austria AG

UniCredit Bank Austria AG applies the internal ratings-based approach, using its own estimates of loss given default and of conversion factors for the major part of its loan portfolio (advanced IRB approach). Simplifying and further developing local and Group-wide models and, to a lesser extent, the introduction of additional Group-wide models is taking place on an ongoing basis or according to a multi-year plan (model road map). In line with the new EBA guidelines, material model change applications have already been submitted in 2019 for all local PD models and for the new definition of default. The relevant on-site audits by the ECB started in 2019 and will be continued in 2020. The applications for LGD and EAD are planned for 2020 and 2021, respectively. Implementation of the advanced IRB approach has been established as a Group-wide programme. Therefore, UniCredit is responsible for Group-wide decisions and guidelines as well as for the development of Group-wide models. For example, Group-wide homogeneous portfolios have been defined, for which uniform rating models are used across the Group – such as those for countries, banks and multinational companies

Implementation of the advanced IRB approach has been established as a Group-wide programme. Therefore, UniCredit is responsible for Group-wide decisions and guidelines as well as for the development of Group-wide models. For example, Group-wide homogeneous portfolios have been defined for which uniform rating models are used across the Group, such as those for countries, banks and multinational companies.

Group standards have for the most part already been prepared and adopted by UniCredit in cooperation with the major IRB legal entities, and are used as an instrument for uniform Group-wide implementation, with a view to complying with local legal requirements – some of which differ from country to country – and safeguarding Group interests. These Group standards will continue to be gradually extended and complemented.

Group standards are integrated into business areas both in procedural and organisational terms, where local particularities and legal regulation are considered when ensuring Basel 3 compliance.
All Austrian subsidiaries of UniCredit Bank Austria AG use the standardised approach. From a current perspective, for reasons of materiality, it is not planned to switch to one of the IRB approaches.

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Information on forborne exposures

Forbearance measures are concessions made by a bank to a debtor facing or about to face difficulties in meeting its financial commitments. These may take the form of a modification of the terms and conditions of a contract that would not have been agreed if the debtor had not been in financial difficulties, or the form of total or partial refinancing. The primary objective of granting forbearance measures is to prevent the borrower from becoming non-performing and/or to enable the borrower to regain performing status. Debtors that are classified as "forborne" are subject to special monitoring requirements and are to be clearly marked as such.
Forbearance measures include, for example, a rescheduling agreement, renegotiated pricing at interest rates below the market level, the conversion of a partial amount of the loan into shares, or a reduction of the principal amount.

If a forbearance measure does not lead to a non-performing classification, a probation period of at least 2 years must be observed. If a forbearance measure results in a non-performing classification, a minimum 1-year holding period in the non-performing portfolio must be observed – a probation period of 2 years will again be applicable from the date of reclassification as performing. Upon expiry of the probation period the exposure will cease to be classified as "forborne".

Before granting a forbearance measure, an assessment must be performed of the borrower's debt service capability (impairment test). A risk provision resulting from this is determined as described in the "Provisioning process" section. Apart from the impairment test, an examination must be performed to see if the modification of the contract results in a partial or full disposal of the financial instrument. In the case of financial assets, there is a disposal if a material change in contractual conditions leads to a situation in which the modified financial instrument, in substance, no longer corresponds to the instrument before the modification. In such a case the previously recognised financial instrument is to be derecognised and a new financial instrument is to be recognised, even if – in legal terms – the same contract continues to exist in an adjusted form. Derecognition in such cases also relates to any provision made in connection with the financial instrument.

Credit risk mitigation techniques

UniCredit Bank Austria uses various credit risk mitigation techniques to reduce credit losses in case of obligor default.
With specific reference to credit risk mitigation, guidelines issued by UniCredit and Bank Austria are in force. These guidelines govern and standardise credit risk mitigation processes, in line with Group principles and best practice as well as in accordance with the relevant regulatory requirements – especially strategies and procedures for collateral management. In particular such strategies and procedures detail collateral eligibility, valuation and monitoring rules and ensure the soundness, legal enforceability and timely liquidation of valuable collateral according to the local legal system.
Local collateral management was analysed and compliance with credit risk mitigation guidelines was reviewed (specifically as part of the application of the internal rating system) in order to ensure that the instruments used for regulatory capital are adequate and properly documented.
According to the credit policies, collateral or guarantees can be accepted only to support loans and they cannot serve as a substitute for the borrower's ability to meet obligations. Collateral and guarantees are also subject to a specific valuation and analysis with regard to their supporting function to repay the outstanding amount.
Collateral accepted in support of credit lines granted by Bank Austria primarily includes real estate, both residential and commercial, guarantees and financial collateral (including cash deposits, debt securities, equities, and units of undertakings for collective investment in transferable securities (UCITS)). Further types of collateral comprise pledged goods, receivables and insurance contracts as well as other types of funded protection. Bank Austria also makes use of bilateral netting agreements for OTC derivatives (by means of ISDA and CSA agreements), repos and securities lending.
Processes and controls focus on the requirements of legal certainty, hedging and the assessment of the suitability of the collateral or guarantee. In the case of personal guarantees, the ability to pay and the risk profile of the guarantor (or in the case of credit default swaps, of the protection provider) must be assessed.
In the case of collateral, market values are recognised reduced by corresponding haircuts in order to consider any lower revenue, utilisation costs etc. in the case of utilisation.
Monitoring processes of credit risk mitigation techniques ensure that general and specific requirements established by credit policies and regulatory rules are met at all times.

Write-downs and impairments

In consideration of the European Central Bank's "Guidance to banks on non-performing loans", Bank Austria has implemented internal guidelines for recording and evaluation of non-performing loans, with which the impairments and write-downs or partial write-downs of the loans are regulated.

Formation of value adjustments

UniCredit Bank Austria AG decided on the basis of the joint position paper of the AFRAC and the FMA of September 2017 to also apply the IFRS 9 Credit risk provisioning model under company law.

In detail, UniCredit Bank Austria AG applies the following 3 methods:

- Value adjustment for performing assets on the basis of statistically expected loan losses
- Specific write-downs for non-performing assets
- Portfolio-based specific write-downs for non-performing assets

Value adjustment for performing loans

Level 1 and Level 2 (performing portfolio)

The value adjustment logic provides 2 levels for the living portfolio. The decisive factor for classification to Level 1 or Level 2 is the assessment of whether or not a significant increase in risk has become discernible since the initial recognition of the lending business. The classification as well as the calculation of the value adjustment is made in this case at the transaction level.

The loss is estimated on the basis of expected loss – determined using the parameters of PD (Probability of Default), EAD (Exposure at Default) and LGD (Loss Given Default). Level 1 differs from Level 2 to the extent that for Level 2 instead of a one-year loss scenario, the loss estimation is based on the remaining term of the loan.

Value adjustment for non-performing loans

Level 3 (non-performing portfolio)

Level 3 is assigned to the defaulted portfolio, the non-performing assets. Impairments are formed at customer level as follows, depending on the amount of the customer advances:

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

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

Impairments of non-performing loans

Level 3 credit exposures, which are seen as no longer being recoverable, must be written off in good time. If only a determinable share of the current credit exposure is seen as being realisable, the non-recoverable residual amount is written off. The modalities of the write-downs to be made are specified in detail in the internal policy for individual portfolios. Once a write-down has been made, it represents a write-off and can therefore no longer be reversed. In addition to the time and amount of the write-down, the related process, the competency limits for the amounts, the monitoring and the reporting are regulated in the internal guidelines, among other things.

Development of non-performing loans and risk costs
The credit volume of UniCredit Bank Austria AG towards customers grew in the 2019 financial year from €62.9 billion to €63.5 billion (after deducting the risk provision of €1.3 billion). With the non-performing volume remaining nearly the same (€1.9 billion), its proportional share fell slightly from 3.1% to 2.9%. (2018 comparative values were adapted as a result of a change to the presentation
Gross NPLCustomers/Gross Book Value Receivables Customers.

As of the end of 2019, value adjustments covered around 53.0% of the defaulted volume (2018: 57.2%). This reduction in comparison to 2018 results from highly secured new additions to the NPL portfolio in the Retail Banking and Commercial Banking segments. (During the course of the above-mentioned change, the comparative figures for 2018 were also adapted here).

For the 2019 financial year, Bank Austria AG reports credit risk costs of €40.9 million.

Strategy for non-performing loans
After the continuing reduction of the non-performing portfolio during the past years, Bank Austria has focused its NPL strategy on the stabilisation of the non-performing portfolio at the current level and – in view of the continuing growth of lending – on further optimising the credit portfolio quality. This is to be achieved through a bundle of measures, such as the ongoing sale of non-performing consumer loans and the timely write-down of non-recoverable receivables. Alongside this, the monitoring and control mechanisms (implementation of specific KPIs, optimised management reporting), the risk processes (lending, monitoring including annual value verification of real estate collateral, early recognition of problem loans, granting forbearance of acceptable forbearance measures, loan restructuring) and the general risk culture in sales are continuously developed.

The internal rating scale
As already mentioned under the point "Credit risk methods and instruments", the risk assessment is based on differentiated rating and scoring procedures which, among other things, also calculate the customer's probability of default.

The mapping to the internal UniCredit rating masterscale considers the PD ranges mentioned below.

Class 10 corresponds to the non-performing loan portfolio according to the Bank of Italy (and covers the risk categories of "bad loans", "unlikely to pay" and "past due"):

Development of credit risk
Internal rating classes

INTERNAL RATING CLASSES	PD MINIMUM	PD MAXIMUM
1	0.00%	0.00%
2	0.00%	0.02%
3	0.02%	0.12%
4	0.12%	0.58%
5	0.58%	1.37%
6	1.37%	3.22%
7	3.22%	7.57%
8	7.57%	17.80%
9	17.80%	99.99%
10	IMPAIRED	

Realisation of mortgage collateral

Mortgages are the main type of collateral accepted by UniCredit Bank Austria AG for real estate finance. If the mortgage needs to be realised, Bank Austria will first try to sell the property in the market by mutual agreement with the customer and to use the proceeds for loan repayment. Where this is not possible, the property will be sold in accordance with the rules of the Austrian Enforcement Code or the Austrian Bankruptcy Code. As there are orderly market conditions in Austria, mortgaged real estate is normally not acquired by Bank Austria itself (debt asset swap).

Stress tests

Credit risk stress tests are an essential component of Pillar 1 and Pillar 2 stress tests (which analyse the impact on regulatory capital and economic capital) and are therefore presented at meetings of the same risk committee (RICO).

The main dimensions of stress analysis include the following:

- increase of non-performing loans and associated losses
- increase of losses in already non-performing loans (LGD change)
- impact on expected loss on performing exposures
- impact on Pillar 1 RWAs and shortfall
- impact on economic capital

The calculation is based on dependency models developed and continuously updated by the UniCredit Group. The model takes into account both local and regional macroeconomic factors, such as changes in gross national product, interest rate levels, unemployment, inflation and exchange rates. The resulting impact on credit risk parameters is analysed with regard to the respective loan portfolio. Results are reported in detail for relevant sub-portfolios, in particular the CHF portfolio in the retail segment.

The stress scenarios used are at least the relevant multi-year ICAAP scenarios (typically, a base scenario and 3 different stress scenarios for a reference date) complemented, on an ad-hoc basis, by additional scenarios.

Finance

The Finance department completes the following tasks relevant to credit risk:

First, preparing and monitoring the risk-adequate pricing of loans. To ensure uniform pricing within UniCredit Group, the risk-adjusted spread is determined on the basis of multi-year probabilities of default (depending on the term of the loan), added as a price component and monitored on an ongoing basis. Such pricing rationale follows the approach defined in the Group Risk Adjusted Pricing Discipline, which was approved as a Policy in UniCredit Bank Austria AG in July 2014.

The department is also responsible for Bank Austria as a whole for transactions to reduce credit risk and increase liquidity. The instruments available for these purposes include securitisations, CLNs and CDSs.

Securitisation transactions

Qualitative information
Bank Austria's main objectives in its securitisation transactions (whether traditional or synthetic) are the optimisation of the loan portfolio by freeing up regulatory and economic capital and obtaining fresh liquidity together with greater diversification of its sources of funding.

In 2015 a new synthetic securitisation ("AMADEUS 2015") was implemented in UniCredit Bank Austria AG for RWA relief and risk transfer purposes. It covers an existing portfolio of loans and guarantees granted to corporate clients. In December 2016, the securitisation transaction was adapted in order to allow the bank to add customers to the pool of securitised loans. In January 2020, the securitisation was ended early due to a regulatory change.

Investments in other parties' securitisations, i.e. structured credit products/ABSs, were ring-fenced in a separate portfolio managed with a view to maximising future cash flows.

In line with the above management principles, risk monitoring and maximising profit on securitisation transactions is achieved by:

- analysing the monthly or quarterly investor reports produced by the Trustee, paying special attention to the performance of the collateral;
- monitoring similar transactions' collateral performance and issues of similar paper;
- watching the market fundamentals of the underlying credit and
- contact with the collateral manager's representatives should more information be needed.

Furthermore, each portfolio is assigned a market VaR limit by Risk Management. This is monitored bearing in mind the correlations. The Group has spread curves for each rating and product (asset-backed securities, mortgage-backed securities, etc.) and uses them to calculate risk, in the same way as other instruments in its portfolio. The method used is in line with other sources of market risk, and enables us to estimate the possible effects of diversification and to aggregate the VaR with other sections of the portfolio.

2.2.2. Liquidity risk

Qualitative information

Basel 3 sets a liquidity standard under stressed conditions in the short-term maturity range (Liquidity Coverage Ratio – LCR). Under this standard, net outflows of liquidity have been required to be covered by high-quality liquid assets to the minimum extent of 100%. In addition to the named regulatory requirements, UniCredit Bank Austria AG defines its internal Risk Appetite as broadly more conservative; the liquidity coverage ratio had to exceed at least 110% (trigger) in 2019. In the medium-term and long-term range, compliance with the Net Stable Funding Ratio (NSFR 100%) will be mandatory from 2021, requiring full funding of the assets side. On the basis of new deposit products and the optimised structure of assets and liabilities of, as well as the holdings of high-quality liquid assets (cash and government bonds), the ratios required by law are exceeded. The regulatory Liquidity Coverage Ratio as at 31 December 2019 is at around 132.7% for UniCredit Bank Austria AG. (2018: 132.6%)

The liquidity requirements have been integrated in the planning and risk monitoring process to ensure compliance with the liquidity ratios at all times. Both ratios have been defined as key indicators in the Risk Appetite.

General information, processes and management model

In line with Group standards, Bank Austria deals with liquidity risk as a central risk in banking business by introducing and monitoring short- term and long-term liquidity requirements. In this context the liquidity situation for the next few days and months and also for longer periods is analysed against a standard scenario and stress scenarios. Methods and procedures of liquidity analysis, analyses of the degree of liquidity of customer positions, management responsibilities and reporting lines in this area have been summarised in the Liquidity Policy. The Contingency Liquidity Management in the event of a liquidity crisis is described in a specific Contingency Liquidity Policy.

Liquidity management in UniCredit Bank Austria AG is an integral part of UniCredit Group liquidity management. In line with the Group-wide distribution of tasks, UniCredit Bank Austria AG as liquidity reference bank (LRB) ensures the consolidation of liquidity flows and the funding for Austrian subsidiaries. The flow of funds is thereby optimised and external funding is reduced to the necessary extent.

Bank Austria and its individual institutions maintained a comfortable liquidity position throughout 2019, which is characterised by a solid refinancing base. The bank particularly benefits from a strong customer base, supplemented with capital market activities in a Pfandbrief and benchmark format.

Liquidity management methods and control

In medium-term and long-term liquidity management, assets with a remaining term of more than 1/3/5 years must be covered by liabilities at a minimum of 105% (trigger) in each of these periods.

The Net Stable Funding Ratio (NSFR) must be held above this limit at the individual bank level. At the end of 2019, UniCredit Bank Austria AG had an NSFR of 112% for the >1-year segment (2018: 113.5%). Moreover, there are the adjusted NSFRs in which the time horizon is differentiated further. This was at 118% for Bank Austria AG in the >3-year segment (2018: 117%) and 141% for the > 5-year segment (2018: 145%). In addition, absolute limits are defined for material currencies – in the case of Bank Austria AG these are in US dollars and the other currencies combined in a group; cross-currency refinancing is therefore only possible within the limits stated.

Management Report

In short-term liquidity management at Bank Austria, volume limits are implemented at Group and individual bank level for maturities of up to nine months, which limit all treasury transactions and the securities portfolio of the respective bank. Liquidity fluctuations resulting from customers' investment decisions have also been taken into account via a liquidity buffer. Volume limits are also established for open maturities in various currencies to keep down the risk of a need for follow-up funding in the event that foreign currency markets dry up.

These limits were essentially observed at all levels. If a limit is exceeded, this will trigger the defined escalation process and a report will be presented to the relevant risk committee.

Liquidity stress test

UniCredit Bank Austria AG performs liquidity stress tests for Bank Austria and for individual banks on a regular basis, using a standardised Group-wide instrument and standardised Group-wide scenarios. These scenarios describe the effects of market-driven or name-driven crisis signals on liquidity inflows and outflows, with assumptions also being made about the behaviour of non-banks.

The liquidity outflows expected to occur in stress situations are compared with available liquidity reserves (essentially, securities – government bonds – and credit instruments eligible as collateral at the central bank) to examine the banks' risk-taking capacity in the maturity range of up to one year.

The following table shows the composition of UniCredit Bank Austria's liquidity reserve:

Liquidity Reserve

(€ million)

COMPOSITION OF LIQUIDITY RESERVE [1]	31-12-2019	31-12-2018
Cash and balances with central banks	5,757	4,757
Level 1 assets	12,121	9,691
Level 2 assets	670	590
Other unencumbered assets eligible as collateral for central bank borrowings	386	91
Liquidity reserve	**18,934**	**15,128**

[1] The liquidity reserve contains only freely available assets; the minimum reserve obligation is not included. Amounts are shown in the market value.

A simulated name and market crisis, with assumptions regarding deposit renewals and loan renewals by customers, increased drawdowns on credit lines, margin obligations in connection with derivatives business and rating downgrades currently give a "time-to-wall horizon" of over one year in terms of liquidity; the required minimum period is one month.

Funding

The business model of Bank Austria as a Commercial Bank leads to a good diversified refinancing basis. The funding pillars are a strong customer base and an extensive product mix (call, fixed-term and savings deposits), supplemented by the placement of own issues in the medium-term and long-term maturity segment to fulfil the relevant funding needs under the various regulatory requirements, including buffers (e.g. Liquidity Coverage Ratio, Net Stable Funding Ratio). Against this background, the bank was also able to successfully return to benchmark format on the capital market during 2019. Furthermore, the bank has starting the planning and implementation of setting up bail-in-eligible instruments, in order to comply with the upcoming "MREL standards" on time.

2.2.3. Market risk

Market risk management at Bank Austria encompasses all activities in connection with our Markets and Corporate Treasury Sales operations and management of the balance sheet structure. Risk positions are aggregated at least daily, analysed by the independent risk management unit and compared with the risk limits set by the Management Board and the committees (including MACO) designated by the Management Board. At Bank Austria, market risk management includes ongoing reporting of the risk position, limit utilisation of all positions associated with market risk. Most of the positions held in Bank Austria are attributable to the banking book. Bank Austria uses uniform Group-wide risk management procedures for all market risk positions. These procedures provide aggregate data and make available the major risk parameters for the various risk takers once a day. Besides Value at Risk (VaR), other factors of equal importance are stress-oriented sensitivity and position limits. Additional elements of the limit system are the loss-warning level (applied to accumulated results for a specific period), the stressed VaR (SVaR) limit (determined for the trading book with a separate observation period), incremental risk charge (IRC) limits, the stress test warning limit (limiting losses when a pre-defined stress event is applied) and granular market risk limits (GML).

As mentioned above, Bank Austria uses a standard measurement procedure which is also applied in UniCredit Group. The model, approved by supervisory authorities, is used for internal risk management and for determining regulatory capital requirements for market risk. Bank Austria is embedded in the market risk governance framework of UniCredit Group and leverages on the Group-wide risk management platform UGRM. The Group-wide Front-to-Back Office platform "Murex" and UGRM form an integrated risk system.

The internal model (IMOD) is based on a historical simulation. The market data time window for generating scenarios has been reduced from 500 days to 250 days within the context of a model change approved by the regulator. It is applied by Market & Liquidity Risk within Bank Austria and is being further developed in cooperation with UniCredit. Further development includes reviewing the model as part of back-testing procedures, integrating new products, implementing requirements specified by the Management Board and the Market Risk Committee, and executing the Model Maintenance Report on a quarterly basis.

Since 2016, the model has supported the modelling of negative interest rates both for the internal risk management and the determination of regulatory equity requirements for the market risk. This further development not only covers the EUR and CHF currencies, but also other currencies, whose effect on Bank Austria is however to be classified as low.

Furthermore, from mid-2019, the contractual pension commitments of Bank Austria are taken into account in the risk presentation.

Risk governance
A new product process (NPP) has been established for the introduction of new products in the area of market and liquidity risk in which risk managers play a decisive role in approving products. The risk model covers all major risk categories: interest rate risk and equity risk (both general and specific), credit spread risk, currency risk and commodity position risk. The IMOD is subject to an annual review by Group Internal Validation (GIV) and internal audit. The structure of the risk report presented at MACO meetings, which are held every two weeks, covers (stress) sensitivities in addition to VaR, and utilisation levels in the areas of IRC and SVaR (both for the regulatory trading books). Regular and specific stress tests complement the information provided to MACO and the Management Board.

Stress tests
Bank Austria executes a comprehensive stress test programme for market risk. The results are reviewed and reported in the MACO at least quarterly or on an ad-hoc basis given unfavourable market developments. Macro scenarios show the potential adverse impacts of global developments with specific effects on the respective risk categories, while stress sensitivities of individual risk factors or groups of risk factors show the potential adverse impacts on partial market segments. Stress scenarios are based on assumptions of extreme movements in individual market risk parameters. The Bank analyses the effect of such fluctuations and a liquidity disruption in specific products and risk factors on the Bank's results. The assumed fluctuations are dependent on currency, region, liquidity and credit rating, and are set in the Open Market Risk Forum (OMRF) with the relevant experts from other bank areas (such as UniCredit research, trade and market risk). Bank Austria takes part in the UniCredit Group-wide Open Market Risk Forum (OMRF), which is the platform for CRO units to discuss stress test results and agree on further common Group-wide scenario definitions. The ICAAP scenarios are updated at least annually and are used for stress test analyses, stress test limit monitoring and the regulatory stress report throughout UniCredit Group.

Prudent valuation
The regulatory approach to prudent valuation in the trading book is implemented primarily by Market Risk and further developed on an ongoing basis through cooperation within UniCredit Group. A Group-wide Independent Price Verification (IPV) process ensures the independence and reliability of valuation and risk measurement. The front-end system "Murex" is supplied with the "golden copy" market data of UniCredit Group for daily valuation purposes. The Group-wide "golden copy" is drawn up by competence centres which are structured by asset class and independent of trading operations. Moreover, UniCredit Bank Austria AG takes part in meetings of the asset-class committees, which address and resolve valuation and market-data issues. The regulatory principle of prudence is met by determining all relevant Additional Valuation Adjustments (AVA).

Backtesting
Bank Austria performs a daily backtesting of both the hypothetical and actual (i.e. economic P/L excluding fees, commissions, and net interest income) changes in the portfolio's value in accordance with Article 366 of the CRR. As at 31 December 2019, the number of backtesting excesses (negative change in value larger than model result) for Bank Austria in both P/L dimensions was equal to 7, thus the add-on factor for the VaR multiplier for the number of excesses is equal to 0.65.

Capital requirements for market risk
The parameters used for calculating capital requirements are a 10-day holding period, a confidence level of 99% and a multiplier of 3.2 plus add-on factor set in respect of the Value-at-Risk figures, which is used in determining the capital requirement for market risk.
As of 31 December 2019, the following capital requirements resulted for UniCredit Bank Austria AG in connection with Value at Risk (VaR), stressed VaR (SVaR) and incremental risk charge (IRC):

Capital requirements for market risk

(€ million)

	31-12-2019	31-12-2018
VaR	6.8	4.3
SVaR	8.4	11.0
IRC	0.1	0.2

Management of balance sheet structure
An allocation to the bank's business divisions according to the costs-by-cause principle is possible as a result of the reference interest rate system applied across UniCredit Group. The banks' risk committees ensure that the Bank's overall liquidity and interest rate gap structure is optimised.

Products for which the material interest-rate and capital maturity is not defined, such as variable-rate sight and savings deposits, are modelled in respect of maturity and interest rate sensitivity by means of analyses of historical time series, and taken into account in the banks' overall risk position.

To assess the bank's balance-sheet and profit structure, the Value-at-Risk assessment is used, complemented by a scenario analysis concerning the simulation of future net interest income under different interest rate scenarios ("earnings perspective").

The low and sustained negative interest rates in the Group's main currencies had a negative impact on interest margins, as deposit rates were at or close to zero in many cases. Taking into account the current pricing of loans, our simulation calculations show a significant deterioration of net interest if interest rates move into negative territory as a result of further reductions.

Legal provisions require the measurement at Group level and for UniCredit Bank Austria AG of "interest rate risk in the banking book" in relation to the bank's capital by comparing a change in the market value of the banking book after a 2% interest rate shock with the Group's net capital resources. In the event that such an interest rate shock absorbs more than 20% of a bank's net capital resources, the bank supervisory authority could require the bank to take measures to reduce risk. The revised requirements of the supervisory authorities (EBA, Basel) in regard to interest rate risk in the banking book are generally taken into account through the Group's Group-wide application. Regulatory requirements generally provide for underlying customer business to be broadened with regard to available options (especially against the background of a negative interest rate environment) and base risks while significantly expanding scenario and stress analyses to cover present-value and interest-income dimensions.

This 2% interest shock uses around 5.13% at the end of 2019 (2018: 6.80%) at year-end.5,13% (2018: 6,80%) of the own funds of UniCredit Bank Austria AG. Therefore Bank Austria AG is far below the outlier value of 20%. In addition, the rest of a 2% interest rate shock is significantly more restrictively limited (15% in relation to Tier 1 capital) in the context of risk appetite.

2.2.4. Derivatives

Derivatives are classified as financial derivatives and credit derivatives, according to the underlying financial instrument. In these categories, a distinction is made between trading book and banking book, products and residual maturities. Bank Austria's derivatives business focuses on interest rate contracts.

2.2.5. Currency risk

CHF risk
CHF loans were further decreased in 2019. Loans and receivables with customers declined in terms of the gross volume (before deducting value adjustments) to €5.6 billion (2018: €6.1 billion). Approximately 2.4% thereof was classified as non-performing.
The CHF volume is almost exclusively attributable to the Retail Banking division.

Other currency risks
Customer loans in other currencies (exclusively CHF) amounted to €4.1 billion as at 31 December 2019 (2018: €3.4 billion), a large part of which were loans in USD (primarily to customers in the corporate & investment banking segments and corporate area).

2.2.6. Counterparty risk

Trading in derivatives at Bank Austria is primarily related to the hedging of positions entered into vis-à-vis customers.

Contracts are valued at current prices using recognised and tested models. Market values show the contract values as at the balance sheet date, positive current market values and estimated future market values indicate the potential default risk arising from the relevant activity.

For the purposes of portfolio management and risk limitation in connection with derivatives, securities lending transactions and repurchase agreements, UniCredit Bank Austria AG uses an internal counterparty risk model (IMM). The model is based on a Monte Carlo path simulation for risk management in derivatives and securities financing business with banks and customers to estimate the potential future exposure at portfolio level for each counterparty.

The UCI Group-wide counterparty risk model applies an expected shortfall of 87.5% (corresponding to a 95% quantile) and 3,000 scenarios with 52 gridpoints for the purpose of internal risk control. Furthermore, the model is based on a standardised margin period of risk and on the use of default conditional metrics.
The calculations are based on market volatility, correlations between specific risk factors, future cash flows and stress considerations. Netting agreements and collateral agreements are also taken into account for simulation purposes.

The simulation calculations are performed for all major types of transactions, e.g. forward foreign exchange transactions, commodity futures transactions, interest rate instruments, securities lending transactions and repurchase agreements, equity-related, commodity-related or inflation-related instruments and credit derivatives. Other (exotic) products are taken into account with an add-on factor approach (depending on volatility and maturity).
The counterparty risk model is constantly being improved. The calculation was extended to cover negative interest rates (with regard to the pricing functions used and scenario generation). In 2019, the basis for generating the scenarios was also changed over from historical fluctuations to market-implicit volatilities. This extended model has been used for internal risk control since mid-2019. The resulting significant model change regarding the calculation of the capital requirements has been applied for with the ECB.

Line utilisation for derivatives business is available in realtime in the central treasury system MLC ("Murex Limit Controller"). The MLC treasury system is the central limit system used by UniCredit Bank Austria AG. In addition to current line utilisation – at customer level – resulting from derivatives and securities financing transactions, the system shows utilisation levels for money-market, issuer and settlement risk.
UniCredit Bank Austria AG additionally limits the credit risk arising from its derivatives business through strict use of master agreements, through collateral agreements and break clauses. In combination with the very good average credit rating of our business partners, management takes proper account of default risk.

In addition to determining the potential future exposure for internal risk control purposes, the path simulation also enables the bank to calculate the average exposure and the modified average exposure (exposure at default) pursuant to Basel 3, as well as the effective maturity of the exposure and the "stressed EPE" (Expected Positive Exposure) for each counterparty. This makes it possible to include counterparty risk in a Basel 3-compliant internal model to calculate capital requirements. The regulatory exposure at default is calculated at netting-set level. A netting set is a group of transactions between the Bank and a customer which is subject to a legally enforceable bilateral netting agreement.

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UniCredit Bank Austria AG has implemented the requirements in the area of counterparty credit risk resulting from the publications of the Basel Committee (Basel 3) and the Capital Requirements Regulation (CRR). The regulatory requirements include the calculation of normal counterparty exposure and of stressed counterparty exposure (comparable with the stressed VaR in market risk), the capital backing for market risk in respect of credit valuation adjustments (CVA market risk) and stricter standards for collateral management.
The requirements regarding the mandatory exchange of securities in bilateral margining agreements with financial counterparts for margin variation were implemented in line with regulations.
The requirements to be met with regard to stress testing and backtesting in respect of counterparty credit risk have also been implemented at UniCredit Bank Austria AG. Backtesting is performed at regular intervals – at the level of individual counterparties and at overall bank level – to review the model quality on a regular basis.

Moreover, in accordance with the European Market Infrastructure Regulation (EMIR), the central clearing obligation for OTC derivatives was implemented at UniCredit Bank Austria AG. UniCredit Bank Austria AG is a clearing member of the "London Clearing House" (LCH Clearnet) clearing institution. There are no derivative positions with LCH as at the end of 2019. Regardless, there are indications from the EU that EU 27 companies will also continue to be able to clear via UK Central Counterparts temporarily, even in the case of a hard Brexit. Furthermore, UniCredit Bank Austria AG clears repurchase agreements at the EUREX central counterparty.

The internal IT systems are used for calculating counterparty risk arising from derivatives business, securities lending transactions and repurchase agreements, and for determining risk arising from other risk types. This ensures that exposures resulting from derivatives business as well as money-market risk, issuer risk and settlement risk are calculated centrally using the internal IT systems (FRE – Full Revaluation Engine, AGE – Aggregation Engine).
Moreover, country risk is calculated and reported separately for external and internal country risk.

Separate reporting on counterparty credit risk is in place with a view to informing UniCredit Bank Austria AG's Market Risk Committee (MACO) and Derivative Committee (DECO) of current exposure trends, stress testing, collateral management and wrong way risk while also providing additional information relevant to risk management.

Based on the calculation method of counterparty credit risk used in the Group-wide risk systems, derivative transactions, repurchase agreements and securities lending transactions resulted in the following exposures for Bank Austria at the end of the year:

The total exposure at the end of 2019 can also be split into the following sectors:

Exposure by sectors

(€ million)

SECTOR	2019	2018
Trade and industry	775	692
Financial services sector	594	441
Real estate	402	286
Energy	262	83
Public sector	41	37
Central Clearing Counterparties (CCP)	381	37
TOTAL	**2,455**	**1,576**

Exposure by rating class

(€ million)

RATING CLASS	2019	2018
1	293	249
2	1,478	716
3	202	221
4	231	198
5	135	121
6	99	53
7	9	15
8	3	1
9	6	3
10	-	-

2.2.7. Country risk and sovereign risk

Risk associated with cross-border transactions with all customer groups is reflected in country risk ("transfer and convertibility risk"; country risk includes, for example, loans to foreign corporate customers or banks). Risk associated with the state itself (e.g. the purchase of government bonds) is reflected in sovereign risk, irrespective of whether such risk is cross-border or local risk. Both risks are assessed via a UniCredit Group-wide credit process. Country limits and sovereign limits are assessed by the responsible risk management team, approved by the relevant body having approval authority, and assigned to UniCredit subsidiaries according to business needs. In general, cross-border business is not limited for countries which are presumed less risky, e.g. the US, Japan, core EU countries; for all other countries, cross-border business is limited via the assigned country limit. Sovereign risk is in each case limited via counter party limits. The overall bond exposure is monitored via nominal credit risk limits and market risk limits. Impairment losses are recognised, if necessary, according to international financial reporting standards

2.2.8. Operational risk

Since the beginning of 2008, UniCredit Bank Austria AG has been using the Advanced Measurement Approach (AMA), with the model calculation for all AMA subsidiaries being performed by UniCredit Group.

Implementation of disclosure requirements pursuant to the Capital Requirements Regulation (CRR)

Within UniCredit Group, comprehensive disclosure (under the Pillar 3 disclosure requirements pursuant to the CRR) is carried out by the parent company UniCredit on its website, based on the consolidated financial position in its function as EU parent bank of UniCredit Bank Austria AG. UniCredit Bank Austria AG is a significant subsidiary pursuant to Article 13 of the CRR and, for the 2019 financial year, discloses information regarding its capital resources ("own funds", Article 437 of the CRR), capital requirements (Article 438 of the CRR), capital buffers (Article 440 of the CRR), credit risk adjustments (Article 442 of the CRR), remuneration policy (Article 450 of the CRR), leverage ratio (Article 451 of the CRR) and use of credit risk mitigation techniques (Article 453 of the CRR).

The disclosure by UniCredit Bank Austria AG is available at its website www.bankaustria.at About us/Investor Relations/Disclosure according to Basel 2 and 3 (CRR).

Operational risk (OpRisk) is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events (including legal risks – see also Section 2.2.12 Legal risks). For example, compensation paid to customers for incorrect/inadequate product-related advice, IT system failures, damage to property, processing errors or fraud are subject to accurate and consolidated risk measurement and management (collection of loss data, external data, scenarios, indicators), on which the calculation of capital to be held for operational risk is based.

Loss data are collected, and processes are optimised, in close coordination and cooperation across departments and units including Internal Audit, Compliance, Legal Affairs, ICT & Security Management and the insurance sector. Over the years, UniCredit Bank Austria AG has taken numerous measures in the various divisions to manage and reduce operational risk. Thus data security measures, measures to ensure the confidentiality and integrity of stored data, access authorisation systems, the two-signatures principle, and a large number of monitoring and control processes as well as staff training programmes have been implemented among other measures.

In line with other types of risk, UniCredit Bank Austria AG – like UniCredit Group – has built up a decentralised operational risk management framework in the form of OpRisk representatives (so-called "Decentralised OpRisk & RepRisk Managers" (DORRM) for all relevant company divisions – in addition to central operational risk management. The central Op & RepRisk function was directly assigned to the CRO as a staff unit in 2018 at UniCredit Bank Austria.
While the main task of central risk management is to define the methods used and to perform risk measurement and analysis, decentralised risk managers are responsible for taking measures to reduce, prevent, or take out insurance against risks.

Activities in 2019 focused on:

- Integrating the OpRisk & RepRisk strategy issues of 2019 and monitoring by reference to key risk indicators in the Permanent Work Group (a cross-divisional OpRisk work group which holds regular meetings).
- Implementing risk-minimising measures for the OpRisk & RepRisk strategy topics (through DORRMs and experts) and their report in the Permanent Work Group and the Operational & Reputational Risk Committee (OpRRiCo).
- Monitoring the OpRisk exposure based on the ELOR key figure (expected loss on budget revenues; part of the Risk Appetite Framework).
- Carrying out the annual OpRisk ICT assessment process for critical business processes at UniCredit Bank Austria AG
- Carrying out OpRisk assessments for relevant outsourcings.
- Revising the KRI monitoring framework on an ongoing basis to measure risk more effectively and carry out the scenario analysis.
- Increasing awareness of OpRisk issues through various training courses, as well as the existing mandatory online training.
- Reviewing relevant OpRisk accounts and books as part of accounting reconciliation, general ledger analysis and transitory and suspense account analysis in order to ensure complete OpRisk data collection.
- Carrying out focal point analyses on various OpRisk-relevant subject areas, e.g.: internal fraud, external fraud in the credit business and the document filing process, external sales partners.
- Performing a Risk & Control Self Assessment (RCSA) for relevant company processes of UCBA AG, as well as an OpRisk survey of all directly reporting subsidiaries.

A network of independent functions and teams are involved in managing and controlling risks, providing the Management Board with sufficient information on the risk situation and enabling the Management Board to manage risk.

The task of dealing with operational risk issues is performed by a separate Operational & Reputational Risk Committee (OpRRiCo), whose meetings are held on a quarterly basis and are attended by the Chief Risk Officer, the Head of UC Operational & Reputational Risk Management, Compliance, Audit, Regulatory Affairs and the decentralised Operational & Reputational Risk Managers. The Committee is a major step towards integrating operational risk in the Bank's processes; its main tasks are to report on current operational risk issues and developments, to approve operational risk-relevant documents, to report losses and serve as a body to which unresolved issues are referred.

2.2.9. Reputational risk

UniCredit Bank Austria AG has identified reputational risk as the current or future risk of a decline in profits as a result of a negative perception of the bank's image by customers, counterparties, shareholders, investors, employees or regulators.
Since 2012, the CRO team has been entrusted with managing and monitoring strategic reputational risk agendas. In 2018, the Op&RepRisk office was directly assigned to the CRO as a staff unit.
Subjects relevant to reputational risks are reported in the Operational & Reputational Risk Committee on a quarterly basis. For example:

- Business decisions that were made in the reputational risk/Credit Committee
- Information about accepting new RepRisk policies
- Relevant reports on UniCredit Bank Austria
- RepRisk status of AMA subsidiaries

Reputational risk activities in 2019 focused on continuing to provide support to subsidiaries for further implementing and expanding structures, reputational risk policies and training, on ongoing monitoring and reporting cases of reputational risk and trends with regard to relevant topics, and on enhancing awareness of reputational risk management through training activities within UniCredit Bank Austria AG and its subsidiaries.

2.2.10. Business risk

Business risk is defined as unexpected adverse changes in business volume and/or margins which cannot be attributed to other types of risk. Adverse impacts of such changes on profitability result mainly from a significant deterioration in market conditions, changes in the competitive position or customer behaviour, and from changes in the legal environment.
Business risk measurement thus measures the influence of external factors on a decline in profits and the effect on the market value.

As part of general income and cost management, operational management of business risk is the responsibility of the individual business units.

2.2.11. Financial investment risk and real estate risk

In dealing with risks arising from the Bank's shareholdings and equity interests, Bank Austria takes into account potential market price fluctuations in its equity holdings in listed and unlisted companies.

Not included are equity interests in consolidated subsidiaries of Bank Austria because risks associated with such companies are determined and recorded under the various other risk types. The portfolio includes various strategic investments; real estate holding companies are taken into account in real estate risk.

Financial investment risk and real estate risk are covered by a value-at-risk approach under the ICAAP.

2.2.12. Legal risks

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

UniCredit Bank Austria AG is also referred to hereinafter as "UCBA".

In accordance with the principles described above, provisions for risks and charges were made for the following pending legal disputes and other proceedings in the amount of the risk that has been assessed.

A) Madoff

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

Civil law procedures in Austria
Investors in the Primeo and Herald Madoff Feeder Funds have filed numerous civil suits, of which 21 are still open, with a claimed amount of €5.7 million plus interest. The claims asserted in these proceedings are either that UCBA committed certain breaches of duty in its capacity as prospectus controller or that UCBA incorrectly advised certain investors (directly or indirectly) to invest in these funds, or a combination of these claims. The Austrian Supreme Court has issued twenty-five final decisions with regard to the prospectus liability claims asserted in the proceedings. As regards the proceedings concerning the Primeo Feeder funds, the Austrian Supreme Court issued fifteen final decisions in favour of UCBA. In two proceedings, the Supreme Court rejected UCBA's extraordinary appeal and has thus made the Court of Appeal's rulings in favour of the plaintiffs final. With regard to the Herald Feeder Fund, the Austrian Supreme Court has ruled on the prospectus liability claims five times, twice in favour of UCBA and three times in favour of the plaintiffs. In a prospectus liability case where investments were made in Primeo and Herald, the Supreme Court ruled in favour of UCBA; in two further prospectus liability cases where investments were made in Primeo and Herald, the Supreme Court rejected the plaintiffs' extraordinary appeals, thereby ruling the decisions of the Court of Appeal to be legally binding in favour of UCBA.

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

With regard to the Austrian civil proceedings pending against UCBA in connection with Madoff's fraud, UniCredit Bank Austria AG has made provisions to an extent that is deemed appropriate for the current risks.

Criminal proceedings in Austria
The UCBA was listed as a defendant in criminal proceedings in Austria based on the suspicion that provisions of the InvFG (Austrian Investment Fund Act) had been infringed, as well as allegations of fraud and breach of trust in connection with the Madoff case. The public prosecutor's investigation against UCBA and all defendants was completely abandoned in November 2019. Private parties have, however, submitted applications to continue. A decision is still pending.

Proceedings in the United States

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

In the HSBC Proceedings, the SIPA Trustee filed civil claims and avoidance claims (also known as "clawback claims") worth several billion US dollars. The civil claims were dismissed in 2011 and no further appeals are pending against this decision. In 2015, the SIPA trustee dropped the appeals against UniCredit S.p.A and the Alternative Investments Division of Pioneer ("PAI") in the HSBC Proceedings by waiving the claims, as well as the appeals against UCBA, without waiving the claims; this was done following claim adjustments that did not concern UniCredit S.p.A., PAI or UCBA and were considered by the SIPA trustee to satisfy the relevant claims. A judgement was issued by the Bankruptcy Court on 22 November 2016 which ordered the avoidance claims against BA Worldwide Fund Management Ltd ("BAWFM") to be rejected. On 9 March 2017, the SIPA Trustee commented on the rejection of the avoidance claims against BAWFM in writing. On 16 March 2017, the SIPA Trustee filed an appeal against the rejection of the claims. In February 2019, the Court of Appeal annulled the decision of the Bankruptcy Court of 22 November 2016 and decided that the SIPA trustee may reclaim transfers of funds by the BLMIS to the BAWFM and other similar parties prior to its insolvency. BAWFM and other defendants requested a new hearing before the Court of Appeal by an "en banc" body (hence by all judges). The Court of Appeal dismissed this request in April 2019. At the defendant's request, the Court of Appeal paused the proceedings so as to prevent the procedure from continuing during the appeal process at the Supreme Court. BAWFM and the other defendants submitted an appeal on 30 August 2019. Even if this appeal were not admitted or were not to be successful, there is no significant potential compensation claim. Certain current or former related individuals named as defendants in the HSBC Proceedings may be granted rights to indemnification by UniCredit S.p.A. and its affiliates.

Possible ramifications
Above and beyond the aforementioned proceedings and investigations in connection with the Madoff case against UCBA, its affiliates and some of their employees and former employees, further proceedings in connection with the Madoff case may possibly be brought in future in the USA, Austria or in other countries . These potential actions could in future be brought against UCBA, its affiliates and their current employees and former employees. The pending proceedings and potential actions may in future have a negative impact on UCBA.

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

B) Alpine Holding GmbH

Alpine Holding GmbH issued one bond in 2010, one in 2011 and one in 2012. In 2010 and 2011, UCBA acted as joint lead manager in each of the two years, together with another bank. In June/July 2013, Alpine Holding GmbH and Alpine Bau GmbH became insolvent and bankruptcy proceedings followed. Numerous bondholders then wrote to the banks involved in the bond issues to assert claims. At least as far as UCBA is concerned, the bondholders largely based their claims on the prospectus liability of the joint lead managers and also, in fewer cases, on flawed investment advice. Investors have filed civil lawsuits, including three class actions by the Federal Chamber of Labour (Bundeskammer für Arbeiter und Angestellte) (with claims amounting to some €20.26 million), in which UCBA is named as a defendant in addition to other banks. The main plea is prospectus liability. These civil proceedings are predominantly still pending at first instance. Until now, the Supreme Court has not made a legally binding decision on actions against UCBA concerning prospectus liability. In addition to the aforementioned proceedings against UCBA, further actions were threatened against UCBA in connection with the Alpine insolvency, which could be introduced in the future. Pending or future actions may negatively impact UCBA.

UCBA intends to use all available means to defend itself against these claims. At present, it is not possible to estimate the timing and outcome of the various proceedings or to assess UCBA's level of responsibility, if any.

Criminal proceedings in Austria
A number of individuals accused are being prosecuted in Austria in connection with the Alpine insolvency case. UCBA had joined forces with the criminal proceedings as a private party. The preliminary proceedings were conducted by the Public Prosecutor's Office also against unknown responsible persons of the issuing banks. By resolutions from May 2017 and May 2018, the WKStA closed the preliminary proceedings against all those accused without charge. The last of the investors' petitions to continue the proceedings were rejected by the Regional Court for Criminal Matters in Vienna in July 2019.

C) Procedure from export funding

UCBA has concluded a credit agreement as a lender. The funding of three industrial machines was regulated with this credit agreement, covered by a guarantor. The funding of the purchase of the relevant machines was provided for in two tranches according to the credit agreement. The borrower has concluded two separate purchase agreements with the exporter for purchasing the relevant machines, whereby the borrower asked for one of the machines not to be purchased. Nor was there any payment made of the relevant amount of the loan.

The first tranche was paid out and the relevant machines were also purchased and installed; the borrower is in arrears with their instalments. UCBA has therefore terminated the credit agreement due to late payment and has asked the borrower to repay the total outstanding amount.

The borrower is for its part asserting claims in connection with the non-funding of the machines ultimately required by the borrower, in particular fees and costs, credit amount, contractual penalties for third parties and loss of profit. The borrower has submitted a request for arbitration in this regard to the VIAC against which UCBA intends to defend itself. The claims asserted appear to be insubstantial and there is an overwhelming opportunity to win the case on that basis.

The UCBA intends to introduce a counterclaim in the current arbitration proceedings based on the amount of the loan outstanding amounting to approx. € 3.1 million, where the chances of success are estimated to be more than 90%.

Legal costs are difficult to assess, and reasonable provisions for risks and charges have been made with regard to the arbitration proceedings.

2.3. Third-party liability

Under Section 92 (9) of the Austrian Banking Act, "Privatstiftung zur Verwaltung von Anteilsrechten" ("AV-Z Stiftung", a private foundation under Austrian law) serves as deficiency guarantor for all liabilities of UniCredit Bank Austria AG in the event of the company's insolvency.

After the change in the legal form of Anteilsverwaltung-Zentralsparkasse into a private foundation ("AV-Z Stiftung") in 2001, the Municipality of Vienna serves as deficiency guarantor for all outstanding liabilities, and obligations to pay future benefits, of UniCredit Bank Austria AG (then Bank Austria Aktiengesellschaft) which were entered into prior to and including 31 December 2001.

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

3. Future development (outlook for 2020)

3.1. Economic scenario

Economic environment 2020

The growth of the global economy is likely to continue to decrease in 2020, as the weakness in industry spreads to the service sector. There are four factors that could make the cyclical downturn even stronger. The persistently limited momentum of global trade, exacerbated by trade conflicts and political uncertainty, will be compounded by the growing danger of a recession in the US economy in the second half of the year. In addition, monetary policy can only provide a moderate stimulus in the ongoing downturn phase, and support from fiscal policy is likely to remain limited. For 2020, therefore, global growth is expected to decrease further to 2.7 per cent.

The US economic slowdown will have a large impact on global growth. Following its longest ever economic expansion, the US economy will lose considerable strength and could even enter a slight recession in the second half of 2020. On average over the year, the rise in GDP in 2020 will fall well short of its potential at just 1.1 per cent. Following the turnaround in interest rate policy over the course of 2019, the ongoing economic slowdown is likely to result in four further rate cuts by the Fed in 2020. The Fed could cut its key interest rate incrementally by 25 basis points a time, with the current rate of 1.75 per cent reaching a low of 0.75 per cent. Although the slowdown in economic growth in the eurozone is likely to continue to 0.8 per cent in 2020, the European Central Bank is expected to keep the key interest rate unchanged at zero per cent in 2020 and to leave the deposit rate at minus 0.5 per cent. Only in the event of an unexpectedly strong US downturn, with corresponding interest rate cuts by the Fed and a more significant economic slump in the eurozone with inflation expectations continuing to fall, would the ECB be called upon to support the ongoing bond-buying programme by reducing interest rates. In view of the already negative interest rates, however, the impact would probably be limited and, in reality, such a measure would only drive an unwelcome appreciation of the euro. The weakening of the US economy and the narrowing of the interest rate differential between the US and the eurozone tend to result in a stronger euro. However, upside potential is likely to be limited, with an annual average increase from USD 1.12 against the euro in 2019 to USD 1.14 in 2020.

The outlook for Austria

The latest economic data indicates that the Austrian economy will likewise enter 2020 more cautiously than it did 2019. A further economic slowdown is also looming. The ongoing weakness in global trade will continue to affect exports. Due to the lack of foreign demand, investment activity will be more subdued in 2020. Consumption will therefore be the main driver of growth. However, additional fiscal stimuli, including a reduction in health insurance premiums for low-income earners, will be unable to prevent a slight slowdown in consumer spending. Given the expected slowdown in growth to 1 per cent, the situation on the Austrian job market will not improve any further. An increase in the Austrian unemployment rate is expected for the first time since 2015, though it should only be a slight increase of 0.1 percentage point in 2020 to 7.5 per cent or 4.7 per cent (Eurostat). The weaker economic climate will also keep inflation contained at 1.5 per cent on average in 2020, particularly as the expected fall in the price of oil to USD 57 a barrel should help to mitigate rising prices in Austria.

The positive domestic economy will also continue to provide a favourable business environment for financing operations in Austria. However, the weaker export business is expected to slow growth in lending, among other things. Given a good cash position, this is expected to apply more heavily to the demand for corporate loans. By contrast, household demand for financing, especially for residential loans, will only be slightly weaker than in the previous year. On the investment side, the low interest rate environment will continue to determine performance in 2020. Furthermore, much of the reinvestment will probably be short-term.

3.2. Medium-term and long-term objectives

We are part of UniCredit, a successful pan-European commercial bank with a simple business model, fully plugged-in Corporate & Investment Banking and a unique network in Western, Central and Eastern Europe that we make available to our broadly diversified customer base.

Management Report

With “Transform 2019”, we have laid the foundation to be a pan-European leader. “Transform 2019” has shown that UniCredit has been successful in achieving long-term sustainable results and exceeding its key objectives. These achievements also form the basis for the UniCredit 2020-2023 Strategic Plan. In December 2019, Unicredit presented its new “Team 23” strategic multi-year plan. UniCredit is committed to generating sustainable returns by leveraging its extensive and growing pan-European customer base and maximising productivity through continuous cost control and more efficient business processes.

The new “Team 23” plan is based on conservative macroeconomic assumptions and rests on four pillars:
1. Expansion and strengthening of the customer base,
2. Transformation and maximisation of productivity
3. Disciplined risk management and controlling and
4. Capital and balance sheet management.

Cost control combined with improving the customer experience remains a focal point of the “Team 23” plan. Process improvements such as paperless retail banking will provide the Group with significant cost savings by 2023. Eliminating paper will enable the bank to carry out straight-through processing, resulting in faster transactions, enabling the exchange of digital documents between the bank and its customers, and providing a greater number of digital contracts that will enable increased use of digital signatures, making processes simpler and faster for customers. We also anticipate increasing integration of online and offline channels, with transactions being switched to direct channels in line with the changing behaviour of our customers. We will be where our customers are, providing them with great service across all our channels – so our network will evolve accordingly.

With the reorganisation of the allocation of responsibilities on Bank Austria’s Management Board – since 1 January 2019 two new Management Board divisions have been introduced, namely the **Privatkundenbank** and the **Unternehmerbank**, and the COO and Human Capital divisions have been assigned to the CEO's area of responsibility – has provided us with a solid foundation for future growth.

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

- As an entrepreneurs’ bank, we are the most important financial partner for corporate customers in Austria and are continuing to expand our number one position in Austrian corporate banking further – as part of a leading European banking group – with a broad spectrum of expertise and competence and through UniCredit’s international network. Our digital services for companies won the award at the Alpbach Financial Symposium for the most innovative financial service in 2018 and our “Treasury Business Trader” for the most innovative financial service in 2019.
- As a leading partner for Private Banking customers, we offer a recognised and outstanding range of products and services - either in Bank Austria's Premium Banking with an entry threshold of €300,000 of freely available investment volume or in our subsidiary Schoellerbank, UniCredit’s Wealth Management Competence Centre in Austria.
- A new service model was implemented for retail customers that takes changing customer needs into account. It includes fewer, but significantly larger and modern branches with longer opening hours and improved consulting services for our customers. Both our real estate experts and our investment experts provide advice either in person at our branches or via video link. Expert consulting services can also be accessed from any location via SmartBanking.
- Further development of the business model with regard to focused customer service and a sustained low cost structure, with increased emphasis on digitalisation and corresponding investments in the IT structure.
- Further exploiting potential with regard to the broad customer base and the Group’s market leadership position in many business areas and regions by unlocking Group synergies and taking advantage of cross-selling opportunities,
- consistently reducing the cost base through a significantly leaner Corporate Centre.

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

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

Management Report

Our **Alexa banking skill** provides an additional innovative service as part of our multi-channel strategy. We are the only bank in Austria to offer a digital voice assistant for non-personalised services such as exchange rate information, branch opening hours or general market, financial and economic information - for customers who would like to use this service. The **Homestory app** enables our customers to arrange and complete mortgage financing entirely on their smartphone from the comfort of their own home.

With regard to revenue, we intend to continue to expand Bank Austria's leading market position in the three business segments of Corporate Customers, Corporate & Investment Banking and providing services to wealthy private clients. UniCredit Bank Austria's growth trajectory focuses on asset management. Our service for wealthy retail customers has therefore been expanded considerably and the consultation service has been expanded with additional locations. At the same time, Schoellerbank, in association with UniCredit Wealth Management, is becoming the expert centre for particularly wealthy customers. Retail banking activities focus on consistently expanding branches and the digital marketplace – comprising the online shop and the online branch – giving them equal weight as channels for product sales and advisory services.

Collectively, UniCredit recognises that to do well, we must do good. We therefore want to be the drivers and facilitators of change, to make our society fairer and to foster inclusivity. Through our **Social Impact Banking initiative**, we are pooling and increasing our provision of special loans, passing on our economic and financial know-how and the commitment of our employees.

Management Report

4. Report on key features of the internal control and risk management systems in relation to the financial reporting process

The Management Board is responsible for establishing and designing internal control and risk management systems which meet the company's requirements in relation to the financial reporting process. The audit committee oversees the efficacy of the internal control and risk management system in addition to the accounting process as a whole; it may, if required, issue recommendations and suggestions to ensure the reliability of the accounting process.

The objective of the internal control system is to assist management in assuring internal controls in relation to financial reporting which are effective and are improved on an ongoing basis. The system is geared to complying with rules and regulations and creating conditions which are conducive to performing specific controls in key accounting processes.

Following the integration of the Bank Austria Group in UniCredit Group, the Italian Savings Law, Section 262 (detailed descriptions of processes, risk and control for minimising risk in preparing financial statements) in particular, must be complied with in addition to the existing internal control system.

Pursuant to the "262 Savings Law", the CEO and the CFO are liable, under civil and criminal law, for any violation of the legal provisions. They are also responsible for subsidiaries defined by UniCredit S.p.A. within the group of consolidated companies.
Internal Audit performs independent and regular reviews of compliance with legal provisions and internal rules also in the area of accounting. The Head of Internal Audit reports directly to the Management Board and provides the Chairman of the Supervisory Board and the Audit Committee with quarterly reports.

Control environment
UniCredit S.p.A., the parent company of UniCredit Bank Austria AG, works to maintain effective communication and convey the corporate values defined in the Integrity Charter.
The Integrity Charter embodies the UniCredit Group's identity and is based on the following shared values: fairness, transparency, respect, reciprocity, freedom to act and trust.

The implementation of the internal control system in relation to the financial reporting process is also set out in the internal rules and regulations.

All accounting entries are made within the guidelines established in the Accounting Policy, and release follows defined instruction and control criteria. Appropriate processes have been implemented and are reviewed by Internal Audit on an ongoing basis.

Risk assessment
In connection with the "262 Saving Law", the responsible persons identified risks in relation to the financial reporting process and described them in detail using the method defined by UniCredit S.p.A. These risks are monitored on an ongoing basis and checked for up-to-dateness at least on a half-yearly basis. The focus is on those risks which are typically considered to be material.

To meet the "262 Saving Law" requirements, controls pursuant to the methodology used by UniCredit S.p.A. are required to be performed at least on a half-yearly basis (for full-year and half-year reporting). Such control evidence must be kept on file for 10 years by the person having process responsibility. Any controls that do not meet the relevant criteria are identified under this method and reported to management together with a proposal for a solution.

Controls
All controls are applied in the current business process to ensure that potential errors or deviations in financial reporting are prevented or detected and corrected. Coordination measures range from a management review of results for the various periods to specific reconciliation of accounts and the analysis of continuous accounting processes.

The levels of hierarchy are designed so that an activity and the control of that activity is not performed by the same person (four-eyes principle). In the course of the preparation of financial reports, the general ledger accounts are reconciled with business and front-end systems.

Management Report

IT security controls are a cornerstone of the internal control system. Defined IT controls are documented under the “262 Saving Law” and are audited by external auditors pursuant to the “International Standards for Assurance Engagements (ISAE) No. 3402”.

Information and communication

Management regularly updates rules and regulations for financial reporting and communicates them to all employees concerned.

Moreover, regular discussions on financial reporting and on the rules and regulations applicable in this context take place in various bodies and are repeatedly communicated to UniCredit Bank Austria AG. Employees in Financial Accounting receive regular training in new methods of international financial reporting in order to counteract risks of unintended misreporting at an early stage.

To perform monitoring and control functions with a view to proper financial accounting and reporting, extensive financial information is made available at key levels of the Bank. The Supervisory Board and Management Board shall receive relevant information and middle management shall also be provided with detailed reports.

Monitoring

As part of the implementation of the internal control system pursuant to the “262 Savings Law”, instruments were introduced to monitor the effectiveness of controls. In connection with the compulsory, half-yearly certification process for the preparation of the management report, the relevant responsible persons are required to carry out tests to check the up-to-dateness of descriptions and the effectiveness of controls. It must be ascertained whether the controls work according to their design and whether the persons who perform controls have the competence/authority and qualifications required to perform the controls effectively.

All relevant responsible persons shall confirm, by means of certification, that their processes are adequately documented, risks have been identified and controls have been evaluated with a view to deriving measures to minimise risk.

The Management Board of UniCredit Bank Austria AG receives the certifications of UniCredit Bank Austria AG and of the subsidiaries defined by UniCredit S.p.A. within the group of consolidated companies, in the form of a consolidated management report on a half-yearly basis, and provides UniCredit S.p.A. and the public with confirmation of the reliability and effectiveness of the internal control system pursuant to the “262 Savings Law” in the context of the financial statements for the first six months and the annual financial statements.

Management Report

Vienna, 18 February 2020

The Management Board

Robert Zadrazil
CEO
Chief Executive Officer
(Chairperson)

Gregor Hofstätter-Pobst
CFO Finance

Jürgen Kullnigg
CRO Risk Management

Mauro Maschio
Privatkundenbank

Günter Schubert
Corporate & Investment
Banking Division

Susanne Wendler
Unternehmerbank

Financial Statements of UniCredit Bank Austria AG

Balance Sheet of UniCredit Bank Austria AG

Assets

(€ thousand)

	31-12-2019	31-12-2018	CHANGE +/- '000 €	+/- %
1. Cash in hand, balances with central banks and postal giro offices	**6,307,067**	**5,184,254**	**1,122,813**	**21.7%**
2. Treasury bills and other bills eligible for refinancing at central banks	**10,694,087**	**10,101,916**	**592,171**	**5.9%**
a) treasury bills and similar securities	10,694,087	10,101,916	592,171	5.9%
b) other bills eligible for refinancing at central banks	-	-	-	-
3. Loans and advances to credit institutions	**8,042,208**	**10,382,002**	**(2,339,794)**	**-22.5%**
a) repayable on demand	837,222	704,754	132,468	18.8%
b) other loans and advances	7,204,986	9,677,247	(2,472,261)	-25.5%
4. Loans and advances to customers	**63,532,527**	**62,883,714**	**648,813**	**1.0%**
5. Bonds and other fixed-income securities	**4,071,524**	**3,205,763**	**865,761**	**27.0%**
a) issued by public borrowers	886,776	772,024	114,752	14.9%
b) issued by other borrowers	3,184,748	2,433,740	751,008	30.9%
of which: own bonds	273,761	232,894	40,867	17.5%
6. Shares and other variable-yield securities	**40,475**	**82,654**	**(42,179)**	**-51.0%**
7. Equity interests	**230,542**	**235,387**	**(4,845)**	**-2.1%**
of which: in credit institutions	167,403	177,378	(9,975)	-5.6%
8. Shares in group companies	**1,659,432**	**1,706,166**	**(46,734)**	**-2.7%**
of which: in credit institutions	276,635	256,635	20,000	7.8%
9. Intangible fixed assets	**2,380**	**2,660**	**(280)**	**-10.5%**
10. Tangible fixed assets	**195,735**	**215,414**	**(19,679)**	**-9.1%**
of which: land and buildings used by the credit institution for its own business operations	25,738	28,131	(2,393)	-8.5%
11. Shares in a controlling company or a company holding a majority interest	**-**	**-**	**-**	**-**
of which: par value	-	-	-	-
12. Other assets	**1,368,033**	**1,162,208**	**205,825**	**17.7%**
13. Subscribed capital called but not paid	**-**	**-**	**-**	-
14. Prepaid expenses	**149,169**	**175,681**	**(26,512)**	**-15.1%**
15. Deferred tax assets	**597,711**	**496,108**	**101,603**	**20.5%**
TOTAL ASSETS	**96,890,890**	**95,833,927**	**1,056,963**	**1.1%**

Financial Statements of UniCredit Bank Austria AG

Liabilities and Shareholders' Equity

(€ thousand)

	31-12-2019	31-12-2018	CHANGE +/- '000 €	+/- %
1. Amounts owed to credit institutions	**18,212,249**	**18,402,327**	**(190,078)**	**-1.0%**
a) repayable on demand	4,714,855	4,825,279	(110,424)	-2.3%
b) with agreed maturity dates or periods of notice	13,497,394	13,577,048	(79,654)	-0.6%
2. Amounts owed to customers	**54,176,843**	**52,932,766**	**1,244,077**	**2.4%**
a) savings deposits	14,941,225	15,197,677	(256,452)	-1.7%
aa) repayable on demand	7,971,567	12,484,216	(4,512,649)	-36.1%
bb) with agreed maturity dates or periods of notice	6,969,658	2,713,461	4,256,197	156.9%
b) other liabilities	39,235,618	37,735,089	1,500,529	4.0%
aa) repayable on demand	30,916,584	29,072,398	1,844,186	6.3%
bb) with agreed maturity dates or periods of notice	8,319,034	8,662,691	(343,657)	-4.0%
3. Debts evidenced by certificates	**11,020,284**	**11,383,890**	**(363,606)**	**-3.2%**
a) bonds issued	8,907,416	9,466,795	(559,379)	-5.9%
b) other debts evidenced by certificates	2,112,868	1,917,095	195,773	10.2%
4. Other liabilities	**1,812,806**	**1,419,843**	**392,963**	**27.7%**
5. Deferred income	**29,551**	**27,469**	**2,082**	**7.6%**
6. Provisions	**4,684,232**	**4,519,442**	**164,790**	**3.6%**
a) provisions for severance payments	313,559	280,021	33,538	12.0%
b) pension provisions	3,653,654	3,442,279	211,375	6.1%
c) provisions for taxes	45,657	45,458	199	0.4%
d) other	671,363	751,684	(80,321)	-10.7%
6a. Special fund for general banking risks	**-**	**-**	**-**	**-**
7. Tier 2 capital pursuant to Chapter 4 of Title I of Part Two of Regulation (EU) No 575 /2013	**979,408**	**1,013,392**	**(33,984)**	**-3.4%**
8. Additional Tier 1 capital pursuant to Chapter 3 of Title I of Part Two of Regulation (EU) No 575 /2013	**-**	**-**	**-**	**-**
of which: Contingent convertible bonds pursuant to Section 26 of the Austrian Banking Act	-	-	-	-
8b. Instruments without voting right pursuant to Section 26a of the Austrian Banking Act	**-**	**-**	**-**	**-**
9. Subscribed capital	**1,681,034**	**1,681,034**	**-**	**-**
10. Capital reserves	**1,876,354**	**1,876,354**	**-**	**-**
a) subject to legal restrictions	876,354	876,354	-	-
b) other	1,000,000	1,000,000	-	-
11. Revenue reserves	**244,203**	**244,203**	**-**	**-**
a) for own shares and shares in a controlling company	-	-	-	-
b) statutory reserve	-	-	-	-
c) reserves provided for by the bye-laws	-	-	-	-
d) other reserves	244,203	244,203	-	-
12. Reserve pursuant to Section 57 (5) of the Austrian Banking Act (BWG)	**2,129,748**	**2,129,748**	**-**	**-**
13. Accumulated profit/loss	**44,177**	**203,459**	**(159,282)**	**-78.3%**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**96,890,890**	**95,833,927**	**1,056,963**	**1.1%**

Financial Statements of UniCredit Bank Austria AG

Items shown below the Balance Sheet

Assets

(€ thousand)€)

	31-12-2019	31-12-2018	CHANGE +/- '000 €	+/- %
1. Foreign assets	**29,091,012**	**28,469,452**	**621,560**	**2.2%**

Liabilities and Shareholders' Equity

(€ thousand)

	31-12-2019	31-12-2018	CHANGE +/- '000 €	+/- %
1. Contingent liabilities	**11,883,570**	**10,721,592**	**1,161,978**	**10.8%**
of which:	-	-	-	0.0
a) acceptances and endorsements	-	-	-	0.0
b) guarantees and assets pledged as collateral security	11,883,570	10,721,592	1,161,978	10.8%
2. Commitments	**10,997,072**	**12,981,093**	**(1,984,021)**	**-15.3%**
of which: commitments arising from repurchase agreements	-	-	-	-
3. Liabilities arising from transactions on a trust basis	**-**	**-**	**-**	**-**
4. Eligible capital pursuant to Part Two of Regulation (EU) No 575 /2013	**6,139,181**	**6,324,308**	**(185,127)**	**-2.9%**
of which: Tier 2 capital pursuant to Chapter 4 of Title I of Part Two of Regulation (EU) No 575 /2013	898,328	979,586	(81,258)	-8.3%
5. Capital requirements pursuant to Article 92 of Regulation (EU) No 575 /2013	**31,602,985**	**32,782,295**	**(1,179,310)**	**-3.6%**
of which: capital requirements pursuant to points (a) to (c) of Article 92 (1) of Regulation (EU) No 575 /2013	-	-	-	-
a) Common Equity Tier 1 capital ratio	16.58%	16.30%		
b) Tier 1 capital ratio	16.58%	16.30%		
c) Total capital ratio	19.43%	19.29%		
6. Foreign liabilities	**10,578,992**	**12,513,783**	**(1,934,791)**	**-15.5%**

Profit and Loss Account

Profit and Loss Account for the year ended 31 December 2019

Profit and Loss Account for the year ended 31 December 2019

(€ thousand)

	2019	2018	CHANGE +/- '000 €	+/- %
1. Interest and similar income	**1,388,770**	**1,607,051**	**(218,281)**	**-13.6%**
of which: from fixed-income securities	160,109	184,284	(24,175)	-13.1%
2. Interest and similar expenses	**(538,248)**	**(730,565)**	**192,317**	**-26.3%**
I. NET INTEREST INCOME	**850,522**	**876,486**	**(25,964)**	**-3.0%**
3. Income from securities and equity interests	**245,011**	**232,636**	**12,375**	**5.3%**
a) income from shares, other ownership interests and variable-yield	1,072	308	764	>100%
b) income from equity interests	13,157	14,173	(1,016)	-7.2%
c) income from shares in group companies	230,782	218,154	12,628	5.8%
Net fee and commission income (sub-total of items 4 and 5)	**482,572**	**507,569**	**(24,997)**	**-4.9%**
4. Fee and commission income	**609,286**	**626,941**	**(17,655)**	**-2.8%**
5. Fee and commission expenses	**(126,713)**	**(119,372)**	**(7,341)**	**6.1%**
6. Net profit / loss on trading activities	**69,529**	**70,049**	**(520)**	**-0.7%**
7. Other operating income	**131,714**	**65,306**	**66,408**	**>100%**
II. OPERATING INCOME	**1,779,348**	**1,752,044**	**27,304**	**1.6%**
8. General administrative expenses	**(1,592,586)**	**(1,326,243)**	**(266,343)**	**20.1%**
a) staff costs	(1,119,164)	(815,384)	(303,780)	37.3%
wages and salaries	(489,924)	(343,514)	(146,410)	42.6%
expenses for statutory social-security contributions and compulsory contributions related to wages and salaries	(82,453)	(84,432)	1,979	-2.3%
other employee benefits	(6,966)	(10,371)	3,405	-32.8%
expenses for retirement benefits	(273,961)	(204,986)	(68,975)	33.6%
allocation to the pension provision	(211,231)	(153,219)	(58,012)	37.9%
expenses for severance payments and payments to severance-payment funds	(54,629)	(18,863)	(35,766)	>100%
b) other administrative expenses	(473,422)	(510,859)	37,437	-7.3%
9. Depreciation and amortisation of asset items 9 and 10	**(27,586)**	**(26,758)**	**(828)**	**3.1%**
10. Other operating expenses	**(90,348)**	**(112,949)**	**22,601**	**-20.0%**
III. OPERATING EXPENSES	**(1,710,521)**	**(1,465,950)**	**(244,571)**	**16.7%**
IV. OPERATING RESULTS	**68,827**	**286,094**	**(217,267)**	**-75.9%**

Profit and Loss Account

(€ thousand)

	2019	2018	CHANGE +/- '000 €	CHANGE +/- %
11./12. Net income/expenses from the disposal and valuation of loans and advances, securities as well as contingent liabilities and commitments	(41,352)	52,492	(93,844)	>100%
13./14. Net income/expenses from the disposal and valuation of securities valued as financial fixed assets, and of shares in group companies and equity interests	(44,722)	(111,882)	67,160	-60.0%
V. RESULTS FROM ORDINARY BUSINESS ACTIVITIES	(17,246)	226,704	(243,950)	>100%
15. Extraordinary income	-	-	-	-
of which: releases from the special fund for general banking risks	-	-	-	-
16. Extraordinary expenses	-	-	-	-
of which: allocations to the special fund for general banking risks	-	-	-	-
17. Extraordinary results (sub-total of items 15 and 16)	-	-	-	-
18. Taxes on income	120,384	29,163	91,221	>100%
19. Other taxes not included under item 18	(61,252)	(53,674)	(7,578)	14.1%
VI. ANNUAL SURPLUS/ANNUAL DEFICIT	41,887	202,193	(160,306)	-79.3%
20. Movements in reserves	-	6	(6)	>100%
VII. PROFIT/LOSS FOR THE YEAR	41,887	202,193	(160,306)	-79.3%
21. Profit / loss brought forward from previous year	2,290	1,266	1,024	80.9%
VIII. ACCUMULATED PROFIT/LOSS	44,177	203,459	(159,282)	-78.3%

Notes to the Financial Statements

Notes to the Financial Statements

Notes to the Financial Statements

1. General information

The financial statements of UniCredit Bank Austria AG for the 2019 financial year were prepared pursuant to the provisions of the Austrian Business Code (*Unternehmensgesetzbuch* – UGB) in its currently applicable version and in compliance with the rules of the Austrian Banking Act (Bankwesengesetz – BWG) and the Austrian Joint Stock Companies Act (*Aktiengesetz* – AktG) that are applicable to credit institutions. The formats of the balance sheet and of the profit and loss account comply with the forms in Annex 2 to Section 43 of the Austrian Banking Act.

The disclosure in the balance sheet items "Loans and receivables with banks" or "Loans and receivables with customers" as well as "Deposits from banks" or "Deposits from customers" is due to technical and procedural reasons, as well as for better comparability with the consolidated financial statements of the BA Group according to the provisions of CRR 575/2013.

As securities issued by UniCredit Bank Austria AG are admitted to trading on a regulated exchange in the European Union, UniCredit Bank Austria AG prepares its consolidated financial statements as a credit institution in accordance with International Financial Reporting Standards (IFRSs). The consolidated financial statements are published on the Internet (**www.bankaustria.at**).

UniCredit Bank Austria AG is a subsidiary included in the consolidated financial statements of UniCredit S.p.A.

The consolidated financial statements prepared by the Group's parent company are published at the following address: UniCredit S.p.A, registered office: Piazza Gae Aulenti 3 – Tower A – 20154 Milan, Italy. They are published on the Internet at **www.unicreditgroup.eu.**

Disclosure ("Pillar 3") according to Regulation (EU) No 575/2013 ("CRR")

UniCredit Bank Austria AG is a part of UniCredit Group. The EU parent credit institution of UniCredit Group is UniCredit S.p.A.

Within UniCredit Group, a comprehensive disclosure is carried out by UniCredit S.p.A. on its website, based on the consolidated financial position (**www.unicreditgroup.eu**). The Austrian Financial Market Authority ("FMA") classified UniCredit Bank Austria AG as a significant subsidiary within the meaning of Article 13 of the CRR and UniCredit Bank Austria AG fulfils its disclosure requirements on a sub-consolidated basis.
Disclosure is made quarterly with data as of 31 March, 30 June, 30 September and 31 December on the website of UniCredit Bank Austria AG (www.bankaustria.at).

Size classification pursuant to Section 221 of the Austrian Business Code

According to the size classification pursuant to Section 221 of the Austrian Business Code, UniCredit Bank Austria AG is classified as a large company.

Non-financial report

The information in accordance with Section 243b UGB is published by UniCredit S.p.A. It is published online at (www.unicreditgroup.eu) in the Integrated Report.

2. Accounting and valuation methods

2.1. General rule

The financial statements were prepared on the basis of generally accepted accounting principles and in compliance with the general requirement of giving a true and fair view of the company's assets and liabilities, its financial position and results. Assets and liabilities were valued in accordance with the principle of individual valuation on a going concern basis. The principle of prudence was observed with due regard to the special characteristics of banking business operations..

2.2. Accounting and valuation methods

2.2.1. Foreign currency translation

Assets and liabilities denominated in foreign currencies were stated in the balance sheet at the European Central Bank's reference rates as at 31 December 2019. Expenses and income in foreign currencies were translated at the ECB's end-of-month reference rates. Forward transactions that had not been settled at the balance sheet date were translated at the forward rate.

Notes to the Financial Statements

2.2.2. Fair Value

In UniCredit Bank Austria AG, financial instruments measured at fair value and stated at their fair values in the balance sheet are primarily measured at market value.

If it is not possible readily to determine the market value of financial instruments as a whole, the market value will be derived from the market values of the components of the financial instrument or from the market value of a financial instrument that is substantially the same. If a reliable market value cannot be readily determined, generally recognised valuation models and techniques will be used to determine the value if such models and techniques ensure a reasonable approximation of the market value.

2.2.3. Loans and advances

On the basis of the joint position paper of the AFRAC and the FMA of September 2017, UniCredit Bank Austria AG applies the IFRS 9 Credit risk provisioning model, also under company law. For loans and receivables for which no significant deterioration in credit risk has yet occurred (Level 1), a general value adjustment is made on the basis of the 12-month credit loss (1 year ECL). In the case of loans and receivables for which the credit risk has increased significantly since initial recognition (Levels 2 and 3), the value adjustment is calculated on the basis of a credit loss in the amount of the credit loss expected over the term (Lifetime ECL).

Provisioning process

UniCredit Bank Austria AG applies the following 3 methods:

- Value adjustment for performing assets on the basis of statistically expected loan losses
- Specific write-downs for non-performing assets
- Portfolio-based specific write-downs for non-performing assets

Value adjustment for performing assets

Level 1 and Level 2 (performing portfolio)
This value adjustment logic provides 2 levels for the living portfolio. The decisive factor for classification to Level 1 or Level 2 is the assessment of whether or not a significant increase in risk has become discernible since the initial recognition of the lending business. The classification as well as the calculation of the value adjustment is made in this case at the transaction level.
The loss is estimated on the basis of expected loss – determined using the parameters of PD (Probability of Default), EAD (Exposure at Default) and LGD (Loss Given Default). Level 1 differs from Level 2 to the extent that for Level 2 instead of a one-year loss scenario, the loss estimation is based on the remaining term of the loan.

Impairment for non-performing assets

Level 3 (non-performing portfolio)
Level 3 is assigned to the defaulted portfolio, the non-performing assets. Impairments are formed at customer level as follows, depending on the amount of the customer advances:

Specific write-downs

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

Portfolio-based specific provisioning method

UniCredit Bank Austria AG applies a parameter-based method for the calculation of a flat-rate individual value adjustment ("Pauschale Einzelwertberichtigung" – PEWB) for defaulted assets grouped by similar credit risk characteristics and with no significant exposure (lower than €2 million) at the GCC (group of connected customers) level. Upon the decision of the reorganisation management, customers belonging to a GCC of over 2 million can be assigned to this method, as long as the individual customer obligation does not exceed €1 million. Depending on the customer segment, the amount of the exposure and collateral, the rating and the duration of the default, the impairment requirement is automatically calculated and posted. The parameters used to calculate the loss rate are re-estimated and back-tested annually.

Notes to the Financial Statements

2.2.4. Securities

Securities intended to be held as long-term investments were valued at cost. Use was made of the optional rule contained in Section 56 (2) and (3) of the Austrian Banking Act (spreading premiums/discounts in the profit and loss account over the period to maturity). The relevant amounts of premiums and discounts are indicated in item 4 of the notes to the balance sheet (4.7. Differences between cost and repayable amount of bonds and other fixed-income securities).

Securities held in the trading book were stated at fair value. Other securities held as current assets were valued at cost or market, whichever was lower. Own issues that were repurchased were stated in the balance sheet at average cost. Details are given in item 4 of the notes to the balance sheet (4.8. Differences between cost and market value of securities admitted to trading on an exchange which are not held as financial fixed assets).

2.2.5. Equity interests and shares in group companies

Equity interests and shares in group companies were stated at cost. In the case of a permanent decline in value, write-downs are made in respect of listed and unlisted companies. If the reasons for previous write-downs are no longer applicable, a write-up is made in the amount of the increase in value, taking historical cost into account.

Impairment test

The impairment test of shares in group companies and associated companies was based on a Discounted Cash Flow Valuation Model (3-phase model)::

- Phase 1 – planning period (2020-2022):

The 2020 budget figures for net profit and risk-weighted assets were used for 2020, and currently available multi-year planning figures were used for subsequent years.

Phase 2 (2023-2027):
Within this stage, the return on equity converges against the cost of capital.

Phase 3 – perpetual annuity:
Calculation of the present value of a perpetual annuity on the assumption of a long-term growth rate which takes the sustained long-term economic growth expected by UniCredit Bank Austria AG for the euro area into account (unchanged compared to previous year at 2%).

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

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

As the parameters and data used to test carrying amounts for impairment are significantly influenced by the overall economic environment and by market conditions, which may be subject to rapid unpredictable changes, the results of future impairment tests may differ from those which were used for the 2019 financial statements.

2.2.6. Intangible assets

As at 31 December 2019, UniCredit Bank Austria AG reported a goodwill figure of €2,380,000 (previous year: 2,660), which is amortised over a period of 10 years. No other intangible assets were reported in the year under review..

2.2.7. Tangible fixed assets

Land, buildings and office furniture and equipment were stated at cost. The rate of depreciation applied to buildings was between 2% p.a. and 5% p.a. and for furniture and equipment between 10% p.a. and 25% p.a, in line with their ordinary useful lives.

2.2.8. Low-value assets

Low-value assets were fully depreciated in the year of acquisition.

Notes to the Financial Statements

2.2.9. Derivatives

UniCredit Bank Austria AG uses derivatives for interest rate management in the banking book to hedge securities held as assets, loans and advances as well as securitised and unsecuritised liabilities against interest rate risk and currency risk. The bank uses primarily interest rate swaps, caps and floors as hedges.
The bank forms micro and macro valuation units, with non-linear derivatives always being added up as micro valuation units.

Derivatives used for interest rate management in macro valuation units

In line with the relevant FMA circular of December 2012, functional units were formed, on the basis of the relevant currencies, for derivatives used for interest rate risk management in the banking book. Positive and negative market values are offset within these functional units. UniCredit Bank Austria AG also includes cross-currency swaps in derivatives used for interest rate risk management.
UniCredit Bank Austria AG may enter into open interest rate risk positions in the banking book only within narrow limits. Most of the derivatives for interest rate risk management are therefore used as part of a macro hedge.

An excess of negative market values per functional unit is therefore compared with the items hedged by these derivatives and is offset against unrecognised reserves from interest rate risk assessment.

Hedge effectiveness is tested retrospectively.

(€ million)

	CLEAN MARKET VALUES OF DERIVATIVES, NET AMOUNTS 31-12-2019	CLEAN MARKET VALUES OF DERIVATIVES, NET AMOUNTS 31-12-2018	OFFSETTING HIDDEN RESERVES FROM ITEMS UNDER A MACRO HEDGE 2019	PROVISION FOR PENDING LOSSES 31-12-2019	PROVISION FOR PENDING LOSSES 31-12-2018	CHANGE IN PROVISION FOR PENDING LOSSES IN 2019	LONGEST TERM OF DERIVATIVES 2019
EUR	(133.9)	9.8	3,251.0	-	-	-	30-09-2055
CHF	56.9	49.0	524.6	-	-	-	15-06-2031
CZK	0.0	2.3	1.7	-	-	-	31-03-2026
JPY	0.3	0.1	336.3	-	-	-	15-02-2024
PLN	(0.2)	(2.3)	0.3	-	(1.5)	1.5	19-12-2020
RON	(1.1)	(0.2)	3.8	-	(0.2)	0.2	30-09-2023
RUB	(0.0)	0.1	nicht relevant	-	-	-	09-01-2020
TRY	0.0	(0.5)	0.1	-	(0.4)	0.4	02-01-2020
USD	(23.2)	(36.4)	113.0	-	-	-	15-12-2032
	(101.2)	**21.9**		**0.0**	**(2.1)**	**2.1**	

For all macro valuation units, the hidden reserves exceed the negative surpluses of the related derivative market values. Therefore, the provision for contingent losses from these valuation units was able to be released, apart from an insignificant amount.

Effectiveness is tested regularly as part of interest rate risk management on the basis of interest rate sensitivities (present value-based, basis point value). Moreover, regular stress tests are performed for the banking book as part of interest rate management; in addition to parallel shifts in the yield curve, yield curve turns (clockwise and counter-clockwise) and money market shocks are also simulated.

Regardless of whether a provision is to be made for pending losses, accrued interest on derivatives for interest rate management in the banking book continues to be recognised and the result is included in net interest income.

Derivatives used for interest rate management in micro valuation units

As critical parameters of the micro valuation units largely match, UniCredit Bank Austria AG uses critical-term matches in prospective tests of effectiveness while retrospective measurements of effectiveness are reviewed on a monthly basis using the dollar offset method on a monthly basis.

With regard to hedging at an individual level (micro-valuation units), the values of the derivatives used relevant to the auditing of the impending loss totalled EUR 381,660,851.95 at the end of the reporting period (2018: €379,131 thousand). Of this figure, EUR 367,739,589.96 (2018: 404,334 thousand) relates to hedging instruments for the aforementioned underlying transactions on the liabilities side. With regard to the aforementioned underlying transactions on the assets side, the netted values of the hedging instruments amount to EUR 13,921,261.99 (2018: -25,204 thousand).

Notes to the Financial Statements

TYPE OF MICRO VALUATION UNIT	SIDE OF BALANCE SHEET	TYPE OF UNDERLYING	VALUE IN €	LONGEST TERM OF DERIVATIVES
Cash Flow	Assets	Securities	(6,349,111.08)	20-12-2022
Cash Flow	Liabilities	Securities	19,519.98	11-12-2020
Fair Value	Assets	Loans to customers	(100,970.44)	31-12-2021
Fair Value	Assets	Securities	20,371,343.51	31-07-2033
Fair Value	Liabilities	Money Market	47,542,111.60	15-12-2046
Fair Value	Liabilities	Securities	320,177,958.38	03-01-2042
TOTAL			**381,660,852.00**	

The required provision for impending losses as at 31 December 2019 comprises of the following for all currencies:

(Tsd €)

ART DER BEWERTUNGSEINHEIT	DROHVERLUST-RÜCKSTELLUNG 31.12.2019	DROHVERLUST-RÜCKSTELLUNG 31.12.2018	VERÄNDERUNG DROHVERLUST-RÜCKSTELLUNG IM JAHR 2019
Makro-Bewertungseinheiten	(30)	(2,152)	2,122
Mikro-Bewertungseinheiten	(1,062)	(353)	(709)
Stand-alone-Derivate	-	-	-
SUMME	**(1,092)**	**(2,505)**	**1,413**

The provisioning requirement listed in the aforementioned table includes the interest-related current value components incorporated into the hedging relationship, both for the macro-valuation units as well as for the micro-valuation units. The value adjustments in the interest management derivatives can primarily be attributed to adjustments in the interest rate level during the reporting period. The hedging period extends in principle from the start of the hedging relationship to the final maturity date of the respective underlying transaction.

2.2.10. Liabilities

Liabilities were stated in the balance sheet at the settlement amount. Premiums and discounts in connection with own issues are spread over the period to maturity. Capital savings books ("Kapitalsparbücher") were carried at the respective pro rata annual value.

2.2.11. Provisions

Provisions were recognised at the settlement amount using the best estimate. If necessary, long-term provisions are discounted using a customary market rate.

Long-term benefits payable to former employees

The provision for long-term benefits payable to former employees is calculated according to the actuarial methods pursuant to IAS 19.

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

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

Defined-contribution plans are plans under which the company makes fixed contributions. Benefits are the result of the amount of contributions paid and return on contributions invested. Under this type of plan, no actuarial or investment risks are borne by the employer.

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

Under a commitment to provide defined benefits, UniCredit Bank Austria AG continues to recognise a pension provision for the entitlements of employees who retired before the pension reform which became effective on 31 December 1999, and – as a special feature of UniCredit Bank Austria AG's staff regulations – for the future benefits, equivalent to those under mandatory insurance, earned by pensioners for whom UniCredit Bank Austria AG has assumed the obligations of a pension insurance provider pursuant to Section 5 of the Austrian General Social Insurance Act (ASVG) if these persons signed a pension agreement no later than 29 February 2016 and if they have left the company to retire by 31 December 2016.

Notes to the Financial Statements

Provisions for pensions and similar obligations increased by €244.9 million to a total of €3,967.2 million in the reporting year (thereof provisions for pensions €3,653.7 million).

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

- Actuarial interest rate: 1.00% p.a. (2018: 1.85% p.a.)
  The interest rate was determined in 2019 based on the DBO cash flows determined by Mercer. This interest rate is within the acceptance range of the interest rate according to the Mercer Yield Curve (MYC) as at 31 December 2019 (weighted duration for pension, severance compensation and service anniversary bonus obligations): 13.0 years).
- Pension increase (Bank Austria ASVG): 1.53% p.a. (2018: 1.40% p.a.)
- Pension increase (others): 2.08% p.a. (2018: 2.05% p.a.)
- No discount for staff turnover
- AVÖ-2018-P statistical tables of Aktuarverein Österreich [Austrian Actuarial Association] (life-expectancy tables for salaried staff) (2018: AVÖ-2018 P for employees)

(Thousand €)

	2019		2018	
	PENSION	SEVERANCE PAYMENT	PENSION	SEVERANCE PAYMENT
Discount rate	1.00%	1.00%	1.85%	1.85%
Salary increase incl. career trends	2.25%	2.25%	2.30%	2.30%
Pension increase (Bank Austria ASVG)	1.53%	n.a.	1.40%	n.a.
Pension increase (others)	2.08%	n.a.	2.05%	n.a.
Present value of the obligation as at 31 December 2019	3,654	314	3,442	280
Expected present value as at 31 December 2020	3,507	299	3,311	271
Sensitivity *) – discount rate +/–	0.25%	0.25%	0.25%	0.25%
Discount rate –	3,779	321	3,553	286
Discount rate +	3,535	307	3,337	274
Sensitivity *) – salary increase +/–	0.25%	0.25%	0.25%	0.25%
Salary increase rate –	3,654	307	3,442	274
Salary increase rate +	3,654	320	3,442	286
Sensitivity *) – pension increase +/–	0.25%	-	0.25%	-
Pension increase rate –	3,536	-	3,337	-
Pension increase rate +	3,778	-	3,553	-
Duration	13.46	8.82	12.74	8.86
Active employees	-	5,487	2	5,603
Average age	-	46.73	58.54	46.53
Retired employees	5,299	-	6,354	-
Average age	73.29	-	73.23	-

*) Sensitivity data reflect the total amount of the obligation upon a change in the parameter.

Legal risks

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

Notes to the Financial Statements

3. Changes in accounting policies and reclassification

Gegenüber dem Vorjahr wurden keine Änderungen der Bewertungsmethoden vorgenommen.

4. Notes to the balance sheet

4.1. Breakdown by maturity – not repayable on demand

Breakdown by maturity

	31-12-2019 (in €)	31-12-2018 (in thousand €)
Loans and advances to credit institutions		
up to three months	3,043,380,265.36	3,373,533 €
over three months and up to one year	3,192,190,610.18	4,706,522 €
over one year and up to five years	348,191,786.49	781,022 €
over five years	621,223,737.31	816,170 €
Loans and advances to customers		
up to three months	4,078,410,429.11	4,126,757 €
over three months and up to one year	2,841,736,686.89	2,596,371 €
over one year and up to five years	14,670,677,798.24	15,513,116 €
over five years	34,882,942,839.19	34,057,521 €
Amounts owed to credit institutions		
up to three months	2,974,147,427.66	3,098,199 €
over three months and up to one year	1,397,604,390.71	698,723 €
over one year and up to five years	5,465,629,982.96	6,042,806 €
over five years	3,660,012,246.36	3,737,321 €
Amounts owed to customers		
a) Savings deposits *)	-	0.00
up to three months	319,650,662.89	387,938 €
over three months and up to one year	1,252,015,710.12	1,148,845 €
over one year and up to five years	1,570,832,611.99	284,198 €
over five years	3,827,159,030.75	892,481 €
b) Other amounts owed to customers	-	- €
up to three months	5,143,857,609.48	4,747,903 €
over three months and up to one year	1,770,762,592.20	2,347,964 €
over one year and up to five years	707,679,553.34	847,589 €
over five years	696,734,179.91	719,234 €
Other debts evidenced by certificates		
up to three months	72,204,342.00	44,718 €
over three months and up to one year	148,527,254.00	4,015 €
over one year and up to five years	778,878,050.00	489,719 €
over five years	1,113,257,948.00	1,378,643 €

*) For savings deposits, the expected holding period was used as the remaining period. Recognised statistical methods were used for the calculation.

Notes to the Financial Statements

4.2. Assets and liabilities denominated in foreign currencies

The total amount of foreign currency assets amounted to € 10,463,833,112.90 at the end of the year, or 10.80% of the balance sheet total (31/12/2018): € 10,063,974 thousand or 10.50 % of the balance sheet total). Foreign currency liabilities reached € 10,539,475,940.88 or 10.88% of the balance sheet total (31/12/2018: € 10,139,617 thousand or 10.58% of the balance sheet total).

4.3. Loans and advances to, and amounts owed to, group companies and companies in which an equity interest is held.

	GROUP COMPANIES		COMPANIES IN WHICH AN EQUITY INTEREST IS HELD		KEY MANAGEMENT PERSONNEL	
	31.12.2019 (IN €)	31.12.2018 (IN THOUSAND €)	31.12.2019 (IN €)	31.12.2018 (IN THOUSAND €)	31.12.2019 (IN €)	31.12.2018 (IN THOUSAND €)
Loans and advances						
Loans and advances to credit institutions	2,373,858,176.40	4,302,558	31,694,214.54	417,806	-	-
Loans and advances to customers	3,728,374,608.70	4,040,501	298,694,283.68	301,925	2,064,094.24	1,663
Bonds and other fixed-income securities	415,405,334.91	386,554	98,990,134.69	68,855	-	-
Shares and other variable-yield securities	12,235,674.88	49,412	-	3,052	-	-
Amounts owed						
Amounts owed to credit institutions	4,682,760,586.78	5,626,027	7,486,595,029.66	7,118,509	-	-
Amounts owed to customers	1,088,456,119.88	1,255,307	1,596,987,255.79	1,299,643	2,439,417.57	11,066
Debts evidenced by certificates	699,014,790.83	171,132	-	-	-	-
Tier 2 capital	30,522.59	3,762	-	-	-	-

Notes to the Financial Statements

4.4. Group companies and companies in which an equity interest is held

Those companies in which UniCredit Bank Austria AG holds at least 20% of the share capital – directly or through group companies – are listed in the following tables pursuant to Section 238 (1) 4 of the Austrian Business Code. Business relations with group companies were customary banking relationships. Equity capital substitutes were used for some financings.

Shares in group companies (consolidated)

NAME AND DOMICILE OF COMPANY	TOTAL INTEREST IN %	EQUITY (IN €)	NET INCOME/LOSS (IN €)	TOTAL ASSETS (IN €)	BALANCE SHEET DATE
AI Beteiligungs GmbH, Vienna, AT	100.00	376,169.00	(22,092.00)	379,167.00	31.12.2019[2])
Alpine Cayman Islands Ltd., George Town, Grand Cayman, KY	100.00	1,830,113.00	175,812.00	398,445,601.00	31.12.2019[2])
BA Alpine Holdings, Inc., Wilmington County, New Castle, US	100.00	8,979,612.00	521,487.00	9,032,979.00	31.12.2019[2])
BA Betriebsobjekte GmbH, Vienna, AT	100.00	12,662,459.00	(160,818.00)	14,060,775.00	31.12.2019[2])
BA GVG-Holding GmbH, Vienna, AT	100.00	1,331,722.00	25,847.00	1,349,520.00	31.12.2019[2])
BA-CA Markets & Investment Beteiligung Ges.m.b.H., Vienna, AT[1)]	100.00	32,218,876.00	1,112,692.00	32,241,675.00	31.12.2019[2])
BA-CA Wien Mitte Holding GmbH, Vienna, AT	100.00	2,407,769.00	2,152,517.00	3,985,357.00	31.12.2019[2])
Bank Austria Finanzservice GmbH, Vienna, AT	100.00	5,745,221.00	2,201,149.00	8,483,616.00	31.12.2019[2])
Bank Austria Real Invest Immobilien-Management GmbH, Vienna, AT[1)]	94.95	110,728,323.00	16,574,518.00	124,701,056.00	31.12.2019[2])
Bank Austria Wohnbaubank AG, Vienna, AT[1)]	100.00	53,332,973.00	243,485.00	153,586,809.00	31.12.2019[2])
CABET-Holding GmbH, Vienna, AT[1)]	100.00	738,755,949.00	21,015,544.00	752,109,277.00	31.12.2019[2])
card complete Service Bank AG, Vienna, AT	50.10	57,991,535.00	13,112,248.00	663,873,770.00	31.12.2019[2])
Cards & Systems EDV-Dienstleistungs GmbH, Vienna, AT	55.00	5,068,104.00	(2,604,656.00)	6,528,227.00	31.12.2019[2])
FactorBank Aktiengesellschaft, Vienna, AT	100.00	90,510,511.00	4,538,136.00	785,909,216.00	31.12.2019[2])
Human Resources Service and Development GmbH, Vienna, AT[1)]	100.00	(17,315.00)	5,619.00	785,500.00	31.12.2019[2])
Immobilien Holding GmbH, Vienna, AT	100.00	47,513,930.00	12,198,258.00	68,858,626.00	31.12.2019[2])
Immobilien Rating GmbH, Vienna, AT	99.00	1,157,898.00	164,667.00	2,087,468.00	31.12.2019[2])
Kaiserwasser Bau- und Errichtungs GmbH und Co OG, Vienna, AT	99.80	5,479,251.00	363,373.00	21,429,850.00	31.12.2019[2])
Paytria Unternehmensbeteiligungen GmbH, Vienna, AT	100.00	532,464.00	(17,162.00)	534,771.00	31.12.2019[2])
POLLUX Immobilien GmbH, Vienna, AT	100.00	48,056,644.00	1,926,174.00	57,008,124.00	31.12.2019[2])
Schoellerbank Aktiengesellschaft, Vienna, AT	100.00	200,521,169.00	15,300,390.00	3,940,908,874.00	31.12.2019[2])
UniCredit Center am Kaiserwasser GmbH, Vienna, AT	100.00	(81,271.00)	(95,017.00)	16,627,767.00	31.12.2019[2])
UniCredit Leasing (Austria) GmbH, Vienna, AT	100.00	128,506,772.00	4,529,184.00	667,407,168.00	31.12.2019[2])
UNIVERSALE International Realitäten GmbH, Vienna, AT	100.00	294,421,939.00	11,480,122.00	298,244,843.00	31.12.2019[2])

Notes to the Financial Statements

Interests in companies accounted for under the equity method

NAME AND DOMICILE OF COMPANY	TOTAL INTEREST IN %	EQUITY (IN €)	NET INCOME/LOSS (IN €)	TOTAL ASSETS (IN €)	BALANCE SHEET DATE
Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck, AT	47.38	1,682,049,500.00	118,364,000.00	12,137,366,000.00	30.09.2019²)
BKS Bank AG, Klagenfurt, AT	29.78	1,281,846,000.00	88,203,000.00	8,795,376,000.00	30.09.2019²)
NOTARTREUHANDBANK AG, Vienna, AT	25.00	39,935,635.00	6,579,662.00	2,560,549,719.00	30.09.2019²)
Oberbank AG, Linz, AT	27.17	2,945,520,000.00	238,863,000.00	22,924,276,000.00	30.09.2019²)
Oesterreichische Kontrollbank Aktiengesellschaft, Vienna, AT	49.15	815,899,599.00	47,696,200.00	32,513,339,000.00	30.09.2019²)
Österreichische Wertpapierdaten Service GmbH, Vienna, AT	29.30	202,781.00	41,256.00	5,523,048.00	31.12.2018²)
PSA Payment Services Austria GmbH, Vienna, AT	24.00	27,084,919.00	6,562,734.00	168,301,193.00	31.12.2018²)
WKBG Wiener Kreditbürgschafts- und Beteiligungsbank AG, Vienna, AT	21.54	28,488,976.00	(319,524.00)	32,775,407.00	31.12.2018²)

Unconsolidated companies

NAME AND DOMICILE OF COMPANY	TOTAL INTEREST IN %	EQUITY (IN €)	NET INCOME/LOSS (IN €)	TOTAL ASSETS (IN €)	BALANCE SHEET DATE
A) Group companies					
Alfa Holding Ingatlanszolgáltató Korlátolt Felelösségü Társaság "végelszámolás alatt", Györ, HU	95.00	(19,224.00)	(1,697.00)	699.00	31-12-2018
RAMSES-Immobilienholding GmbH, Vienna, AT	100.00	58,931.00	31,269.00	61,787.00	31-12-2018
Real(e)value Immobilien BewertungsGmbH, Vienna, AT	100.00	941,761.00	72,956.00	1,108,834.00	31-12-2018
RE-St.Marx Holding GmbH, Vienna, AT1)	100.00	20,955.00	47,116.00	2,102,986.00	31-12-2018
Sigma Holding Ingatlanszolgáltató Kft. "végelszámolás alatt", Budapest, HU	95.00	(299,135.00)	12,223.00	418,007.00	31-12-2018
B) Associated companies					
Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H. in Liquidation, Vienna, AT	27.19	77,000.00	-	2,713,150.00	31-12-2018

The additive percentage includes all shares of fully consolidated or other affiliated companies, but no shares held in trust.
Equity: Equity within the meaning of § 229 UGB.
1) Profit pooling with UniCredit Bank Austria AG.
2) The figures are IFRS figures.

At the balance sheet date, UniCredit Bank Austria AG maintained profit and loss transfer agreements for tax purposes with the following companies:

- BA-CA Markets & Investment Beteiligung GmbH
- Bank Austria Real Invest Immobilien-Management GmbH
- Bank Austria Wohnbaubank AG
- CABET-Holding-GmbH
- Human Resources Service and Development GmbH
- RE-St.Marx Holding GmbH

4.5. Related party transactions

Cooperation agreement
UniCredit Bank AG has been assigned the role of centre of competence for markets and investment banking in UniCredit Group. Among other things, UniCredit Bank AG acts in this role as counterparty for derivative transactions conducted by UniCredit Group companies. For the most part, this involves hedge derivatives that are externalised on the market via UniCredit Bank AG. UniCredit Bank Austria AG and UniCredit Bank AG signed a corresponding cooperation agreement for 10 years in 2010. This cooperation agreement was terminated in May 2019 with effect from 31 May 2020, subject to a one-year notice period.

Notes to the Financial Statements

4.6. Securities

Of UniCredit Bank Austria AG's total holdings of securities as at 31 December 2019, financial fixed assets accounted for €10,224,321,617.62 (31 December 2018: €11,593,948 thousand) and current assets including the trading portfolio accounted for €5,724,595,863.15 (31 December 2018: €3,053,348 thousand).

4.6.1. The following breakdown shows securities admitted to trading on an exchange:

	LISTED		NOT LISTED	
	31-12-2019 (IN €)	31-12-2018 (IN THOUSAND €)	31-12-2019 (IN €)	31-12-2018 (IN THOUSAND €)
Bonds and other fixed-income securities	3,702,494,219.14	2,542,573	369,029,879.34	663,190
Shares and other variable-yield securities	36,150.73	37,358	2,769.45	-
Equity interests	117,424,482.38	117,424	-	-
Shares in group companies	-	-	-	-
TOTAL	**3,819,954,852.25**	**2,697,355**	**369,032,648.79**	**663,190**

4.6.2. The following table shows securities admitted to trading on an exchange, broken down into fixed (long-term) and current assets:

	FIXED ASSETS		CURRENT ASSETS	
	31.12.2019 (IN €)	31.12.2018 (IN THOUSAND €)	31.12.2019 (IN €)	31.12.2018 (IN THOUSAND €)
Bonds and other fixed-income securities	1,718,914,677.19	2,029,077	2,352,609,421.29	1,176,687
Shares and other variable-yield securities	-	-	38,920.18	37,358
TOTAL	**1,718,914,677.19**	**2,029,077**	**2,352,648,341.47**	**1,214,044**

The classification pursuant to Section 64 (1) 11 of the Austrian Banking Act is based on resolutions adopted by the Management Board.

4.6.3. Financial instruments carried as financial fixed assets for which the carrying amounts are higher than their fair values (Section 237a (1) 2 of the Austrian Business Code):

	BOOK VALUE	UNRECOGNISED LOSSES	BOOK VALUE	UNRECOGNISED LOSSES
	31-12-2019 (IN €)	31-12-2018 (IN THOUSAND €)	31-12-2019 (IN €)	31-12-2018 (IN THOUSAND €)
Treasury bills and similar securities	594,167,990	(19,207,677)	201,545	-4855
Bonds and other fixed-income securities	192,861,395	(1,720,510)	107,934	-1668
Shares and other variable-yield securities	-	-	0	0
Equity interests	-	-	0	0
Shares in group companies	-	-	0	0

A regular impairment test was performed for these financial instruments. Within the items "Bonds and other fixed-income securities" and "Shares and other variable-yield securities", write-downs of €3,053,961.64 (31 December 2018: €3,965 thousand) and a statistically determined provision of €2,327,492.60 (31 December 2018: €3,140 thousand) for credit risk were made in the reporting year. Analyses performed in respect of the other holdings did not provide any indication of impairment and therefore no further write-downs were required for 2019.

4.7. Differences between cost and repayable amount of bonds and other fixed-income securities

In the case of bonds and other fixed-income securities which are held as financial fixed assets and for which cost exceeds the amount repayable, the difference is amortised over the period to maturity pursuant to Section 56 (2) of the Austrian Banking Act. At year-end, the difference to be amortised over the remaining maturity amounted to €310,726,605.85 (31 December 2018: €387,780 thousand).

In the case of bonds and other fixed-income securities which are held as financial fixed assets and for which cost is lower than the amount repayable, a write-up is made for the difference over the period to maturity pursuant to Section 56 (3) of the Austrian Banking Act. Until the balance sheet date, write-ups made in respect of such differences amounted to €22,468,771.39 (31 December 2018: €29,200 thousand). As at 31 December 2019, the difference between cost and repayable amount was €15,328,382.41 (31 December 2018: €150,923 thousand).

Notes to the Financial Statements

4.8. Differences between cost and market value of securities admitted to trading on an exchange which are not held as financial fixed assets

As at 31 December 2019, the market value of securities held in the trading portfolio pursuant to Section 56 (5) of the Austrian Banking Act was €388.12 (31 December 2018: €0.1 thousand) higher than cost.
At the balance sheet date, the market value of listed securities held to comply with liquidity requirements pursuant to Section 56 (4) of the Austrian Banking Act was €42,649,348.71 (31 December 2018: €34,184 thousand) higher than the carrying amount.

4.9. Bonds becoming due in the subsequent year

Assets held in the form of bonds and other fixed-income securities in the amount of €416,860,771.91 (31 December 2018: €410,474 thousand) will become due in 2020. Of the bonds issued, securities in the amount of €2,370,903,317.75 (31 December 2018: €2,522,718thousand) will become due in 2020.

4.10. Trading book

In the 2019 financial year, UniCredit Bank Austria AG maintained a trading book pursuant to Section 64 (1) 15 of the Austrian Banking Act. Within the trading book, securities carried in the balance sheet accounted for €381.384.31 (31 December 2018: €421 thousand) and the notional amount of derivatives totalled €46.539.127.927 (31 December 2018: €41.579.026 thousand).

4.11. Own shares

There were no sales or purchases of UniCredit Bank Austria AG ordinary shares in 2019 (2018: no sales or purchases). As at 31 December 2019, UniCredit Bank Austria AG did not hold any of its own shares (31 December 2018: 0).

4.12. Shares in a controlling company

In the reporting year, there were no sales or purchases of UniCredit S. p. A. ordinary shares as part of customer business (2018: 0 shares).
At the balance sheet date, UniCredit Bank Austria AG did not hold any UniCredit S. p. A. shares (31 December 2018: 0).

4.13. Repurchased own subordinated bonds and Tier 2 capital

As at 31 December 2019, UniCredit Bank Austria AG's own portfolio included subordinated bonds issued by the bank itself with a total carrying amount of €1.610.785.59 (31 December 2018: €35.049 thousand). UniCredit Bank Austria AG holds issues of hybrid instruments of two subsidiaries with a total nominal value of € 254,711,000.00 (31 December 2018: € 254,711 thousand).

4.14. Trust transactions

The book values of the following assets items and liabilities items include trust transactions pursuant to Section 48 (1) of the Austrian Banking Act

	31-12-2019 (IN €)	31-12-2018 (IN THOUSAND €)
Loans and advances to customers	171,123,542.02	195,171
Total assets items	**171,123,542.02**	**195,171**
Amounts owed to credit institutions	67,073,887.50	71,964
Amounts owed to customers	104,049,654.52	123,207
Total liabilities items	**171,123,542.02**	**195,171**

In addition, as at 31 December 2019, bonds issued on a trust basis for Bank Austria Wohnbaubank AG in the total amount of € 1.046.303.000 (31 December 2018: €1,279,862 thousand) compare with assets totalling €1,050,607,803.20 (31 December 2018: €1,214,990 thousand) which were provided as collateral and are included in the item "Loans and advances to customers".

4.15. Assets sold under repurchase agreements and securities lending transactions

As at the balance sheet date, the book value of assets transferred under repurchase agreements was €122,821,279.93 (31 December 2018: €556,610 thousand).
The assets continue to be recognised as assets in the balance sheet, the consideration received is included in liabilities.
As of 31 December 2019, securities borrowed from UniCredit Bank Austria AG amounted to € 300,018,810.00 (31 December 2018: € 0 thousand) and securities in the amount of € 132,774,400.00 (31 December 2018: € 96,106 thousand) were lent.

Notes to the Financial Statements

4.16. Subordinated assets

	31.12.2019 (IN €)	31.12.2018 (IN THOUSAND €)
Loans and advances to credit institutions	**312,836,203.86**	**312,888**
of which: equity interests	-	-
of which: group companies	312,836,203.86	312,888
Loans and advances to customers	**21,265,545.38**	**23,716**
of which: equity interests	-	-
of which: group companies	21,265,545.38	21,510
Bonds and other fixed-income securities	**129,534,702.39**	**168,169**
of which: equity interests	-	-
of which: group companies	129,534,702.39	163,458

4.17. Intangible fixed assets and tangible fixed assets

The base value of real estate totalled €6,495,645.87 at the end of the reporting period (31 December 2018: €10,167 thousand). A goodwill figure of €2,380,000 (previous year: €2,660 thousand) at the end of the reporting period is reported under “Intangible assets”.

Notes to the Financial Statements

4.18. Movements in fixed assets

The following table shows movements in fixed assets.

Movements in fixed assets of UniCredit Bank Austria AG

(in €)

	31-12-2017	ADDITIONS	DISPOSALS	TRANSFERS	31-12-2018
Cost					
Treasury bills and similar securities	9,995,639,657.77	2,041,760,823.50	2,972,504,787.51	-	9,064,895,693.76
Loans and advances to credit institutions	750,191,583.33	799,474,112.20	750,191,583.33	-	799,474,112.20
Loans and advances to customers	150,111,948.91	30,550,000.00	41,727,681.59	-	138,934,267.32
Bonds and other fixed-income securities	2,132,204,711.92	252,219,954.86	345,913,051.92	-	2,038,511,614.86
Shares and other variable-yield securities	-	-	-	-	-
Equity interests	312,392,809.85	11,065,944.88	101,261.28	-	323,357,493.45
Shares in group companies	9,323,591,295.22	101,724,540.69	121,409,045.82	-	9,303,906,790.09
Intangible fixed assets	484,100,692.12	2,800,000.00	118,376.78	-	486,782,315.34
Tangible fixed assets	-	-	-	-	-
a) Land and buildings	79,795,422.66	636,682.23	4,390,450.42	-	76,041,654.47
b) Other tangible fixed assets	532,617,579.54	65,693,575.64	131,800,890.44	-	466,510,264.74
TOTALS	**23,760,645,701.32**	**3,305,925,634.00**	**4,368,157,129.09**	**-**	**22,698,414,206.23**

	ACCUMULATED WRITE-DOWNS/DEPRECIATION 31-12-2017	WRITE-DOWNS/ DEPRECIATION 2018	WRITE-UPS 2018	ACCUMULATED WRITE-DOWNS/DEPRECIATION DISPOSALS 31-12-2018
Carrying value and write-downs/depreciation				
Treasury bills and similar securities	429,940,509.75	159,840,512.04	151,630,991.82	-
Loans and advances to credit institutions	-	93,891.64	-	-
Loans and advances to customers	-	189,157.59	-	-
Bonds and other fixed-income securities	13,398,386.00	8,996,463.28	12,959,956.32	6,987,769.76
Shares and other variable-yield securities	-	-	-	-
Equity interests	73,360,925.01	18,537,624.55	3,927,569.42	-
Shares in group companies	7,535,490,223.62	117,529,623.63	16,685,908.60	38,593,363.97
Intangible fixed assets	484,100,692.12	140,000.00	-	118,376.78
Tangible fixed assets	-	-	-	-
a) Land and buildings	39,215,356.43	4,351,107.88	-	3,320,895.50
b) Other tangible fixed assets	396,342,726.15	22,266,646.59	-	131,717,153.94
TOTAL	**8,971,848,819.08**	**331,945,027.20**	**185,204,426.16**	**180,737,559.95**

	ACCUMULATED WRITE-DOWNS/DEPRECIATION TRANSFERS 31-12-2018	ACCUMULATED WRITE-DOWNS/DEPRECIATION 31-12-2018	CARRYING VALUE 31-12-2018	CARRYING VALUE 31-12-2017
Carrying value and write-downs/depreciation (continued)				
Treasury bills and similar securities	-	438,150,029.97	8,626,745,663.79	9,565,699,148.02
Loans and advances to credit institutions	-	93,891.64	799,380,220.56	750,191,583.33
Loans and advances to customers	-	189,157.59	138,745,109.73	150,111,948.91
Bonds and other fixed-income securities	-	9,434,892.96	2,029,076,721.90	2,118,806,325.92
Shares and other variable-yield securities	-	-	-	-
Equity interests	-	87,970,980.14	235,386,513.31	239,031,884.84
Shares in group companies	-	7,597,740,574.68	1,706,166,215.41	1,788,101,071.60
Intangible fixed assets	-	484,122,315.34	2,660,000.00	-
Tangible fixed assets	-	-	-	-
a) Land and buildings	-	40,245,568.81	35,796,085.66	40,580,066.23
b) Other tangible fixed assets	-	286,892,218.80	179,618,045.94	136,274,853.39
TOTAL	**-**	**8,944,839,629.93**	**13,753,574,576.30**	**14,788,796,882.24**

Notes to the Financial Statements

Movements in fixed assets of UniCredit Bank Austria AG

(in €)

	31-12-2018	ADDITIONS	DISPOSALS	TRANSFERS	31-12-2019
Cost					
Treasury bills and similar securities	9,064,895,693.78	1,235,920,560.86	2,285,353,480.96	-	8,015,462,773.68
Loans and advances to credit institutions	799,474,112.20	799,944,695.05	799,474,112.20	-	799,944,695.05
Loans and advances to customers	138,934,267.32	50,094,587.70	62,139,921.53	-	126,888,933.49
Bonds and other fixed-income securities	2,038,511,614.84	171,543,216.96	484,701,164.82	-	1,725,353,666.98
Shares and other variable-yield securities	-	-	-	-	-
Equity interests	323,357,493.45	2,399,541.05	10,997,766.23	-	314,759,268.27
Shares in group companies	9,303,906,790.09	33,835,236.65	13,799,823.35	-	9,323,942,203.39
Intangible fixed assets	486,782,315.34	-	-	-	486,782,315.34
Tangible fixed assets	-	-	-	-	-
a) Land and buildings	76,041,654.47	308,687.89	5,665,916.61	118,944.93	70,565,480.82
b) Other tangible fixed assets	466,510,264.74	7,489,250.23	76,049,848.19	118,944.93	398,068,611.71
TOTALS	**22,698,414,206.23**	**2,301,535,776.39**	**3,738,182,033.89**	**237,889.86**	**21,261,767,948.73**

(in €)

	ACCUMULATED WRITE-DOWNS/DEPRECIATION 31-12-2018	WRITE-DOWNS/ DEPRECIATION 2019	WRITE-UPS 2019	ACCUMULATED WRITE-DOWNS/DEPRECIATION DISPOSALS 31-12-2019
Carrying value and write-downs/depreciation				
Treasury bills and similar securities	438,150,029.97	107,408,950.73	109,200,572.39	-
Loans and advances to credit institutions	93,891.64	473,944.13	93,891.64	-
Loans and advances to customers	189,157.59	51,580.81	183,629.06	-
Bonds and other fixed-income securities	9,434,892.96	4,481,712.84	7,477,616.02	-
Shares and other variable-yield securities	-	-	-	-
Equity interests	87,970,980.14	3,736,706.57	5,120,896.27	2,369,677.99
Shares in group companies	7,597,740,574.68	93,271,700.18	26,502,027.69	-
Intangible fixed assets	484,122,315.34	280,000.00	-	-
Tangible fixed assets	-	-	-	-
a) Land and buildings	40,245,568.81	6,188,116.24	1,755,076.87	3,922,082.71
b) Other tangible fixed assets	286,892,218.80	21,118,016.46	4,740.24	75,862,990.78
TOTAL	**8,944,839,629.93**	**237,010,727.96**	**150,338,450.18**	**82,154,751.48**

	ACCUMULATED WRITE-DOWNS/DEPRECIATION TRANSFERS 31-12-2019	ACCUMULATED WRITE-DOWNS/DEPRECIATION 31-12-2019	CARRYING VALUE 31-12-2019	CARRYING VALUE 31-12-2018
Carrying value and write-downs/depreciation				
Treasury bills and similar securities	-	(436,358,408.31)	7,579,104,365.37	8,626,745,663.79
Loans and advances to credit institutions	-	(473,944.13)	799,470,750.92	799,380,220.56
Loans and advances to customers	-	(57,109.34)	126,831,824.15	138,745,109.73
Bonds and other fixed-income securities	-	(6,438,989.78)	1,718,914,677.20	2,029,076,721.90
Shares and other variable-yield securities	-	-	-	-
Equity interests	-	84,217,112.45	230,542,155.82	235,386,513.31
Shares in group companies	-	7,664,510,247.17	1,659,431,956.22	1,706,166,215.41
Intangible fixed assets	-	484,402,315.34	2,380,000.00	2,660,000.00
Tangible fixed assets	-	-	-	-
a) Land and buildings	24,151.93	40,732,373.54	29,833,107.28	35,796,085.66
b) Other tangible fixed assets	24,151.93	232,166,656.17	165,901,955.54	179,618,045.94
TOTAL	**48,303.86**	**8,062,700,253.11**	**12,312,410,792.50**	**13,753,574,576.30**

Notes to the Financial Statements

4.19. Leasing activities

While UniCredit Bank Austria AG was not directly active as lessor in the leasing business in 2019, its activities included the extension of loans to leasing companies.

4.20. Total expenses for the use of tangible fixed assets not carried as assets

Obligations arising from the use of tangible fixed assets not carried as assets in the balance sheet (under leasing and rent agreements) which will become due in the subsequent period and in the subsequent five years are indicated in the table below:

Obligations under leasing and rent agreements

	31-12-2019 (IN €)	31-12-2018 (IN THOUSAND €)
for the subsequent business year	37,235,046.98	37,226
for the subsequent five business years	192,204,125.27	192,610

4.21. Other assets

4.21.1. Other assets

This item includes valuation components, both reflected and not reflected in income, of € 1,174,478,605.15 (31 December 2018: €943,162 thousand) from derivative products.
Dividends receivable from group companies with which there are profit pooling arrangements totalled € 67,229,056.00 (31 December 2018: €50,036 thousand).
Claims against the Austrian tax office for companies (Finanzamt für Körperschaften) totalled € 2,385,225.54 (31 December 2018: €28,038 thousand).
Other assets also include accrued interest and fee and commission income in the amount of € 27,744,779.48 (31 December 2018: €21,568 thousand).

4.21.2. Prepaid expenses

This item includes an advance rent payment for real estate of €1,675,395.09 (31 December 2018: €1,938 thousand).
This balance sheet item also includes discounts of €145,073,087.27 (31 December 2018: €170,383 thousand) in respect of the bank's own issues.

4.22. Deferred tax assets

The amount which was required to be carried as an asset in the reporting year pursuant to Section 198 (9) of the Austrian Business Code, using a tax rate of 25%, totalled €597,710,610.13 (2018: €496,108 thousand); this amount included deferred taxes of €512,230.73 (2018: €147 thousand) resulting from temporary differences at companies with which UniCredit Bank Austria AG maintained profit and loss transfer agreements for tax purposes.

The actively deferred taxes are predominantly based on temporary differences in the area of pension and severance provisions, the valuation of receivables and seventh part amortisation ("Siebentel-Abschreibungen"). In addition, there are actively deferred tax assets from differential amounts resulting from the different corporate law and tax approach of other provisions for risks and charges and of non-current provisions and liabilities.

The option of capitalizing carrying tax loss carry-forwards as assets was not used.

4.23. Other liabilities

Valuation components from derivative products, either with or without an effect on profit or loss, totalling €1,500,365,960.26 (31 December 2018: 1,060,672 thousand) are reported in this balance sheet item.
For each employee concluding a severance agreement as part of the "BA-Reloaded" project, a liability totalling €177,154,773.43 (31 December 2018: €213,998 thousand) is reported under this item. There are also liabilities arising from KESt (withholding tax) settlements totalling €24,227,742.19 (31 December 2018: €21,489 thousand).

Anticipations on the liabilities side totalling €7,264,853.60 (31 December 2018: €7,223thousand) are also accounted for under "Other liabilities".

4.24. Deferred income

This balance sheet item includes premiums of €15,028,293.95 (31 December 2018: €12,604 thousand) in respect of the bank's own issues.

Notes to the Financial Statements

4.25. Provisions

4.25.1. Pension provisions and provisions for severance payments

The discount rate applied in the reporting year was 1.00% (2017: 1.85%). The provisions for pensions and severance payments stated in the balance sheet correspond with the respective actuarial valuation of these liabilities.

4.25.2. Other provisions

	31-12-2019 (IN €)	31-12-2018 (IN THOUSAND €)
Provisions for credit risks	185,353,213.14	195,248
Provisions for pending losses	106,293,573.88	270,721
Provisions for indeterminate liabilities	225,580,552.59	226,767
Restructuring provisions	154,135,902.39	58,949
TOTAL	**671,363,242.00**	**751,685**

The provisions for contingent liabilities include provisions for payroll accounting and for legal and expert costs.

A restructuring provision was created in 2019 for the purpose of implementing initiatives related to strategic plan 20-23. An amount of € 147.8 million was allocated to the restructuring provision in 2019 for personnel measures. After the release of a restructuring provision from previous periods in the amount of € 9.4 million, the net effect on the income statement is € 138.4 million. Selected employees who reach the statutory retirement age between 2020 and 2027 will receive an offer from the bank to leave early on a voluntary basis to bridge the period until they reach the statutory retirement age. The selected employees already have the option of fixing their respective departure date. The calculation of the restructuring provision was based on assumptions regarding the acceptance rate, which are based on experience from similar programmes in the past.

4.26. Tier 2 capital

Tier 2 capital pursuant to Chapter 4 of Title I of Part Two of Regulation (EU) No 575/2013, including accrued interest payable and interest allocated to zero coupon bonds, stated in the balance sheet at 31 December 2019 amounts to €979,408,281.93 (31 December 2018: €1,013,392 thousand).

In the reporting year, subordinated issues with a nominal value amounting to €26,888,948.64 (31 December 2018: €0) were redeemed. As at 31 December 2018, subordinated liabilities included 19 bonds (31 December 2018: 20 bonds) and 4 time deposits (31 December 2018: 4 time deposits), most of which have maturities exceeding four years. The bonds and time deposits are denominated in US$, JPY and €.

4.27. Equity

4.27.1. Subscribed share capital

The share capital of UniCredit Bank Austria AG as at 31 December 2019 was €1,681,033,521.40, unchanged compared with the previous year. The share capital is divided into 10,115 registered no-par value shares with voting rights and restricted transferability and 231,218,705 registered no-par value shares with voting rights, and each no-par value share participates in the share capital to the same extent.

4.27.2. Capital reserves

As at 31 December 2019, capital reserves subject to legal restrictions were stated at €876,354,199.40, unchanged compared with 31 December 2018. A capital reserve which is not subject to legal restrictions amounted to €1,000,000,000.00 as at the balance sheet date (31 December 2018: €1,000,000 thousand), reflecting a shareholder contribution from UniCredit S.p.A.

4.27.3. Revenue reserves

As at 31 December 2019, revenue reserves were stated at €244,203,161.67 (31 December 2018: €244,203 thousand).

4.27.4. Reserve pursuant to Section 57 (5) of the Austrian Banking Act

As at 31 December 2018, revenue reserves were stated at €244,203,161.67 (31 December 2017: €244,203 thousand).

Notes to the Financial Statements

4.28 Tier 1 capital and Tier 2 capital

Due to the planned dividend payment, the following table does not include the profit for 2019. Please note that currently the financial statements for 2019 have not yet been approved by the Supervisory Board and the decision regarding the dividend payment has not yet been adopted by the annual general meeting.

Item 4 shown below the balance sheet on the liabilities side

(in €)

Eligible capital pursuant to Part Two of Regulation (EU) No 575 /2013		31-12-2019 31-12-2018	
UNICREDIT BANK AUSTRIA AG			
1	**OWN FUNDS**		**6,139,180,514.03**
1.1	**TIER 1 CAPITAL (T1)**		**5,240,852,608.55**
1.1.1	**COMMON EQUITY TIER 1 CAPITAL (CET1)**		**5,240,852,608.55**
1.1.1.1	Capital instruments eligible as CET1 Capital	3,557,387,720.80	
1.1.1.1.1	Paid-up capital instruments	1,681,033,521.40	
1.1.1.1.3	Share premium	1,876,354,199.40	
1.1.1.2	Retained earnings	244,203,161.67	
1.1.1.2.1	Previous years retained earnings	244,203,161.67	
1.1.1.2.2	Profit or loss eligible	-	
1.1.1.2.2.1	Profit or loss attributable to the owners of the parent company	41,886,615.64	
1.1.1.2.2.2	(–) Part of interim or year-end profit not eligible	(41,886,615.64)	
1.1.1.4	Other reserves	2,129,748,409.45	
1.1.1.9	Adjustments to CET1 due to prudential filters	(11,871,267.00)	
1.1.1.9.4	Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	(7,337,006.00)	
1.1.1.9.5	(–) Value adjustments due to the requirements for prudent valuation	(4,534,261.00)	
1.1.1.10	(–) Goodwill	(2,380,000.00)	
1.1.1.10.1	(–) Goodwill accounted for as intangible asset	(2,380,000.00)	
1.1.1.13	(–) IRB shortfall of credit risk adjustments to expected losses	(5,161,429.79)	
1.1.1.16	(–) Excess of deduction from AT1 items over AT1 Capital	-	
1.1.1.18	(–) Securitisation positions which can alternatively be subject to a 1250 % risk weight	(3,229,125.71)	
1.1.1.19	(–) Free deliveries which can alternatively be subject to a 1.250 % risk weight	(6,840,863.19)	
1.1.1.24	(–) CET1 instruments of financial sector entities where the institution has a significant investment	(265,503,760.42)	
1.1.1.25	(–) Amount exceeding the 17.65 % threshold	(395,500,237.26)	
1.1.1.26	Other transitional adjustments to Common Equity Tier 1 capital		
1.1.2	**ADDITIONAL TIER 1 CAPITAL (AT1)**		
1.1.2.7	(–) AT1 instruments of financial sector entities where the institution has a significant		
1.1.2.9	Other transitional adjustments to Additional Tier 1 capital		
1.1.2.10	Excess of deduction from AT1 items over AT1 Capital (deducted in CET1)		
1.2	**TIER 2 CAPITAL (T2)**		**898,327,905.48**
1.2.1	**Capital instruments and subordinated loans qualifying as Tier 2 capital**		**721,764,594.58**
1.2.1.1	Paid-up capital instruments and subordinated loans	722,137,526.85	
1.2.1.2*	Memorandum item: Capital instruments and subordinated loans not eligible	248,284,694.13	
1.2.1.4	(–) Own Tier 2 instruments	(372,932.27)	
1.2.1.4.1	(–) Direct holdings of T2 instruments	(372,932.27)	
1.2.2	**Transitional adjustments due to grandfathered T2 Capital instruments and subordinated loans**		**41,186,700.00**
1.2.5	**IRB Excess of provisions over expected losses eligible**		**152,605,171.07**
1.2.9	**(–) Tier 2 capital instruments of financial sector entities in which the institution has a significant investment**		**(17,228,560.17)**
1.2.10	**Other transitional adjustments to Tier 2 capital**		**-**

**) includes premium and the capital reserve not being subject to legal restrictions from a shareholder contribution of EUR 1 billion.*
***) Reserve pursuant to Section 57 (5) of the Austrian Banking Act*

Notes to the Financial Statements

Item 5 shown below the balance sheet on the liabilities side

(in €)

Capital requirements pursuant to Article 92 of Regulation (EU) No 575 /2013		31-12-2019	
		31-12-2018	
UNICREDIT BANK AUSTRIA AG			
1	**TOTAL RISK EXPOSURE AMOUNT**		**31,602,985,139.44**
1.1	**RISK-WEIGHTED EXPOSURE AMOUNTS FOR CREDIT RISK, COUNTERPARTY RISK AND DILUTION RISK AND FOR FREE DELIVERIES**		**28,362,875,442.31**
1.1.1	**Standardised approach (SA)**		**2,884,670,923.95**
1.1.1.1	SA exposure classes excluding securitisation positions	2,884,670,923.95	
1.1.1.1.01	Central governments or central banks	982,799,074.19	
1.1.1.1.02	Regional governments or local authorities	9,724,781.91	
1.1.1.1.03	Public sector entities	24,070,376.64	
1.1.1.1.06	Institutions	161,019,045.59	
1.1.1.1.07	Corporates	1,281,720,215.60	
1.1.1.1.08	Retail	28,304.49	
1.1.1.1.09	Secured by mortgages on immovable property	542,219.52	
1.1.1.1.10	Exposures in default	3,273,899.10	
1.1.1.1.11	Items associated with particular high risk	419,380,982.60	
1.1.1.1.12	Covered Bonds	2,112,018.09	
1.1.1.1.13	Claims on institutions and corporates with a short-term credit assessment	6.22	
1.1.2	**Internal ratings-based (IRB) approach**		**25,475,499,315.72**
1.1.2.2	IRB approaches when own estimates of LGD and / or Conversion Factors are used	21,299,259,427.20	
1.1.2.2.01	Central governments and central banks	268,469,991.67	
1.1.2.2.02	Institutions	1,803,394,851.26	
1.1.2.2.03	Corporates – SMEs	1,812,216,234.43	
1.1.2.2.04	Corporates - Specialised Lending	659,003,383.22	
1.1.2.2.05	Corporates - Other	11,005,401,335.11	
1.1.2.2.06	Retail – Secured by real estate SME	205,125,283.31	
1.1.2.2.07	Retail – Secured by real estate non-SME	1,833,091,482.81	
1.1.2.2.08	Retail – Qualifying revolving		
1.1.2.2.09	Retail – Other SME	407,401,078.04	
1.1.2.2.10	Retail – Other non-SME	3,305,155,787.35	
1.1.2.3	Equity IRB	3,681,655,056.66	
1.1.2.4	Securitisation positions IRB	41,304,136.66	
1.1.2.4	Of which: re-securitisation		
1.1.2.5	Other non credit-obligation assets	453,280,695.20	
1.1.3	**Risk exposure amount for contributions to the default fund of a central counterparty**		**2,705,202.64**
1.2	**TOTAL RISK EXPOSURE AMOUNT FOR SETTLEMENT/DELIVERY**		**87,946.00**
1.2.1	**Settlement and delivery risk in the non-trading book**		**87,946.00**
1.3	**TOTAL RISK EXPOSURE AMOUNT FOR POSITION RISK, FOREIGN EXCHANGE RISK AND COMMODITIES RISK**		**201,792,900.13**
1.3.1	**Risk exposure amount for position risk, foreign exchange risk and commodities risk under the standardised approach**		**11,291,392.63**
1.3.1.4	Foreign Exchange	11,291,392.63	
1.3.2	**Risk exposure amount for position risk, foreign exchange risk and commodities risk under internal models**		**190,501,507.50**
1.4	**TOTAL RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK (OpR)**		**2,492,360,398.75**
1.4.3	**OpR Advanced measurement approaches (AMA)**		**2,492,360,398.75**

Notes to the Financial Statements

1.6	TOTAL RISK EXPOSURE AMOUNT FOR CREDIT VALUATION ADJUSTMENT	45,868,452.25
1.6.1	Advanced method	45,868,452.25
1.8	OTHER RISK EXPOSURE AMOUNTS	500,000,000.00
1.8.4	Of which: Additional risk exposure amount due to Article 3 CRR	500,000,000.00
Capital requirements pursuant to Article 92 of Regulation (EU) No 575 /2013		2,528,238,811.16
of which: capital requirements pursuant to Article 92 (1) points (a) to (c) and to the transitional arrangement pursuant to Article 465 of Regulation (EU) No 575 / 2013 in conjunction with Section 1 of the Austrian CRR Supplementary Regulation		
	a) a Common Equity Tier 1 capital ratio of	16.6%
	b) a Tier 1 capital ratio of	16.6%
	c) a total capital ratio of	19.4%

Notes to the Financial Statements

The following table includes the profit for 2019 minus to the planned dividend payment of UniCredit Bank Austria AG. Please note that currently the financial statements for 2019 of some subsidiaries have not yet been approved by the respective Supervisory Boards and that the decision regarding the dividend payments has not yet been adopted by the respective annual general meetings.

Item 4 shown below the balance sheet on the liabilities side

(in €)

Eligible capital pursuant to Part Two of Regulation (EU) No 575 /2013		31-12-2019 31-12-2018	
UNICREDIT BANK AUSTRIA SUB-GROUP			
1	**OWN FUNDS**		**7,143,890,506.72**
1.1	**TIER 1 CAPITAL (T1) 6,428,388,967.51**		**6,340,398,806.15**
1.1.1	**COMMON EQUITY TIER 1 CAPITAL (CET1)**		**6,338,308,093.55**
1.1.1.1	Capital instruments eligible as CET1 Capital	5,816,632,000.00	
1.1.1.1.1	Paid-up capital instruments	1,681,034,000.00	
1.1.1.1.3	Share premium	4,135,598,000.00	
1.1.1.2	Retained earnings	2,573,147,524.20	
1.1.1.2.1	Previous years retained earnings	1,918,823,000.00	
1.1.1.2.2	Profit or loss eligible	654,324,524.20	
1.1.1.2.2.1	Profit or loss attributable to owners of the parent	698,258,000.00	
1.1.1.2.2.2	(–) Part of interim or year-end profit not eligible	(43,933,475.80)	
1.1.1.3	Accumulated other comprehensive income	(1,682,205,000.00)	
1.1.1.4	Other reserves	1,686,468,000.00	
1.1.1.7	Minority interest given recognition in CET1 capital	11,662,440.35	
1.1.1.9	Adjustments to CET1 due to prudential filters	(44,764,671.37)	
1.1.1.9.2	Cash flow hedge reserves	(24,707,000.00)	
1.1.1.9.3	Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	(436,307.63)	
1.1.1.9.4	Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	(7,337,006.00)	
1.1.1.9.5	(–) Value adjustments due to the requirements for prudent valuation	(12,284,357.74)	
1.1.1.11	(–) Other intangible assets	(7,189,595.00)	
1.1.1.11.1	(–) Other intangible assets gross amount	(7,563,842.00)	
1.1.1.11.2	Deferred tax liabilities associated to other intangible assets	374,247.00	
1.1.1.12	(–) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(146,072,128.29)	
1.1.1.13	(–) IRB shortfall of credit risk adjustments to expected losses	(1,707,776.23)	
1.1.1.16	(–) Excess of deduction from AT1 items over AT1 Capital	-	
1.1.1.18	(–) Securitisation positions which can alternatively be subject to a 1250 % risk weight	(3,603,248.82)	
1.1.1.19	(–) Free deliveries which can alternatively be subject to a 1250 % risk weight	-	
1.1.1.24	(–) CET1 instruments of financial sector entities where the institution has a significant	(1,501,162,724.81)	
1.1.1.25	(–) Amount exceeding the 17.65 % threshold	(362,896,726.48)	
1.1.1.26	Other transitional adjustments to Common Equity Tier 1 capital		
1.1.2	**ADDITIONAL TIER 1 CAPITAL (AT1)**		**2,090,712.60**
1.1.2.2	Capital instruments qualifying as AT1		
1.1.2.7	AT1 capital instruments issues by subsidaries	2,090,712.60	
1.1.2.9	Other transitional adjustments to Additional Tier 1 capital		
1.1.2.10	Excess of deduction from AT1 items over AT1 Capital (deducted in CET1)		

Notes to the Financial Statements

1.2	**TIER 2 CAPITAL (T2)**		**803,491,700.57**
1.2.1	**Capital instruments and subordinated loans eligible as T2 Capital**		**709,079,508.67**
1.2.1.1	Paid-up capital instruments and subordinated loans	709,079,508.67	
1.2.1.2*	Capital instruments and subordinated loans eligible as T2 Capital	260,969,816.04	
1.2.2	**Transitional adjustments due to grandfathered T2 Capital instruments and subordinated loans**		**-**
1.2.3	**Instruments issued by subsidiaries that are given recognition in T2 Capital**		**2,787,616.78**
1.2.5	**IRB Excess of provisions over expected losses eligible**		**132,390,311.93**
1.2.9	**(–) T2 instruments of financial sector entities where the institution has a significant investment**		**(40,765,736.81)**
1.2.10	**Other transitional adjustments to Tier 2 capital**		**-**

*) *includes premium and the capital reserve not being subject to legal restrictions from a shareholder contribution of EUR 1 billion.*

Notes to the Financial Statements

Item 5 shown below the balance sheet on the liabilities side

(in €)

Capital requirements pursuant to Article 92 of Regulation (EU) No 575 /2013		31-12-2019	
		31-12-2018	
UNICREDIT BANK AUSTRIA			
1	**TOTAL RISK EXPOSURE AMOUNT**		**33,492,530,081.68**
1.1	**RISK-WEIGHTED EXPOSURE AMOUNTS FOR CREDIT RISK, COUNTERPARTY RISK AND DILUTION RISK AND FOR FREE DELIVERIES**		**29,578,290,292.67**
1.1.1	**Standardised approach (SA)**		**7,468,155,398.48**
1.1.1.1	SA exposure classes excluding securitisation positions	7,468,155,398.48	
1.1.1.1.01	Central governments or central banks	893,032,771.65	
1.1.1.1.02	Regional governments or local authorities	9,731,885.07	
1.1.1.1.03	Public sector entities	28,550,020.80	
1.1.1.1.04	Multilateral development banks	-	
1.1.1.1.06	Institutions	256,079,574.03	
1.1.1.1.07	Corporates	3,104,658,968.45	
1.1.1.1.08	Retail	421,658,858.09	
1.1.1.1.09	Secured by mortgages on immovable property	216,041,747.54	
1.1.1.1.10	Exposures in default	200,464,833.65	
1.1.1.1.11	Items associated with particular high risk	428,932,819.44	
1.1.1.1.12	Covered bonds	2,204,392.81	
1.1.1.1.13	Claims on institutions and corporates with a short-term credit assessment	6,982,478.99	
1.1.1.1.14	Collective investments undertakings (CIU)	83,721.68	
1.1.1.1.15	Equity	1,243,343,867.74	
1.1.1.1.16	Other items	656,389,458.54	
1.1.2	**Internal ratings-based (IRB) approach**		**22,107,429,691.55**
1.1.2.2	IRB approaches when own estimates of LGD and / or Conversion Factors are used	19,616,189,527.49	
1.1.2.2.01	Central governments and central banks	278,714,911.04	
1.1.2.2.02	Institutions	1,806,439,387.29	
1.1.2.2.03	Corporates – SMEs	1,809,879,638.15	
1.1.2.2.04	Corporates - Specialised Lending	658,964,305.12	
1.1.2.2.05	Corporates - Other	9,312,691,699.07	
1.1.2.2.06	Retail – Secured by real estate SME	205,122,570.81	
1.1.2.2.07	Retail – Secured by real estate non-SME	1,833,861,250.82	
1.1.2.2.08	Retail – Qualifying revolving		
1.1.2.2.09	Retail – Other SME	406,995,355.24	
1.1.2.2.10	Retail – Other non-SME	3,303,520,409.95	
1.1.2.3	Equity IRB	1,138,791,577.62	
1.1.2.4	Securitisation positions IRB	42,377,703.02	
1.1.2.4*	Of which: re-securitisation		
1.1.2.5	Other non credit-obligation assets	1,310,070,883.42	
1.1.3	**Risk exposure amount for contributions to the default fund of a central counterparty**		**2,705,202.64**
1.2	**TOTAL RISK EXPOSURE AMOUNT FOR SETTLEMENT/DELIVERY**		**87,946.00**
1.2.1	**Settlement and delivery risk in the non-trading book**		87,946.00
1.3	**TOTAL RISK EXPOSURE AMOUNT FOR POSITION RISK, FOREIGN EXCHANGE RISK AND COMMODITIES RISK**		**204,578,894.88**
1.3.1	**Risk exposure amount for position risk, foreign exchange risk and commodities risk under the standardised approach**		**11,963,351.38**
1.3.1.4	Foreign Exchange	11,963,351.38	
1.3.2	**Risk exposure amount for position risk, foreign exchange risk and commodities risk under internal models**		**192,615,543.50**
1.4	**TOTAL RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK (OpR)**		**3,163,704,495.88**
1.4.2	**OpR Standardised (STA) / Alternative Standardised (ASA) approaches**		**559,240,167.50**
1.4.3	**OpR Advanced measurement approaches (AMA)**		**2,604,464,328.38**

Notes to the Financial Statements

1.6	TOTAL RISK EXPOSURE AMOUNT FOR CREDIT VALUATION ADJUSTMENT	**45,868,452.25**
1.6.1	Advanced method	45,868,452.25
1.8	OTHER RISK EXPOSURE AMOUNTS	**500,000,000.00**
1.8.4	Of which: Additional risk exposure amount due to Article 3 CRR	500,000,000.00
Capital requirements pursuant to Article 92 of Regulation (EU) No 575 /2013		**2,679,402,406.53**
of which: capital requirements pursuant to Article 92 (1) points (a) to (c) and to the transitional arrangement pursuant to Article 465 of Regulation (EU) No 575 / 2013 in conjunction with Section 1 of the Austrian CRR Supplementary Regulation		**-**
	a) a Common Equity Tier 1 capital ratio of	**18.9%**
	b) a Tier 1 capital ratio of	**18.9%**
	c) a total capital ratio of	**21.3%**

4.29. Cross-holdings

There are no cross-holdings within the meaning of Section 241, item 6, of the Austrian Business Code, unchanged compared with the previous year.

4.30. Assets pledged as security

Assets pledged as security for liabilities pursuant to Section 64 (1) 8 of the Austrian Banking Act

ASSETS	31.12.2019 (IN €)	DESCRIPTION OF THE LIABILITIES	BALANCE SHEET ITEM
Cover fund for deposits held in trust for wards:			
Fixed-income securities	187,093,500.22	Deposits held in trust for wards	Liabilities item 2
Cover fund for mortgage bonds and public-sector covered bonds:			
Loans and advances to customers	12,109,570,522.75	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Loans and advances to credit institutions	267,700,000.00	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Fixed-income securities	1,457,338,630.76	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Total	**13,834,609,153.51**		
Collateral for Wohnbaubank bonds issued on a trust basis:			
Loans and advances to customers	1,050,607,803.20	Wohnbaubank bonds issued on a trust basis	Liabilities item 3
Collateral pool OeNB (tender):			
Loans and advances to customers	9,097,657,968.75	OeNB/ ECB funding	Liabilities item 1
Fixed-income securities	1,752,821,332.79	OeNB/ ECB funding	Liabilities item 1
Total	**10,850,479,301.54**		
Collateral EIB and KfW:			
Loans and advances to customers	113,135,123.41	Supranational Funding	Liabilities item 1
Fixed-income securities	64,687,403.55	Supranational Funding	Liabilities item 1
Total	**177,822,526.96**		
Collateral for trading transactions in securities and derivatives:			
Cash collateral	773,973,771.28	Margin requirements	
Securities collateral	26,208,165.92	Margin requirements	
Total	**800,585,551.28**		
Collateral for clearing systems:			
Fixed-income securities	59,006,640.14	Security provided in favour of OeKB, Euroclear, Clearstream Banking	
Collateral for amounts owed to credit institutions:			
Loans and advances to customers	6,015,060,743.53	Claims assigned in favour of OeKB	Liabilities item 1
Loans and advances to customers	50,316,859.30	Earmarked deposit Wohnbaubank AG	Liabilities item 1
Total	**6,065,377,602.83**		
AGGREGATE TOTAL	**33,025,178,465.60**		

The sub-item "Savings deposits" (liabilities item 2a) includes deposits held in trust for wards in the amount of €138,563,739.52 (31 December 2018: €134,535 thousand).

Notes to the Financial Statements

Assets pledged as security for liabilities pursuant to Section 64 (1) 8 of the Austrian Banking Act

ASSETS	31-12-2018 (IN €)	DESCRIPTION OF THE LIABILITIES	BALANCE SHEET ITEM
Cover fund for deposits held in trust for wards:			
Fixed-income securities	148,879,062.18	Deposits held in trust for wards	Liabilities item 2
Cover fund for mortgage bonds and public-sector covered bonds:			
Loans and advances to customers	11,267,323,434.10	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Loans and advances to credit institutions	271,700,000.00	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Fixed-income securities	1,803,093,303.75	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Total	**13,342,116,737.85**		
Collateral for Wohnbaubank bonds issued on a trust basis:			
Loans and advances to customers	1,214,990,365.51	Wohnbaubank bonds issued on a trust basis	Liabilities item 3
Collateral pool OeNB (tender):			
Loans and advances to customers	8,439,968,184.43	OeNB/ ECB funding	Liabilities item 1
Fixed-income securities	2,841,574,763.79	OeNB/ ECB funding	Liabilities item 1
Total	**11,281,542,948.22**		
Collateral EIB and KfW:			
Loans and advances to customers	104,647,942.45	Supranational Funding	Liabilities item 1
Fixed-income securities	115,402,987.49	Supranational Funding	Liabilities item 1
Total	**220,050,929.94**		
Collateral for trading transactions in securities and derivatives:			
Cash collateral	115,541,997.85	Margin requirements	
Securities collateral	26,598,008.67	Margin requirements	
Total	**142,140,006.52**		
Collateral for clearing systems:			
Fixed-income securities	58,660,078.32	Security provided in favour of OeKB, Euroclear, Clearstream Banking	
Collateral for amounts owed to credit institutions:			
Loans and advances to customers	5,446,854,889.62	Claims assigned in favour of OeKB	Liabilities item 1
Loans and advances to customers	49,958,876.00	Earmarked deposit Wohnbaubank AG	Liabilities item 1
Total	**5,496,813,765.62**		
AGGREGATE TOTAL	**31,905,193,894.16**		

The sub-item “Savings deposits” (liabilities item 2a) includes deposits held in trust for wards in the amount of €138,563,739.52 (31 December 2018: €134,535 thousand).

Notes to the Financial Statements

4.31. Derivatives business

Derivatives shown in the relevant tables are classified as financial derivatives and credit derivatives, according to the underlying financial instrument. In these categories, a distinction is made between trading book and banking book and between different products and remaining maturities. UniCredit Bank Austria AG's business volume in derivatives focuses on interest rate contracts.

Derivatives are mainly used by the bank itself for hedging market risk and credit spread risk arising from new issue activities. In customer business, market participants include banks, securities houses and corporate customers.
Trading in derivatives at UniCredit Bank Austria AG is primarily related to the hedging of positions entered into vis-à-vis customers.

Information pursuant to Section 64 (1) 3 of the Austrian Banking Act may also be derived from the following tables.

(€)

	31-12-2019			31-12-2018		
	NOTIONAL AMOUNT	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE	NOTIONAL AMOUNT	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE
Trading book	**46,539,127,927**	**983,931,123**	**1,047,222,701**	**41,579,026,450**	**718,331,922**	**762,078,803**
Financial derivatives on debt instruments and interest rates	**31,212,426,098**	**789,639,820**	**853,173,224**	**26,486,613,346**	**492,046,564**	**537,295,146**
Options	3,237,821,119	14,904,561	17,057,546	4,112,219,450	21,631,947	22,702,256
Swaps	27,974,604,979	774,735,259	836,115,678	22,374,393,896	470,414,617	514,592,889
Forwards	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Other	-	-	-	-	-	-
Financial derivatives on equity instruments and share indices	956,534,700	20,769,802	20,818,429	452,525,650	1,808,535	1,808,548
Options	956,534,700	20,769,802	20,818,429	452,525,650	1,808,535	1,808,548
Swaps	-	-	-	-	-	-
Forwards	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Other	-	-	-	-	-	-
Financial derivatives on exchange rates and gold	13,555,784,653	141,631,773	141,118,958	13,772,370,429	201,365,374	199,928,337
Options	1,138,735,801	22,772,015	22,787,433	1,545,140,233	23,060,316	22,741,190
Swaps	806,787,675	31,842,722	32,065,110	1,929,780,851	60,319,360	58,864,400
Forwards	12,417,048,852	118,859,758	118,331,525	10,297,449,345	117,985,698	118,322,746
Futures	-	-	-	-	-	-
Other	-	-	-	-	-	-
Financial derivatives on other underlying transactions	814,382,476	31,889,728	32,112,090	867,517,024	23,111,449	23,046,773
Options	7,594,802	47,005	46,980	17,467,211	1,630,275	1,630,880
Swaps	806,787,675	31,842,722	32,065,110	850,049,813	21,481,174	21,415,892
Forwards	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Other	-	-	-	-	-	-
Credit derivatives	-	-	-	-	-	-
Credit default swaps	-	-	-	-	-	-
Other	-	-	-	-	-	-

*) CCY swaps 2019 included in financial derivatives on debt instruments and interest rates / swaps, 2018 in financial derivatives on exchange rates and gold / swaps

Notes to the Financial Statements

(€)

	31-12-2019			31-12-2018		
	NOTIONAL AMOUNT	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE	NOTIONAL AMOUNT	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE
Banking book - hedging derivatives	**95,272,004,185**	**1,820,035,263**	**1,762,383,677**	**101,139,179,538**	**1,647,543,765**	**1,325,797,795**
Financial derivatives on debt instruments and interest rates	**90,901,663,847**	**1,733,046,766**	**1,735,026,933**	**85,677,825,399**	**1,570,045,076**	**1,253,487,406**
Options	2,454,274,400	38,436,054	53,159,880	3,156,681,887	58,658,630	43,969,434
Swaps	88,447,389,447	1,694,610,711	1,681,867,053	82,521,143,512	1,511,386,446	1,209,517,972
Forwards	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Other	-	-	-	-	-	-
Financial derivatives on equity instruments and share indices	588,047,287	56,852,711	3,036,565	226,484,000	17,366,983	1,181,981
Options	588,047,287	56,852,711	3,036,565	226,484,000	17,366,983	1,181,981
Swaps	-	-	-	-	-	-
Forwards	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Other	-	-	-	-	-	-
Financial derivatives on exchange rates and gold	3,555,704,200	22,937,864	22,178,624	15,106,086,863	59,327,402	64,950,354
Options	-	-	-	-	-	-
Swaps	-	-	-	10,500,217,066	39,342,058	51,173,909
Forwards	3,555,704,200	22,937,864	22,178,624	4,605,869,797	19,985,345	13,776,445
Futures	-	-	-	-	-	-
Other	-	-	-	-	-	-
Financial derivatives on other underlying transactions	157,988,851	6,808,220	1,849,902	23,683,276	625,542	2,316,823
Options	126,588,851	2,493,797	1,849,902	23,683,276	625,542	2,316,823
Forwards	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Other	31,400,000	4,314,423	-	-	-	-
Credit derivatives	68,600,000	389,702	291,652	105,100,000	178,761	3,861,231
Credit default swaps	68,600,000	389,702	291,652	105,100,000	178,761	3,861,231
Other	-	-	-	-	-	-
TOTAL	**141,811,132,112**	**2,803,966,387**	**2,809,320,220**	**142,718,205,988**	**2,365,875,687**	**2,087,876,598**

*) CCY swaps 2019 included in financial derivatives on debt instruments and interest rates / swaps, 2018 in financial derivatives on exchange rates and gold / swaps

Notes to the Financial Statements

Notional amounts of derivatives by residual maturity

(€)

	31-12-2019			
	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
Trading book	**12,108,012,119**	**18,003,255,844**	**16,427,859,964**	**46,539,127,927**
Financial derivative contracts on debt instruments and interest	1,071,973,023	13,823,878,625	16,316,574,450	31,212,426,098
Financial derivative contracts on equity instruments and share indices	620,538,769	251,609,901	84,386,029	956,534,700
Financial derivative contracts on exchange rates and gold	9,856,426,040	3,672,459,128	26,899,484	13,555,784,653
Financial derivative contracts on other underlying transactions	559,074,287	255,308,189	-	814,382,476
Credit derivatives	-	-	-	-
Banking book	**26,419,259,219**	**37,957,039,985**	**30,895,704,981**	**95,272,004,185**
Financial derivative contracts on debt instruments and interest	22,617,436,886	37,499,871,980	30,784,354,981	90,901,663,847
Financial derivative contracts on equity instruments and share indices	160,607,625	374,089,662	53,350,000	588,047,287
Financial derivative contracts on exchange rates and gold	3,555,704,200	-	-	3,555,704,200
Financial derivative contracts on other underlying transactions	76,910,508	33,078,342	48,000,000	157,988,851
Credit derivatives	8,600,000	50,000,000	10,000,000	68,600,000
TOTAL	**38,527,271,339**	**55,960,295,829**	**47,323,564,944**	**141,811,132,112**

The carrying amounts of derivatives as of 31 December 2019 (in €) are included in the following balance sheet items:

Other assets – trading book	983,931,203
Other assets – bank book	190,547,402
Other liabilities – trading book	1,046,936,544
Other liabilities – bank book	453,429,416

(€)

	31-12-2018			
	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
Trading book	**12,282,139,825**	**13,590,661,903**	**15,706,224,722**	**41,579,026,450**
Financial derivative contracts on debt instruments and interest	1,713,554,919	10,409,670,818	14,363,387,610	26,486,613,346
Financial derivative contracts on equity instruments and share indices	41,335,527	179,158,902	232,031,222	452,525,650
Financial derivative contracts on exchange rates and gold	9,690,549,985	2,971,014,554	1,110,805,891	13,772,370,429
Financial derivative contracts on other underlying transactions	836,699,394	30,817,630	-	867,517,024
Credit derivatives	-	-	-	-
Banking book	**39,976,717,950**	**31,644,985,202**	**29,517,476,386**	**101,139,179,538**
Financial derivative contracts on debt instruments and interest	33,137,493,545	26,222,052,084	26,318,279,770	85,677,825,399
Financial derivative contracts on equity instruments and share indices	21,860,000	204,624,000	-	226,484,000
Financial derivative contracts on exchange rates and gold	6,772,969,979	5,193,920,268	3,139,196,616	15,106,086,863
Financial derivative contracts on other underlying transactions	7,894,425	15,788,851	-	23,683,276
Credit derivatives	36,500,000	8,600,000	60,000,000	105,100,000
TOTAL	**52,258,857,774**	**45,235,647,105**	**45,223,701,108**	**142,718,205,988**

4.32. Contingent liabilities

Contingent liabilities of UniCredit Bank Austria AG shown below the line in item 1 on the liabilities side amounted to €11,883,569,847.62, an increase of €1,161,978,181.18 € or 10.8 % compared with 31 December 2018 (previous year: €10,721,592 thousand). This increase relates primarily to short-term forward starting repos.

Notes to the Financial Statements

4.33. Letters of comfort and undertakings

In addition to the contingent liabilities shown below the balance sheet in item 1 on the liabilities side, the following letters of comfort and undertakings exist:

For four subsidiaries of UniCredit Bank Austria AG, guarantees were issued in favour of S.W.I.F.T.

Letters of comfort for a total amount of €386,223,137.80 (31 December 2018: €378,937 thousand) were issued in connection with international leasing transactions; given the nature of collateral for these transactions, it is not expected that claims will be lodged against UniCredit Bank Austria AG because the rights to payment undertaking amounts serving as collateral and held with the leasing companies or with UniCredit Bank Austria AG, or the rights to other security of stable value, have been transferred to the leasing companies.

Furthermore, a commitment has been imposed on UniCredit Bank Austria AG under its membership, as prescribed in Sections 93 and 93a of the Austrian Banking Act and in the Austrian Deposit Guarantee and Investor Compensation Act (*Einlagensicherungs- und Anlegerentschädigungsgesetz – ESAEG*), of a deposit guarantee scheme.

4.34. Commitments

	31-12-2019 (IN €)	31-12-2018 (IN THOUSAND €)
Liabilities arising from sales with an option to repurchase pursuant to Section 50 (3) and (5) of the Austrian Banking Act	-	-
Underwriting commitments in respect of securities	-	-
Call / put options sold (pursuant to Annex 1 to Section 22, item 1 j)	-	-
Irrevocable loan commitments not yet utilised (credit facilities, commitments to lend, obligations to purchase securities, obligations to provide guarantees or acceptance facilities)	10,997,071,581	12,981,093
Securities borrowed – own account	-	-
Obligations under rent and lease agreements	-	-
Any other irrevocable transactions that may give rise to credit risk and have not been mentioned above	-	-
TOTAL	**10,997,071,581**	**12,981,093**

4.35. Return on assets

The return on assets, which is the ratio of profit/loss after tax ("annual surplus/annual deficit") to total assets as at the balance sheet date, was 0.04% for the reporting year (31 December 2018: 0.21%).

Notes to the Financial Statements

5. Notes to the profit and loss account

5.1. Current interest rate environment

As a consequence of the present low interest rate situation, income from financial liabilities and expenses from financial assets have arisen in places, primarily in the interbank market but also in dealings with the European Central Bank. Income received for deposits (liabilities) totalling €32,475,238.01 (2018: €48,,859 thousand) is reported under "Interest and similar income". Expenses relating to loans and receivables (assets) totalling €36,224,271.19 (2018: €35,389 thousand) are reported under "Interest income and similar expenses".

5.2. Expenses for subordinated liabilities

In the reporting year, the total amount of expenses for subordinated liabilities and Tier 2 capital was €22,342,686.72 (2018: €23,613 thousand).

5.3. Income from equity interests and group companies

The item "Income from shares in group companies" included income from profit-pooling arrangements in the amount of €56,929,056.00 (2018: €50,036 thousand).

5.4. Income from administrative and agency services provided to third parties

In 2019, income from safe-custody services and from intermediary services relating to insurance, building-society savings agreements and real estate totalled €45,075,400.74 (2018: €48,790 thousand).

5.5. Other operating income

In addition to income from Group services, the reversal of provisions (including, among others, from provisions for participating interests and from provisions for procedural risks), appreciation from other assets and rental income from realities, all of those figures that cannot be directly allocated to banking activities are reported under "Other operating income". The total value of these items in 2019 is €131,713,988.15 (2018: €65,306 thousand).

5.6. Expenses for severance payments

The item "Expenses for severance payments and payments to severance-payment funds" shows expenses of €54,628,839.99 (2018: €18,863 thousand). Die Veränderung gegenüber dem Vorjahr ist unter anderem auf die Zinssatzänderung zurückzuführen.

5.7. Other operating expenses

Other operating expenses related primarily to expenses on banking operations not arising from lending business, especially expenses for provisions for legal risks, and expenses of €18,403,361.00 (2018: €16,499 thousand) for deposit guarantee schemes and expenses of €39,984,631.81 (2018: €40,413 thousand) for the EU bank resolution fund. Expenses reflected in this item in the reporting year totalled €90,348,337.86 € (2018: €112,949 thousand).

5.8. Valuation and disposal of equity interests and shares in group companies

In the reporting year, write-downs totalled €97,008,406.75 € (2018: €136,067 thousand). These write-downs related to various companies including, on account of distributions, also to group companies with €93,271,700.00 € (2017: €117,530 thousand).

Valuation gains in 2019 totalled €31,622,923.96 € (2018: €20,613 thousand) as the reasons for write-downs made in the past were no longer applicable.

Within "net income/expenses from the disposal and valuation of shares in group companies and equity interests", group companies accounted for a balance of €-66,726,029,36 (2018: €106,637 thousand).
Income of €0 (2018: €0) was realised on the sale of shares in profit-pooling arrangements.

Notes to the Financial Statements

5.9. Taxes on income

The taxes on income and earnings recognised in the result in the reporting year amount to plus € 120,384,252.84 (2018: €29,163 thousand). The current tax income amounts to € 18,781,785.31 (expense 2018: €1,653 thousand). Deferred taxes for 2019 show an income balance of € 101,602,467.53 (income 2018: € 30,817 thousand), whereby a large part of the deferred tax income is attributable to the increase in the provision for social capital.

Current taxes
The current tax income as at 31 December 2019 amounted to € 18,781,785.31 (expense 2018: €1,653 thousand). This consists mainly of income in the amount of € 24,949,923.00 (2018: € 34,961 thousand) on the basis of cleared tax contributions to Group members, expenses arising from current corporation taxes totalling € 9,500,000.00 (2018: 28,000 thousand), as well as expenses for accrued final compensation payments to Group members totalling € 7,271,387.14 (2018: € 6,884 thousand), income from corporate taxes of the previous period amounting to € 3,968,159.31 (2018: € 2 thousand) and income from foreign withholding taxes refunded in the amount of € 6,577,557.26 (previous year € 0). The change compared to the previous year is mainly due to the lower current corporate income taxes and the income from foreign refunded withholding taxes.

Pursuant to Section 9 of the Austrian Corporation Tax Act (Körperschaftsteuergesetz – KStG), a group of companies existed as at 31 December 2019 which consisted of UniCredit Bank Austria AG as group holding company and 161 companies as group members all of which are Austrian companies (12 companies with profit and loss transfer agreements and 149 companies with tax compensation agreements).

Under the tax compensation agreements, payments are made to UniCredit Bank Austria AG for taxable profits in the amount of corporation tax payable on such profits, after deduction of an interest benefit shared by the group holding company and the group member. There is no obligation to make tax compensation payments to the group holding company to the extent that tax losses from previous years are offset at the group member level. Moreover, UniCredit Bank Austria AG undertakes to make a compensation payment to group members leaving the group for unused tax losses. A provision was made for future tax obligations resulting from this undertaking.

Deferred taxes
The amount of deferred tax assets as at 31 December 2019 is € 597,710,610.13 (2018: €496,108 thousand). The change in deferred taxes was recognised through profit or loss via the profit and loss account, totalling € 101,602,467.53 (Income 2018: €30,817 thousand).

The movement in deferred tax balances is largely attributable to changes in provisions for social capital, differences in the valuation of receivables, changes in provisions for statistically anticipated credit losses, amortisation by one-seventh, changes in other and non-current provisions and changes in non-current liabilities.

No use was made of the option to capitalize tax loss carryforwards.

5.10. Movements in reserves

In the 2019 financial year, the amount of €0 was released from revenue reserves (2018: release of €0).

5.11 Audit costs

Information on the costs of the audit of the financial statements (pursuant to Section 238 (1) 18 of the Austrian Business Code) is provided in the table below.

	2019 (IN €)	2018 (IN THOUSAND €)
Fees for the audit of the financial statements and the consolidated financial statements		
Deloitte Network	1,536,990.00	1,977
Austrian Savings Bank Auditing Association	1,340,221.00	851
Other services involving the issuance of a report		
Deloitte Network	1,225,404.00	1,149
Austrian Savings Bank Auditing Association	21,024.00	28
Tax consulting services		
Deloitte Network	-	-
Austrian Savings Bank Auditing Association	-	-
Other services		
Deloitte Network	147,600.00	-
Austrian Savings Bank Auditing Association	890,367.00	923
TOTAL	**5,161,606.00**	**4,928**

Notes to the Financial Statements

5.12. Proposal for the appropriation of profit

The net profit of the financial year of 1 January 2019 to 31 December 2019 amounted to €41,886,615.64. In consideration of the profit carried forward of €2,290,087.73, this results in usable balance sheet profit of €44,176,703.37. At the Shareholders' Meeting, the Management Board shall suggest distributing a dividend of €0.19 per share entitled to benefits on the share capital of €1,681,033,521.40. With 231,228,820 shares, the distribution therefore results in an amount of €43,933,475.80.

In addition, the Management Board shall also suggest carrying the remainder of €243,227.57 forward.

6. Information on staff and corporate bodies

6.1. Staff

The average number of employees (full-time equivalent) in the financial year was 4,166 (2018: 4,212)

6.2. Expenses for severance payments and pensions

Expenses for severance payments and pensions relate to the items "expenses for retirement benefits", "allocation to the pension provision" and "expenses for severance payments and payments to severance-payment funds" in the profit and loss account.

For the members of the ExecutiveManagement Board, former members of the ExecutiveManagement Board and their surviving dependents, the following amounts were paid in the year under review € 7,105,597.39 (2018: € 8,023 thousand) was spent. This figure includes € 197,750.04 (2018: € 234 thousand) and € 68,250.00 (2018: no payments) to pension funds for active members and former members of the ExecutiveManagement Board, respectively. Expenses for other employees and their survivors totalled € 532,715,155.29 (2018: € 369,045 thousand), whereby the change from the previous year was significantly influenced by the change in the discount rate.

6.3. Emoluments of Management Board members and Supervisory Board members

The emoluments paid by UniCredit Bank Austria AG to Management Board members in the 2019 financial year (excluding payments into pension funds) totalled €1,442,549.04 (comparable emoluments in 2018 totalled €1,975 thousand). Of this total, €1,089,221.52 (2018: €1,570 thousand) related to fixed salary components and €353,327.52 were variable salary components (2018: €404 thousand). Moreover, a provision was made for variable remuneration for 2019 (subject to malus) in the amount of €2.332.000,00, which may be paid in subsequent years pursuant to the same legal provisions governing compensation.

Several members of the Management Board receive their emoluments from companies which are not included in the group of consolidated companies of Bank Austria; these emoluments granted to Management Board members for activities in UniCredit Bank Austria AG and in subsidiaries in the 2019 financial year amounted to € 1,831,560.44 (2018: €1,670 thousand) and are partly (2019: €1,320,693.62; 2018: €1,108 thousand) charged to UniCredit Bank Austria AG. These Management Board members also received emoluments for activities which are not connected with the Bank Austria Group but are in the interest of UniCredit Group.

Payments to former members of the Management Board and their surviving dependants (excluding payments into pension funds) totalled €8,268,418.45. (Of this total, €4,053,444.26 were paid to former Management Board members of Creditanstalt AG, which merged with Bank Austria in 2002, and their surviving dependants; €1,729,933.89 was paid to former Management Board members of Österreichische Länderbank AG, which merged with Zentralsparkasse in 1991, and their surviving dependants.) The comparative figure for 2018 was €7,456 thousand. Emoluments paid to this group of persons for activities in subsidiaries amounted to €17,133.64 (2018: €17 thousand).

The emoluments of the Supervisory Board members active in the 2019 business year totalled €294,373.46 (2018: €252 thousand) for UniCredit Bank Austria AG.

6.4. Loans and advances to Management Board members and Supervisory Board members

Loans to members of the Management Board amounted to €1,059,456.40 (2018: €1,273 thousand), utilised overdraft facilities were €39,818.84 (2018: €34 thousand). Repayments during the business year totalled €50,733.42 (2018: €51 thousand).

Loans to members of the Supervisory Board amounted to €904,188.43 (2018: 279 thousand). Overdraft facilities utilised by Supervisory Board members totalled €60,630.57 (2018: €58 thousand). Repayments during the business year totalled €62,572.31 (2018: €39 thousand).

Notes to the Financial Statements

Loans to the Supervisory Board include those made to members of the Employees' Council who are members of the Supervisory Board. The maturities of the loans range from five to thirty years. The rate of interest payable on these loans is the rate charged to employees of UniCredit Bank Austria AG.

6.5. Share-based payments

The Management Board and selected executives of UniCredit Bank Austria AG participate in the UniCredit share-based payment scheme of UniCredit Group. The share-based payment arrangements relate to Stock Options and Performance Shares for activities in UniCredit Bank Austria AG, based on shares in the parent company UniCredit S. p. A.

UniCredit calculates the economic value of the share-based payment arrangements on a uniform basis for the entire Group (Hull & White evaluation model) and provides the Group companies with relevant information. In UniCredit Bank Austria AG, the total amount recognised in the profit and loss account for the reporting year was €2,951,138,98 (2018: €2,628 thousand).

In 2019, no new share options were issued to members of the Executive Board; no share options were exercised by the members of the Management Board.

In 2011-2019, no share options were issued to management or other employees; no share options were exercised. The term of options from the past has already expired.

7. Events after the balance sheet date

There are no major events to be reported.

Notes to the Financial Statements

8. Names of Supervisory Board members and of Management Board members

Supervisory Board of UniCredit Bank Austria AG

1 January 2019 – 31 December 2019

Chairperson:	Gianni Franco PAPA	until 31 December 2019
	Gianfranco BISAGNI	**from 1 January 2020**
Deputy Chairperson:	**Ranieri De MARCHIS**	
Members:	**Livia ALIBERTI AMIDANI**	
	Olivier Nessime KHAYAT	**from 8 April 2019**
	Aurelio MACCARIO	**from 8 April 2019**
	Eveline STEINBERGER-KERN	
	Ernst THEIMER	
	Andrea VARESE	until 8 April 2019
	Carlo VIVALDI	21 January 2019 – 8 April 2019
Delegated by the Employees' Council:	**Adolf LEHNER** Chairperson of the Employees' Council	
	Christine BUCHINGER Member of the Employees' Council	
	Mario PRAMENDORFER Member of the Employees' Council	
	Karin WISAK-GRADINGER Member of the Employees' Council	

Notes to the Financial Statements

Management Board of UniCredit Bank Austria AG

1 January 2019 – 31 December 2019

Chairperson/Chief Executive Officer:	**Robert ZADRAZIL**	
Deputy Chairperson:	Romeo COLLINA	until 28 February 2019
Members:	Dieter HENGL	until 31 August 2019
	Gregor HOFSTÄTTER-POBST	
	Jürgen KULLNIGG	
	Mauro MASCHIO	
	Günter SCHUBERT	**from 1 September 2019**
	Doris TOMANEK	until 6 May 2019
	Susanne WENDLER	

Notes to the Financial Statements

UniCredit Bank Austria AG
Financial Statements 2019

Vienna, 18. February 2020

The Management Board

Robert Zadrazil
CEO
Chief Executive Officer
(Vorsitzender)

Gregor Hofstätter-Pobst
CFO Finance

Jürgen Kullnigg
CRO Risk Management

Mauro Maschio
Privatkundenbank

Günter Schubert
Corporate & Investment
Banking Division

Susanne Wendler
Unternehmerbank

Auditors' Report

UniCredit Bank Austria AG
Financial Statements for 2019

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements, of UniCredit Bank Austria AG, Vienna, comprising the balance sheet as at 31 December 2019, the income statement for the fiscal year then ended, and the notes.

In our opinion, the financial statements comply with legal requirements and give a true and fair view of the financial position of UniCredit Bank Austria AG as at 31 December 2019, and its financial performance for the year then ended in accordance with the Austrian Commercial Code and the Banking Act.

Basis for Opinion

We conducted our audit in accordance with the Regulation (EU) No. 537/2014 and the Austrian Generally Accepted Auditing Standards. These standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under these standards are further described in the section "Auditors' Responsibilities for the Audit of the Financial Statements" of our report. We are independent of UniCredit Bank Austria AG in accordance with laws and regulations applicable in Austria, and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Determination of Expected Credit Losses
(see Notes, 2.2.3. and Management Report, 2.2.1.)

Description and Issue
Loss allowances represent management's best estimate of the expected credit losses from the loan portfolios at the reporting date.

At 31 December 2019, loans and advances (to customers and credit institutions) after impairments amounted to EUR 71,575 mn. For those assets loss provisions of EUR 1,340 mn were recorded.

For the purpose of calculating expected credit losses, UniCredit Bank Austria AG has implemented processes to identify loss events and significant increases in credit risk. Based on these, various methods to determine the expected credit losses are applied depending on the asset class. In principle, all of these methods are discounted cash flow methods considering multiple scenarios. Where necessary, the considered parameters are estimated based on regulatory requirements and adapted for accounting purposes:

Auditors' Report

- Expected credit losses on loans in default that are deemed to be material on a customer level are determined individually. The probabilities of the scenarios, the expected cash flows and the expected recoveries from collateral (if available) are estimated based on all available information and with the assistance of internal specialists.

- Expected credit losses on loans in default that have comparable risk profiles and that are not deemed to be material on an individual level are collectively determined. The expected cash flows from redemptions and collateral are estimated using statistical methods.

- Expected credit losses on loans that have not defaulted are calculated by using model-based estimates of default probabilities and loss rates. If, at the reporting date, the credit risk has not increased significantly, the loss allowance is measured at an amount equal to 12-month expected credit losses. If credit risk has increased significantly, the loss allowance is measured at an amount equal to the lifetime expected credit losses.

- The models used for foreign-currency loans that have not defaulted as well as for bullet loans with repayment vehicles in the retail segment are adapted to account for the special risk characteristics of these portfolios. In particular, UniCredit Bank Austria AG assesses significant increases in credit risk on a collective level for these portfolios.

The calculation of loss allowances in all described forms is based on significant management judgement and includes uncertainties. These exist especially in the identification of loss events or significant increases in credit risk as well as in the estimation of expected cash flows and the determination of parameters depicting the latter. Hence, we considered the measurement of expected credit losses to be a key audit matter.

Our Response

To assess the adequacy of loss allowances, we evaluated the calculation methodology for expected credit losses applied by UniCredit Bank Austria.

We reviewed the key processes and models in credit risk management, as well as a sample of loans. We identified and tested key controls in the credit process, especially in the monitoring and in the early warning process. We examined the internal control system for the correct application of rating models and collateral valuation.

We examined the adequacy of individual loan loss provisions based on a sample of test cases. Apart from the adherence to internal guidelines referring to rating, collateral assignment and collateral valuation, we examined whether major loss events were identified. For this, we tested loans and advances that had not been identified by management as defaulted to form our own assessment as to whether events with material impact on the repayment capability of the borrower had occurred. For non-performing loans we critically assessed the estimated cash flows that are expected from redemptions and collateral, and retraced the present value calculation.

We examined the adequacy of collective provisions considering lifetime parameters, forward looking information and the identification of significant increases in credit risk, as well as the underlying rating models. We assessed the internal control system for regulatory models and relevant risk parameters based on their performance, backtesting results and stability. Based on this, we retraced the transition from regulatory parameters to accounting compliant risk parameters based on impact analyses. Furthermore, we critically examined the analyses performed by UniCredit Bank Austria AG regarding the detection of significant increases in credit risk.

Recognition and Measurement of Restructuring Provisions for Staff-Related- Measures

(see Notes, 4.25.2. and Management Report)

Description and Issue

Based on UniCredit's group-wide multi-year plan for 2020 to 2023 ("Team23"), UniCredit Bank Austria AG has resolved restructuring measures. Among other things, these include a reduction in staff during the period of 2020 to 2023. UniCredit Bank Austria AG recognized a restructuring provision for the expected expenses.

The restructuring provision for staff-related measures amounts to EUR 147.8 mn. The planned measures for the reduction in staff include different offers ranging from early retirement to an agreement on the time of retirement in exchange for a one-off payment through to a termination of the employment contract.

Auditors' Report

Due to the numerous assumptions underlying the determination of the restructuring provision and the significance for the financial statements we have identified the recognition and measurement of the restructuring provision as a key audit matter. Such assumptions relate to e.g. expenses per employee for the different offers, the probability that a certain offer is accepted by the employees, relevance of historical information regarding previous restructuring plans and the period of the restructuring measures.

Our Response

We have examined the processes that UniCredit Bank Austria AG applied in order to calculate the restructuring provision. Moreover, we have reviewed the key data for the calculation and evaluated the effectiveness of the material control we have identified.

We have analyzed whether the requirements for the recognition of a provision are met.

We have critically assessed and compared the underlying assumptions to UniCredit Bank Austria AG´s experiences from previous restructuring plans and discussed them with management and responsible employees.

Management's Responsibility for the Financial Statements and for the Accounting System

Management is responsible for the preparation of the financial statements that give a true and fair view of the earnings, finance and asset situation of UniCredit Bank Austria AG in accordance with the Austrian Commercial Code and the Banking Act. Management is also responsible for internal controls that are determined as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing UniCredit Bank Austria AG's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate UniCredit Bank Austria AG or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing UniCredit Bank Austria AG's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Regulation (EU) 537/2014 and in accordance with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditors' Report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the UniCredit Bank Austria AG's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on UniCredit Bank Austria AG's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause UniCredit Bank Austria AG to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that give a true and fair view.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Management Report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and whether it has been prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report in accordance with the Austrian Commercial Code and the Banking Act.

We conducted our audit in accordance with laws and regulations applicable with respect to the management report.

Opinion

In our opinion, the management report is prepared in accordance with the applicable legal requirements, the disclosures pursuant to section 243a UGB (Austrian Commercial Code) are appropriate, and it is consistent with the financial statements.

Statement

In the light of the knowledge and understanding of UniCredit Bank Austria AG and its environment obtained in the course of our audit of the financial statements, we have not identified material misstatements in the management report.

Auditors’ Report

Additional Information in Accordance with Article 10 of the EU Regulation

According to section 24 of the Austrian Savings Banks Act (SpG) and the Auditing Rules for Savings Banks (Anlage zu § 24 SpG), the Savings Bank Auditing Association (Sparkassen-Prüfungsverband) acts as statutory auditor of UniCredit Bank Austria AG.

By resolution of Bank Austria’s annual general shareholders’ meeting on 11 April 2018, pursuant to section 1 para 1 of the Auditing Rules for Savings Banks, Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, was appointed as additional auditor of Bank Austria for the fiscal year ending on 31 December 2019. In accordance with the above, the chairman of the Supervisory Board of Bank Austria engaged Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, by letter dated 24 April 2018 as additional auditor. Furthermore, by resolution of Bank Austria’s annual general shareholders’ meeting on 8 April 2019, Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna was appointed as additional auditor for the subsequent fiscal year and engaged by the chairman of the Supervisory Board on 23 April 2019.

Deloitte Audit Wirtschaftsprüfung GmbH has been the additional auditor uninterrupted since the financial year ending 31 December 2013.

We confirm that the audit opinion in the section "Report on the Financial Statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 para 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

Auditors' Report

Engagement Partner

The engagement partner responsible for the audit is Herwig Hierzer on behalf of Austrian Savings Bank Auditing Association and Peter Bitzyk on behalf of Deloitte Audit Wirtschaftsprüfungs GmbH.

Financial Statements 2019
UniCredit Bank Austria AG, Vienna

Vienna, 21 February 2020

Austrian Savings Bank Auditing Association
Auditing Board

Herwig Hierzer Certified Accountant	Reinhard Gregorich Auditor

Deloitte Audit Wirtschaftsprüfungs GmbH

Peter Bitzyk Certified Accountant	Wolfgang Wurm Certified Accountant

This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the financial statements together with our auditors' opinion is only allowed if the financial statements and the management report are identical with the audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 para 2 UGB applies to alternated versions.

Statement by Management

UniCredit Bank Austria AG
Financial Statements for 2019

Statement by Management

We state to the best of our knowledge that the financial statements prepared in accordance with the relevant financial reporting standards provide a true and fair view of the financial position and performance of the issuer, and that in the Management Report the business trends including business results and the position of the issuer have been presented in such a way as to provide a true and fair view of the financial position and performance of the issuer, and that it describes the material risks and uncertainties to which the issuer is exposed.

Vienna, 18 February 2020

The Management Board

Robert Zadrazil
CEO
Chief Executive Officer
(Chairman)

Gregor Hofstätter-Pobst
CFO Finance

Jürgen Kullnigg
CRO Risk Management

Mauro Maschio
Privatkundenbank

Günter Schubert
Corporate & Investment
Banking Division

Susanne Wendler
Unternehmerbank

Investor Relations

Investor Relations, ratings, imprint, notes

UniCredit Bank Austria AG / Corporate Relations

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

Ratings

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

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

1) Securities issued before 31 December 2001 and therefore benefiting from the deficiency guarantee by the City of Vienna ("grandfathered debt" – exclusively subordinated debt), are rated Baa1 by Moody's and BBB- by Standard & Poor's.

Information and disclosure pursuant to Sections 24 and 25 of the Austrian Media Act (Mediengesetz)::
Publisher and media owner:
UniCredit Bank Austria AG
Rothschildplatz 1, 1020 Vienna
Tel.: + 43 (0)5 05 05-0
Internet: www.bankaustria.at
e-mail: info@unicreditgroup.at
BIC: BKAUATWW
Austrian bank routing code: 12000
Register of firms: FN 150714p
LEI: D1HEB8VEU6D9M8ZUXG17
Data Processing Register number: 0030066
VAT number: ATU 51507409

Editor: Accounting, Reporting, Tax & Corporate Relations

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

Sorter pages creative definition: M&C Saatchi

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

Business objective:
Credit institution pursuant to Section 1 (1) of the Austrian Banking Act (Bankwesengesetz)

Persons (Management Board) authorised to represent the media owner:
Robert Zadrazil (Chairman), Gregor Hofstätter-Pobst, Jürgen Kullnigg, Mauro Maschio, Günter Schubert, Susanne Wendler.

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

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

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

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

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

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.

Disciplined risk management. & controls

We run the business with disciplined origination, enhanced business accountability and in-depth monitoring by control functions. Our reinforced governance and steering ensure targeted actions wherever necessary.
A Group culture driven by the principle: “Do the right thing!” means that each employee is part of the first line of defense.

Banking that matters.

Bank Austria

Member of UniCredit

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