Do the right thing!

2020

Annual Report

Banking that matters.

Bank Austria
Member of UniCredit

Do the right thing!
for our Environment

Our new sustainability targets, shared at the end of 2019, encouraged several sustainability-focused initiatives in 2020 focusing on protecting our environment.

CAUSING A BUZZ AT OUR NEW AUSTRIAN HQ

Not only employees moved into UniCredit new Austrian headquarters. They were joined by over one million honeybees, working hard to pollinate the nearby surroundings and make honey which will be harvested by UniCredit employees. What a sweet result!

Content

Do the right thing!
for the Real Economy

We quickly took decisive actions to support the backbone of the real economy in Europe: small and medium sized enterprises.

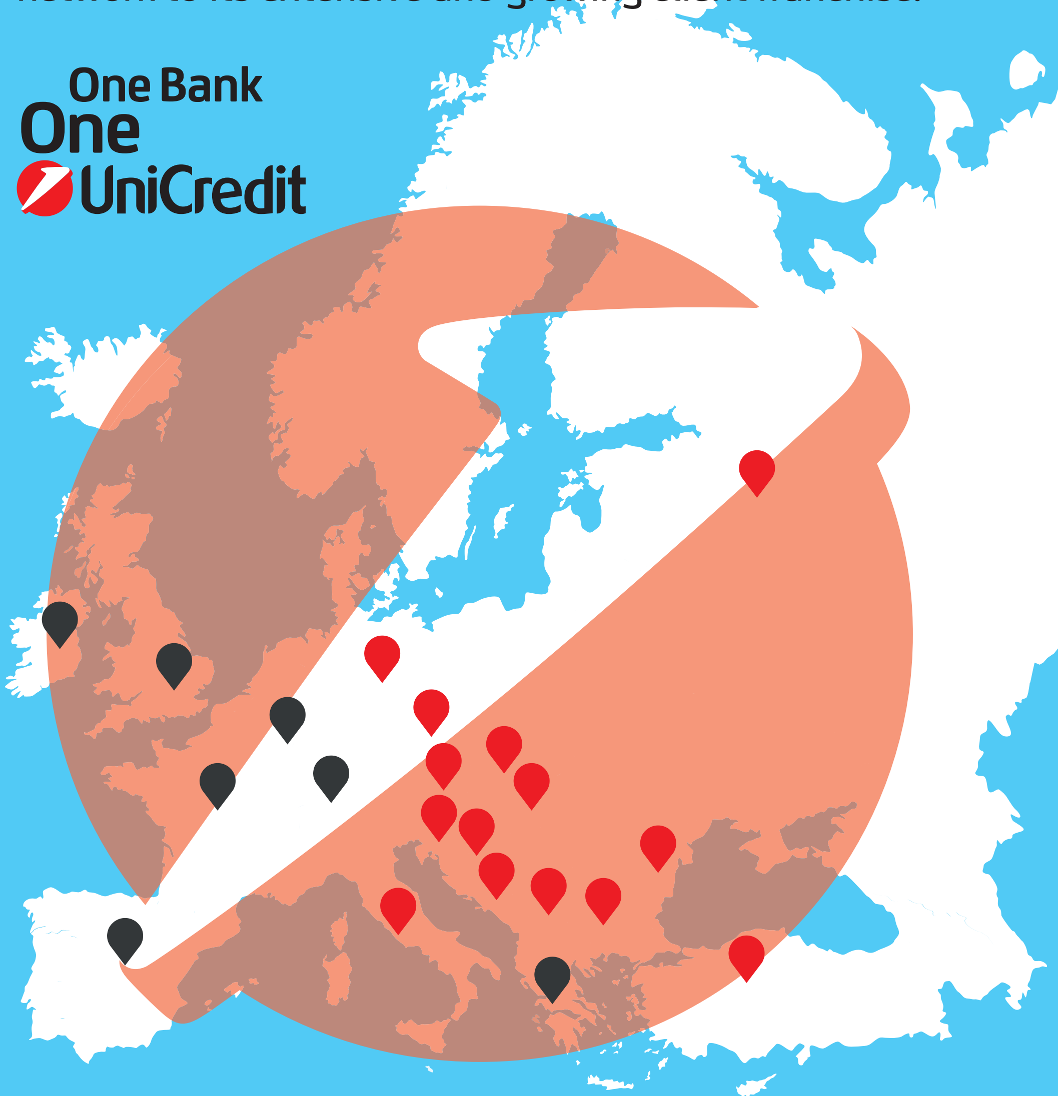
AWARDED ‘WORLD'S BEST BANK FOR SMES’

In October, UniCredit was awarded ‘Best Bank for SMEs’ by Global Finance magazine in its World’s Best Global Banks Awards. This was based on our performance over the past year, based on criteria including reputation and management excellence.

Corporate Profile

At a glance

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.



Commercial banks

International branches and representative offices

LARGE INTERNATIONAL PRESENCE WITH 13 CORE MARKETS AND 16 COUNTRIES WORLDWIDE

Austria
Bosnia and Herzegovina
Bulgaria
Croatia
Czech Republic
Germany
Hungary
Italy
Romania
Russia
Serbia
Slovakia
Slovenia

What we do
We meet real client needs with real solutions which harness synergies between our businesses: CIB, Commercial Banking and Wealth Management.

How we do it
By focusing on banking that matters, we offer local and international expertise, providing unparalleled access to market leading products and services in our core markets.

Our values

Ethics & Respect Do the right thing!

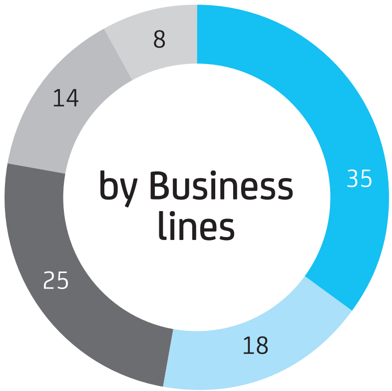
Ethics and respect: these two values unite us and define our Group culture – how we make decisions and how we act on them. Do the right thing! is a simple, guiding principle to help us live these values every day, everywhere.

Our financial highlights

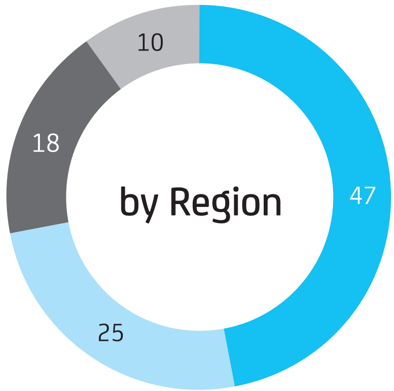
SHAREHOLDERS' EQUITY	NET RESULT
€59,507m	€-2,785m

Strong global products and local excellence: well-diversified revenues

Revenues[1] (%)

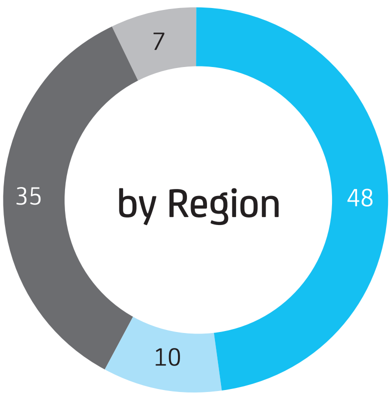


- Commercial Banking Italy
- CEE Division
- CIB
- Commercial Banking Germany
- Commercial Banking Austria



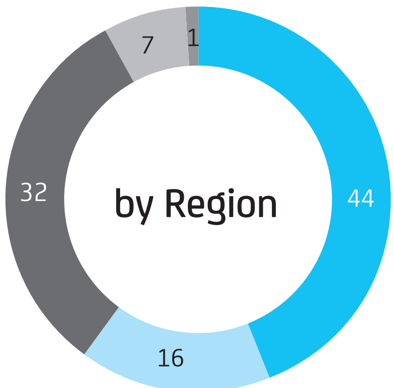
- Italy
- Germany
- CEE
- Austria

Customers[1] (%)



- Italy
- Germany
- CEE
- Austria

Employees[1] (%)



- Italy
- Germany
- CEE
- Austria
- Other

1) as at 31 December 2020

Do the right thing!

€500,000 FOR THE RED CROSS

During the Covid-19 pandemic, UniCredit made donations to the Red Cross in Italy, Bosnia & Herzegovina, and Croatia.

"Your generous contribution will help, through our work, the entire Italian population forced to face this moment of emergency linked to the spread of the new Coronavirus. Thanks to your donation, the Italian Red Cross continues to expand, investing in services, resources and training for volunteers and operators to be alongside those who need it most."

Francesco Rocca
President of the Italian Red Cross

SUPPORTING MEDICAL INNOVATION

UniCredit provided €250,000 to build the first CURA Pod prototype, an intensive care unit made from a shipping container. The first unit was transported to Turin where it was used to treat Covid-19 patients.

MAKING AN IMPACT ACROSS EUROPE

UniCredit Social Impact Banking has now disbursed €225.1 million of impact financing and microcredit loans. New projects in 2020 included the launch of a dedicated offer in Italy to support female entrepreneurship and profit and non-profit businesses with a focus on women and the family, and financing for new facilities to support young people with disabilities in Germany.

SUPPORTING SOCIAL ENTREPRENEURSHIP

By partnering with **Finance 4 Social Change**, UniCredit's Social Impact Banking initiative is supporting social entrepreneurship as a driver of sustainable development in eight different UniCredit countries, including: Austria, Bulgaria, Croatia, Germany, Hungary, Romania, Serbia and Slovakia.

MILLIONS DONATED TO EUROPEAN HOSPITALS

Thanks to donations from UniCredit employees and the UniCredit Foundation, €1.2 million was raised to help hospitals in Italy. On top of this, UniCredit and its local banks donated more than €2.5 million to hospitals and healthcare services in Bulgaria, Czech Republic, Italy, Serbia and Slovakia.

for our Communities

Thanks to UniCredit's strong position, we were able to support communities in all of our countries. Formal initiatives such as UniCredit's Social Impact Banking and the UniCredit Foundation were supplemented by a wide range of volunteering activities and donations, including millions of euros donated by UniCredit employees and customers.

SUPPORTING ARTISTS AND LIVE MUSIC

UniCredit's smart phone bank, buddybank, launched **Niente Di Strano**, a series of six music concerts to support the Italian music industry. The live-streamed events attacted over 3 million YouTube views.

€1m

DONATED TO 11 SOCIAL AND CULTURAL ORGANISATIONS IN GERMANY

SHARING INSIGHTS

In 2020, UniCredit launched several success initiatives to support clients. These include **START-UP ACADEMY**, a managerial programme for 60 Italian start-ups, a series of events focused on the ESG aspects of corporate financing attended by over 1,100 clients from Italy, Germany, Austria and the CEE, and **ITALY TECH DAY 2020**, an annual event to showcase Italian innovation and support the start-up industry.

SUPPORTING ECOMMERCE

UniCredit partnered with Google to develop **UniCredit Easy ECommerce** to help Italian companies access digital markets and boost their B2C e-commerce. Only 30% of Italian companies have an e-commerce website and just 10% currently sell online, creating a huge digital opportunity.

for our Clients

2020 was a challenging year for clients of all sizes. From billion euro funding programmes for multinational companies to mentoring new start-up businesses, UniCredit was committed to being part of the solution.

€10 MILLION OF NEW FINANCING FOR A 100-YEAR OLD PASTA MAKER

The loan was used to meet the working capital needs of Gragnano-based Pastificio Di Martino. It was also the first large loan issued in under Italy's guaranteed loans programme.

"Thanks to this deal, we can better absorb the shock to our production chain from the spread of Covid-19, meet our working capital needs and ensure the continuity of operations and the supply of our products."

Giuseppe Di Martino
Owner of Pastificio Di Martino

ACCESSING CAPITAL MARKETS

UniCredit continued to help clients access capital markets including those of the Republic of Austria, the Free State of Bavaria, the German State of North Rhine Westphalia and the European Investment Bank. UniCredit also supported the Italian Ministry of Finance with record breaking BTP issuance to help the country fund it's pandemic response and was joint bookrunner on a €17 billion social bond for the EU.

STAYING ON TRACK WITH €600 MILLION

UniCredit supported Italy's state-owned railways operator - Ferrovie dello Stato - by raising €600 million of new funding. This included a €200 million ESG loan to fund new electric trains and upgrade on-board safety systems.

BEING THERE FOR FAMILIES

To ensure the bank understood individual and family needs stemming from the Covid-19 crisis and identify possible solutions, UniCredit formed a new Family Board. The 20 person team meets regularly and has made a series of recommendations, on flexibilities, psycho-physical wellbeing, homeschool/homework support.

NEW WAYS OF WORKING

In October, UniCredit and the UniCredit European Works Council signed a joint declaration on remote work. This will allow the Group to extend the opportunities offered by technological advancements and enable new ways of working to support a better work-life balance and greater efficiency.

for our Colleagues

Throughout 2020, we made decisions quickly to protect our colleagues. We distributed millions of items of PPE to our branches and offices, and with fast IT upgrades, we rolled out new laptops and remote access to around 80,000 UniCredit employees, allowing them to work safely and effectively.

SUPPORTING OUR BRANCH HEROES

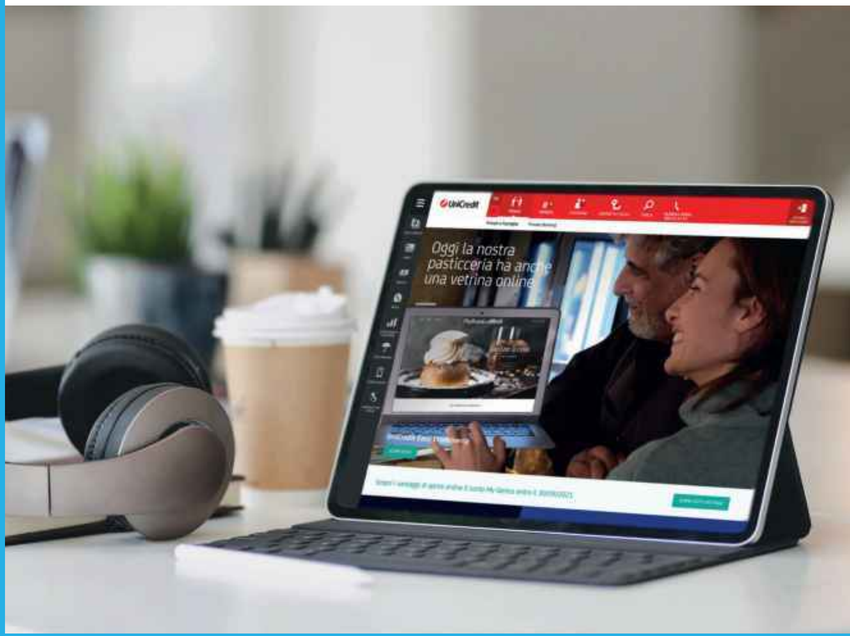
Thanks to our branch heroes, UniCredit remained open for business and continued to serve customers in all our countries, while keeping clients and our people safe. During the lockdown, UniCredit's CEO and other members of the Executive Management Committee made hundreds of video calls to branch colleagues across Italy, Austria, Germany and the CEE to recognise their extraordinary efforts.

TURNING IDEAS INTO ACTION

UniCredit's Millennial Board – comprised entirely of employees aged 22-32 – continued to implement some of the 1,200 ideas and suggestions made by their UniCredit colleagues. Successful initiatives in 2020 included starting planting more than 90,000 trees to establish the UniCredit Forest.

HELP FOR ENTREPRENEURS

The UniCredit Start Lab programme supports growth of 60 Italian innovative companies with its Startup Academy initiative, demonstrating the bank's willingness to support innovation and young entrepreneurs.



for the Real Economy

With over 16 million clients in 13 countries, we took decisive action to give families and businesses across Europe the support they need.

€34,8bn
MORATORIA LOANS

€20,8bn
STATE-GUARANTEED LOANS

GRANTING MORATORIA LOANS... QUICKLY!

As the pandemic hit Europe, pushing many countries into lockdown, we provided our clients with moratoria loans worth €34,8 billion and granted €20,8 billion of state guaranteed loans.
Given the circumstances, speed was important and 1,600 UniCredit employees worked over the weekend to process the first 100,000 applications.

Thanks to a partnership with SACE, the Italian credit export agency, UniCredit disbursed €2,5 bn to finance SMEs and mid-cap businesses with most processed in just a few hours. Similar partnerships with the European Investment Bank and the European Investment Fund provided working capital support and new financing to SMEs and mid-cap companies in Italy, Austria, Germany and nine CEE countries.

AWARDED 'WORLD'S BEST BANK FOR SMES'

In October, **Global Finance** magazine recognised UniCredit in its World's Best Global Banks Awards. Based on performance over the past year and criteria including reputation and management excellence, UniCredit was awarded 'Best Bank for SMEs.'

SUPPORTING SUPPLIERS

To help companies with their working capital needs and inject liquidity into the economy, UniCredit started to pay over 20,000 suppliers on 'sight' of the invoice rather that in accordance with contractual payment terms. The initiative has been continued in 2021.

20,000

SUPPLIERS SUPPORTED WITH FASTER PAYMENTS

GIVING A BOOST TO BUSINESS

In June, UniCredit launched the **Digital&Export Business School** in partnership with SACE and Microsoft with the aim of providing an integrated path, lasting 6 months, which was concretely supportive for Made in Italy entrepreneurship. The entire course was designed to be full digital, and has allowed more than 3,200 registered and over 2,700 participants to converse with about 50 UniCredit, Microsoft, Sace experts but also journalists, sociologists, researchers, through 8 inspiring national events and 26 local live Coaching on specific issues carried out with over 19 local associations.

HELPING CUSTOMERS SUPPORT COMMUNITIES

In 2020, over €2,600,000 in donations were funded by customers using UniCredit's Carta Etica payment card. UniCredit's Flexia Classic Etica credit card lets customers contribute to charitable projects at no added cost. For every €1,000 spent, UniCredit contributes €2 to the Carta Etica fund.

"The bank reacted quickly after the state of emergency was declared. We immediately applied to reschedule our debt, which helped us keep our company our staff, and preserve our partners.
I would like to express my gratitude."

Ivelin Bezhev
Manager, Santulita Limited
Customer of UniCredit Bulbank, Bulgaria

for the Environment

Our new sustainability targets, unveiled towards the end of 2019, were the focus of several sustainability-focused initiatives in 2020 and it was great to be recognised by a number of external organisations for our progress.

LEADING THE WAY ON GREEN FINANCE

As a leader in the sustainable finance sector, UniCredit participated to the placement of nearly €120 bn of sustainable bonds and loans in 97 deals. UniCredit was also recognised by Bloomberg as a leading provider of sustainability-linked loans. Moreover, with regard to green bonds, other major transactions included a €750 million bond for real estate firm CPI Property Group to fund new green projects, €750 million for Eurogrid to fund offshore wind farm projects and €500 million for Swisscom to finance energy efficiency projects.

#1*

RANKING ON BLOOMBERG SUSTAINABILITY LINKED LOANS

* as at 3Q 2020

A NEW GOAL FOR COAL

UniCredit's updated coal policy – which will see the bank fully exit coal sector financing by 2028 – was praised as best-in-class by Reclaim Finance, a non-profit organisation focused on reducing financing of fossil fuels by the world's largest financial institutions.

CAUSING A BUZZ AT OUR NEW AUSTRIAN HQ

It wasn't just employees that moved into UniCredit new Austrian headquarters. They were joined by over one million honeybees who will both pollinate nearby surroundings and make honey to be harvested by UniCredit employees. What a sweet result!

FUNDING THE FUTURE

Throughout 2020 we supported companies and projects that are supporting the transition to a lower carbon future. This included €700 million of new funding for a renewable energy portfolio, a €143 million funding package for one of Austria's largest wind farms and financing support to build Europe's largest battery factory.

20,000

TONNES OF CO_2 OFFSET BY UNICREDIT FOREST OVER THE NEXT DECADE

TAKING ACTION AT D&I WEEK 2020

More than 21,000 colleagues participated in 145 hours of workshops, coaching sessions and online discussions as part of UniCredit's second annual Diversity & Inclusion Week. With 100 events held in 15 markets, there was a chance for everyone to join in or listen to 270 external speakers.

for Diversity & Inclusion

UniCredit is committed to promoting a working environment that embraces our core values of Ethics and Respect.

GENDER-EQUALITY EFFORTS RECOGNISED BY BLOOMBERG

UniCredit was included in Bloomberg's 2020 Gender-Equality Index (GEI), which tracks the performance of public companies committed to disclosing their efforts to support gender equality through policy development, representation and transparency. The bank was included again in 2021, joining 380 companies across 44 countries and 11 sectors.

SUPPORTING FEMALE ENTREPRENEURS

In Italy, UniCredit unveiled a package of support for female entrepreneurs and companies that provide family-orientated services. The support includes discounted loans for entrepreneurs, social impact financing for companies providing welfare, health and educational services, and a dedicated mentoring programme.

A GREAT PLACE FOR WOMEN TO WORK

UniCredit was named Italy's 'Best Employer for Women' by **Istituto Tedesco Qualità e Finanza (ITQF)** – a leading European market research institution – and its media partner **La Repubblica Affari&Finanza**. ITQF uses big data to review a company's online reputation and sentiment amongst women at work, with UniCredit receiving the top score in the banking sector.

TAKING ACTION ON DISABILITY LEADERSHIP

UniCredit joined **The Valuable 500**, a movement that aims to put disability on the global business leadership agenda by attracting the support of 500 national and multinational corporation.

Management Report

Bank Austria Consolidated Financial Statements

Management Report

Bank Austria at a glance

Income statement figures

(€ million)

	2020	2019 RECAST	+/-
Net interest	906	959	-5.6%
Dividends and other income from equity investments	103	179	-42.6%
Net fees and commissions	660	692	-4.5%
Net trading, hedging and fair value income/loss	60	62	-3.1%
Operating income	1,774	1,941	-8.6%
Operating costs	(1,172)	(1,149)	2.0%
Operating profit	602	792	-24.0%
Net write-downs of loans and provisions for guarantees and commitments	(398)	(35)	>100%
Net operating profit	203	757	-73.1%
Profit (loss) before tax	(32)	519	n.m.
Total profit or loss after tax from discontinued operations	49	14	>100%
Net Profit attrib. to the owners of the parent company	20	698	-97.1%
Cost/income ratio	66.1%	59.2%	+6.9 PP
Cost of risk	63 bp	6 bp	+57 bp

Volume figures

(€ million)

	31.12.2020	31.12.2019	+/-
Total assets	118,510	101,663	+16.6%
Loans and receivables with customers	60,863	63,258	-3.8%
Direct funding	73,783	68,882	7.1%
Loan / direct funding ratio	82.5%	91.8%	-9.3 PP
Equity	8,360	8,486	-1.5%
Risk-weighted assets (overall)	31,464	33,493	-6.1%

Capital ratios

	31.12.2020	31.12.2019	+/-
Common Equity Tier 1 capital ratio	20.1%	18.9%	+1.2 PP
Tier 1 capital ratio	20.1%	18.9%	+1.2 PP
Total capital ratio	22.3%	21.3%	+1.0 PP
Leverage ratio	6.2%	5.7%	+0.5 PP

Staff

(Full-time equivalent)	31.12.2020	31.12.2019	+/-
Austria in Total	5,215	5,301	(86)

Offices

	31.12.2020	31.12.2019	+/-
BA AG - Privatkundenbank branches	122	122	-

Notes:
- Comparative figures for 2019 recast to reflect the current structure and methodology
- RWA: total regulatory risk-weighted assets
- capital ratios pursuant to Basel 3 according to the current state of the transitional provisions and based on all risks
- n.m. = not meaningful; PP = percentage point(s); bp = basis point(s)

Management Report

Economic environment – market developments

Global economy in the grip of the SARS-CoV-2 pandemic in 2020

After tentative indications of an acceleration of the global economy at the beginning of 2020 based on a revival of international trade, the SARS-CoV-2 pandemic subsequently had a tight hold on the global economy. Starting in China, the first national economy to implement a lockdown to curb the spread of the pandemic, the disruption in the global value chains that followed led to the first economic burdens across the world. Due to the rapid spread of the virus and the risk of overloading healthcare systems, however, following Asia, the countries of Europe and America were also forced to put in place sweeping restrictions in economic life from spring onwards. As a result of production interruptions, business closures and curfews, both the USA and European Union slid into recession in the first half of the year, experiencing sharp downturns in economic performance. In summer, depending on the respective situation concerning the pandemic, the economic restrictions which had been put in place were relaxed across the world, with strong economic recovery setting in supported by strong catch-up effects in consumption. While in most Asian countries, the pandemic was largely able to be kept under control, Europe in particular experienced a second wave of infections from autumn, resulting in a renewed need for lockdowns. Towards the end of 2020, however, the extent of the economic restrictions was for the most part more limited than during the first wave. Furthermore, the experiences from the spring allowed businesses to better adapt their activities to the circumstances. While there were economic losses again in the final quarter, these were lower than they had been in the spring. Overall, the sometimes rapid rollercoaster ride of the economy depending on the easing or tightening of measures to curb the pandemic led to an estimated decline in global economic output of around 3.5 percent in real terms, much higher than during the financial crisis of 2009. While China remained the only major economy able to achieve economic growth in 2020, real GDP fell in the USA by 3.5 percent and in the European Union, due to overall stricter lockdowns, by around as much as 6.5 percent. As a consequence of the global economic slump, oil prices fell with demand by an annual average of more than 30 percent to USD 43.5 per barrel in 2020. The waning attractiveness of the US dollar as a safe haven in 2020 led to an increase in the euro exchange rate from 1.10 to over 1.20 at the end of the year, meaning that the decline in oil prices cushioned inflation more strongly than in the USA; at an average of 0.3 percent for the eurozone in 2020, inflation again remained far below the ECB's target.

Renewed easing of monetary policy defined the capital market trends

To limit the long-term effects of the pandemic and stimulate economic recovery, governments across the world switched to a very expansionary fiscal policy in 2020. On a European level, a reinforced EU budget for 2021-2027 as well as the "Next Generation EU" recovery programme of €750 billion were announced. On a national level, an aid and stimulus package of €50 billion was agreed, made up of direct support as well as guarantees. The banking sector did its part to manage the crisis, including through granting loan deferrals for consumers and small businesses. The central banks adapted their monetary policy frameworks in 2020. The US Federal Reserve reduced the base rate, the Fed Funds Target Rate, by 150 basis points until mid-2020 to a range of 0 to 0.25 percent. Due to limited room for manoeuvre, the European Central Bank kept the interest rate at 0 percent and the deposit rate at minus 0.5 percent. Just like the Fed, however, the ECB adopted a series of unconventional monetary easing measures during the first half of 2020. To maintain favourable financing conditions and secure the transmission of monetary policy, in addition to regulatory facilities for commercial banks, the ECB introduced an additional longer-term refinancing operation (TLTRO-III) to support lending to small and medium-sized enterprises and an additional emergency bond purchase programme (PEPP: Pandemic Emergency Purchase Programme) of more than €750 billion. In view of low inflation expectations, this programme was increased by €600 billion at the start of June and by a further €500 billion in December, bringing it to a total of €1.85 trillion, and was extended until March 2022. In this environment, both short-term and long-term market interest rates fell. The 3-month Euribor fell from -0.4 percent at the start of the year to -0.55 percent at the end of 2020. The yield on the ten-year US Treasuries fell to an average of under 1 percent for the year and in the eurozone, the yield of ten-year government bonds from eight countries had slipped into negative figures by the end of the year. At the end of December 2020, the yield on the ten-year Austrian federal bond was also clearly in the negative range, at minus 0.50 percent. At the same time, the easing of monetary policy helped to boost equity markets again, which had fallen sharply as a result of the pandemic. While the US Dow Jones stock market index broke the barrier of 30,000 points for the first time at the end of 2020, spurred on by strong technology stocks with an increase of more than 7 percent within the one-year period and supported by Joe Biden's electoral victory, and the German key index DAX 2020 was able to achieve a slight increase, the Austrian share index ATX fell by almost 13 percent compared to the start of the year, despite strong growth towards the end of the year. Low interest rates and a high level of uncertainty helped gold prices to reach a new record high of over USD 2000 per troy ounce, an increase of almost 25 percent year-on-year.

Management Report

Economic situation and market developments in Austria

After a good start to 2020, the pandemic caused an abrupt and massive collapse of the economy in Austria from March onwards. The recession in the first half of the year was followed by a strong rebound in the third quarter thanks to the gradual opening of the economy. With the second wave of infections from autumn, the Austrian economy once again strayed from the direction of growth. On average in 2020, economic performance fell in real terms by around 7.5 percent. After initial difficulties, the industrial sector was able to adapt its processes well to the ongoing environment and began to grow again with international momentum. While the construction sector was only briefly impacted by the pandemic, 2020 on the other hand saw some market services suffer severe economic losses, above all in the catering and hotel industry as well as in personal services. The differing sectoral development could also be seen on the labour market, with a record increase in unemployment to 9.9 percent on average for 2020 versus 7.4 percent in the previous year. Unlike in the eurozone, in Austria the coronavirus crisis did not lead to a clear reduction in inflation in 2020, which nearly remained unchanged from 2019 at 1.4 percent.

The uncertainty resulting from the pandemic boosted demand for property, which was reflected in a rise of over 4 percent in housing loans in 2020. Due to the decline in consumer loans, the growth of loans to private households fell below this, at around 3.5 percent year-on-year. Loans to small and medium-sized enterprises increased sharply due to deferrals, and the increased demand for securing liquidity caused a rise in corporate loans of around 5.5 percent year-on-year, resulting in strong loan growth in the Austrian banking market of over 4 percent year-on-year for 2020. Despite the low interest rate environment, deposits grew strongly in 2020, at around 6 percent on average, supported by household deposits, but above all by deposits from companies. At nearly €25 billion, the absolute increase in deposits was therefore more than twice as high as the absolute increase in loans of around €12 billion.

Management Report

Business developments in 2020

Condensed income statement of Bank Austria [1)]

(Mio €)

	RECAST [2)]		CHANGE		RECONCILIATION		BANK AUSTRIA GROUP	
	2020	2019	+/- €	+/- %	2020	2019	2020	2019 [3)]
Net interest	906	959	(53)	-5.6%	-	1	906	960
Dividends and other income from equity investments	103	179	(76)	-42.6%	-	0	103	179
Net fees and commissions	660	692	(31)	-4.5%	-	0	660	692
Net trading, hedging and fair value income/loss	60	62	(2)	-3.1%	-	(1)	60	61
Net other expenses/income	44	49	(5)	-10.0%	-	(0)	44	49
Operating income	**1,774**	**1,941**	**(168)**	**-8.6%**	**-**	**(0)**	**1,774**	**1,941**
Payroll costs	(611)	(618)	7	-1.2%	-	0	(611)	(618)
Other administrative expenses	(503)	(487)	(15)	3.2%	-	0	(503)	(487)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(59)	(44)	(15)	32.8%	-	0	(59)	(44)
Operating costs	**(1,172)**	**(1,149)**	**(23)**	**2.0%**	**-**	**0**	**(1,172)**	**(1,149)**
Operating profit	602	792	(190)	-24.0%	-	(0)	602	792
Net write-downs of loans and provisions for guarantees	(398)	(35)	(364)	n.m.	-	0	(398)	(35)
Net operating profit	**203**	**757**	**(554)**	**-73.1%**	**-**	**(0)**	**203**	**757**
Provisions for risks and charges	2	67	(66)	n.m.	-	0	2	67
Systemic charges	(146)	(125)	(21)	16.9%	-	0	(146)	(125)
Integration/restructuring costs	1	(174)	175	n.m.	-	(0)	1	(174)
Net income from investments	(92)	(8)	(85)	n.m.	-	0	(92)	(8)
Profit (loss) before tax	**(32)**	**519**	**(550)**	**n.a.**	**-**	**(0)**	**(32)**	**519**
Income tax for the period	(2)	177	(180)	n.m.	-	(0)	(2)	177
Total profit or loss after tax from discontinued operations	49	14	35	>100%	-	0	49	14
Non-controlling interests	6	(11)	17	n.a.	-	0	6	(11)
Net profit or loss [4)]	**20**	**698**	**(678)**	**-97.1%**	**-**	**(0)**	**20**	**698**

n.m. = not meaningful
1) Bank Austria Group's income statemen t as presented in this table is a reclassified format corresponding to the format used for segment reporting
2) 2019 figures recast to reflect the consolidation perimeter and business structure in 2020
3) Figures as published as at 31 December 2019
4) Attributable to the owners of the parent company

Management Report

Details of the 2020 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 2019 are recast to reflect the current structure and methodology.

***Segment reporting** covers three business segments: **Privatkundenbank, Unternehmerbank** and **Corporate & Investment Banking**. **Privatkundenbank** now includes the previous divisions Retail and Private Banking. It comprises the Retail Banking, Premium Banking and Small Business Banking (independent professionals and business customers with annual revenues of up to €3 million) customer segments as well as Wealth Management. **Unternehmerbank** as understood in this commentary is the sum of corporate customer business and leasing 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, as well as FactorBank (previously assigned to Unternehmerbank). 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 totalled €1,774 million in 2020 (-9% compared to the previous year's figure of €1,941 million). The decline reflects the exceptional environment of 2020, which was marked by the COVID-19 pandemic and extremely low interest rates. These factors had a significant negative impact on net interest, dividends and other income from equity investments and net fees and commissions in particular.

Net interest remains the largest single item among the income items, accounting for around half of operating income. It reached €906 million, 6% below the previous year's figure of €960 million, as a result of the pressure on margins due to the current environment of extremely low, sometimes negative interest rates.

At €103 million, **dividends and other income from equity investments** were 43% below the previous year's figure of €179 million; this item mainly includes the pro rata results from material equity investments such as the 3-Banken Group and Oesterreichische Kontrollbank. This decline mainly reflects the impact of the negative economic environment on these investments.

Net fees and commissions accounted for €660 million, down from the previous year's figure (-5%) as a result of the COVID-19 pandemic. While the net fees and commissions from asset management decreased only slightly despite the difficult market environment, and commissions from the credit and guarantee business also grew, payment transactions, which represent more than two-fifths of the total net fees and commissions, saw a considerable decline, among other things as a result of the closure of many shops during the crisis which led to corresponding slumps in credit card sales.

Net trading, hedging and fair value income/loss (€60 million) was slightly lower (-3%) than the comparative figure for the previous year.

The income statement item **net other expenses/income** includes items that are not attributable to the above-mentioned income items. Income of €44 million (compared to €49 million in the previous year) was generated in 2020.

In an environment of limited opportunities for increasing earnings, Bank Austria continues to focus on highly restrictive cost management. However, **operating costs** in 2020 included various additional costs linked to the COVID-19 pandemic, and the previous year's figure was also influenced by a positive one-off effect in relation to social capital. Due to these special factors, operating costs increased by €23 million or 2.0% to €1,172 million (previous year: €1,149 million).

At €611 million, **payroll costs** were €7 million or 1.2% lower than the previous year's figure, despite the aforementioned positive one-off effect with regard to social capital in the previous year. The moderate development also reflects, among other things, a marginal reduction in staff capacities (FTE).

Other administrative expenses increased by 3.2% to €503 million. This was largely the result of additional costs caused by the COVID-19 pandemic. These range from complementary hygiene and health measures at all locations through to various security steps and IT expenditures to ensure that the functioning of the IT infrastructure while dramatically expanding home office operation.

Management Report

The increase in **depreciation** from €44 million to €59 million was driven by the reclassification of a subsidiary (card complete) from "held for sale" to "held for use".

Operating profit reached €602 million, a decline of 24% due to the aforementioned developments.

Net write-downs of loans and provisions for guarantees and commitments were heavily influenced by the changed environment brought about by the COVID-19 pandemic. Due to a worsened macro-economic scenario resulting from the pandemic, in accordance with IFRS 9, the calculation of the ECL (expected credit loss) required changes in the probability of default and LGDs to be recognised, which led to a significant increase in the cost of risk. Total net write-downs of loans and provisions for guarantees and commitments of €398 million (of which stage 1 and 2: €96 million and stage 3: €303 million) were reported in 2020, compared with €35 million in 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 63 bp (6 bp in the previous year). The divisions have the following cost of risk: Privatkundenbank 41 bp (previous year: -3 bp), Unternehmerbank 68 bp (previous year: 21 bp) and CIB division 82 bp (previous year: -3 bp).

Operating profit (**net operating profit after net write-downs of loans and provisions for guarantees and commitments**) was €203 million in 2020, down 73% on the previous year's figure of €757 million. The Austrian customer segments made the following contributions to operating performance: Privatkundenbank +€37 million (previous year: +€168 million), Unternehmerbank +€121 million (previous year: +€268 million) and CIB +€89 million € (previous year: +€226 million).

Under the item **provisions for risks and charges**, a total amount of +€2 million (previous year: +€67 million) was recognised for 2020, with the previous year's figure largely related to the net release of a provision for sanctions following an agreement with the US authorities in 2019.

Systemic charges increased significantly to -€146 million (-€125 million in 2019). 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 €81 million. The pro rata special payment of the bank levy, which was paid in four instalments in 2017–20 and was due for the last time in the reporting year, is based on the new regulation of the Austrian bank levy introduced in 2016. The costs of the deposit guarantee rose significantly in 2020, caused by increased contributions due to the insolvencies of Commerzialbank Mattersburg and of Anglo Austrian AAB AG.

Integration/restructuring costs amounted to -€1 million. The previous year's figure of -€174 million was largely related to a provision set aside for the proposed actions relating to Bank Austria as part of UniCredit's strategic plan "Team 23", which was announced in December 2019.

In the **net income from investments**, a negative contribution of -€92 million (previous year: -€8 million) was reported. This is mainly due to impairment losses on individual equity investments (3-Banken Group).

In total, **profit (loss) before tax** of -€32 million was generated from the above items. The significant decrease compared to the previous year (profit (loss) before tax for 2019: €519 million) is mainly due to the sharp increase in net write-downs of loans and provisions for guarantees and commitments resulting from the COVID-19 pandemic and the declining operating income brought about by the COVID-19 pandemic and extremely low interest rates.

Income tax for the period amounted to -€2 million (2019: +€177 million), although the high positive figure for the previous year was mainly due to a one-off effect in connection with the recognition of deferred taxes.

The **total profit or loss after tax from discontinued operations** includes the contribution of +€49 million (previous year: +€14 million) of the Real Estate Holding companies ("Immo Holding") including the result from the sale of property companies and properties held by these companies. The majority of these non-operating assets were sold in previous years, with the contribution in 2020 mainly stemming from a sales transaction.

For **non-controlling interests** (minority interests), a value of +€6 million was recognised (previous year's figure: -€11 million).

Overall, net profit for 2020 (**Group net profit or loss attributable to the owners of the parent company**) of €20 million was generated, following €698 million in 2019.

Management Report

Financial position and capital resources

The balance sheet total and loans and receivables along with deposits from banks show a significant increase as of 31 December 2020 compared to the end of 2019. This is mainly due to the Bank's participation in the targeted longer-term refinancing Operations (TLTRO III) in June 2020, a refinancing operation of the European Central Bank for European banks with the aim of stimulating lending in the difficult economic environment due to the COVID-19 pandemic.

Regarding the impact of the COVID-19 pandemic on credit risk, we also refer to the "Credit risks" section of the risk report in the notes.

Generally speaking, the Bank Austria Group's balance sheet at 31 December 2020 reflects the target structure which was to be strategically achieved through an **Austrian universal bank** focused on traditional commercial banking business with customers. **Loans and receivables with customers** are the largest item on the asset side by far with a proportion of more than 50%. Unternehmerbank and Corporate & Investment Banking accounted for approximately 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 and equity. Close to 60% consists of deposits from Privatkundenbank and constitutes a solid refinancing basis for Bank Austria.

Major items in the statement of financial position

(€ million)

			CHANGE	
	31.12.2020	31.12.2019	+/- € million	+/- %
Assets				
Cash and cash balances	95	270	(175)	-64.9%
Financial assets held for trading	1,205	1,016	189	+18.7%
Loans and receivables with banks	33,989	13,451	20,538	>+100%
Loans and receivables with customers	60,863	63,258	(2,395)	-3.8%
Other financial assets	17,611	18,496	(885)	-4.8%
Hedging instruments	2,742	2,377	365	+15.4%
Other assets	2,006	2,795	(790)	-28.2%
TOTAL ASSETS	**118,510**	**101,663**	**16,847**	**+16.6%**
Liabilities and equity				
Deposits from banks	26,972	14,880	12,093	+81.3%
Deposits from customers	61,167	56,730	4,437	+7.8%
Debt securities in issue	12,554	12,049	505	+4.2%
Financial liabilities held for trading	1,264	1,065	199	+18.7%
Hedging instruments	2,453	2,243	210	+9.4%
Other liabilities	5,739	6,210	(471)	-7.6%
o/w pensions and other post-retirement benefit obligations	4,009	4,025	(16)	-0.4%
Equity	8,360	8,486	(125)	-1.5%
TOTAL LIABILITIES AND EQUITY	**118,510**	**101,663**	**16,847**	**+16.6%**

Management Report

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

Assets

(€ million)

	31.12.2020	31.12.2019
Cash and cash balances	95	270
Financial assets held for trading	1,205	1,016
Loans and receivables with banks	33,989	13,451
a) Financial assets at amortised cost	33,989	13,451
Loans and receivables with customers	60,863	63,258
a) Financial assets at amortised cost	59,958	62,156
b) Financial assets mandatorily at fair value	905	1,102
Other financial assets	17,611	18,496
a) Financial assets at amortised cost (banks)	854	799
b) Financial assets at amortised cost (customers)	1,374	330
c) Financial assets designated at fair value	117	0
d) Financial assets mandatorily at fair value	107	112
e) Financial assets at fair value through other comprehensive income	12,909	14,935
f) Investments in associates and joint ventures	2,250	2,319
Hedging instruments	2,742	2,377
a) Derivatives used for hedging	1,995	1,817
b) Fair value changes of the hedged items in portfolio hedge (+/-)	748	560
Other assets	2,006	2,795
a) Tangible assets	948	1,035
b) Intangible assets	5	3
of which goodwill	-	-
c) Tax assets	634	623
d) Non-current assets and disposal groups classified as held for sale	81	782
e) Other assets	337	353
TOTAL ASSETS	**118,510**	**101,663**

Liabilities and equity

(€ million)

	31.12.2020	31.12.2019
Deposits from banks	26,972	14,880
Deposits from customers	61,167	56,730
Debt securities issued	12,554	12,049
Financial liabilities held for trading	1,264	1,065
Hedging instruments	2,453	2,243
a) Derivatives used for hedging	1,976	1,819
b) Fair value changes of the hedged items in portfolio hedge (+/-)	477	425
Other liabilities	5,739	6,210
a) Financial liabilities designated at fair value	61	103
b) Tax liabilities	43	54
c) Liabilities included in disposal groups classified as held for sale	40	573
d) Other liabilities	1,161	974
e) Provisions for risks and charges	4,432	4,507
of which pensions and other post-retirement benefit obligations	4,009	4,025
Shareholders' equity	8,360	8,486
a) Revaluation reserves	(1,763)	(1,682)
b) Other provisions	4,246	3,605
c) Share premium reserve	4,136	4,136
d) Share capital	1,681	1,681
e) Minority interests (+/-)	40	48
f) Net profit or loss	20	698
TOTAL LIABILITIES AND EQUITY	**118,510**	**101,663**

Management Report

Compared to 31 December 2019, **total assets** rose by €16.8 billion, or 16.6%, to €118.5 billion.

Loans and receivables with banks grew sharply by €20.5 billion to €34.0 billion, mainly due to the placement of the volume acquired under the TLTRO III.

Loans and receivables with customers decreased by €2.4 billion to €60.9 billion, whereby the lower volume mainly reflects volatility in corporate loans while Privatkundenbank saw an increase in volume. Non-performing gross loans increased slightly to €2.2 billion compared to the end of 2019, which slightly increased the gross NPL ratio from 3.2% to 3.5%. The net value of the NPL ratio was 1.9% at the reporting date.

Deposits from banks increased by €12.1 billion to €27.0 billion compared to the end of 2019 due to the Bank's participation in the TLTRO III. Bank Austria recorded a new volume of €15.4 billion, while volumes from previous TLTROs were repaid.

Deposits from customers also increased by €4.4 billion (+7.8%) to €61.2 billion compared to the balance sheet date of 2019. All business divisions recorded increases.

Debt securities in issue rose slightly (+€0.5 billion) to €12.6 billion. In line with the Bank's liquidity strategy, there were two major Pfandbrief issues as well as two MREL-capable senior non-preferred issues in the reporting period.

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 €73.8 billion as at 31 December 2020. This means that loans to non-banks are covered by deposits from non-banks and debt securities in issue to the extent of about 121%.

The **provisions for risks and charges** at year-end 2020 amounted to around €4.4 billion, -€0.1 billion compared to the end of 2019. The largest item thereof is post-retirement benefit obligations, which amounted to €4.0 billion (31/12/2019: €4.0 billion). As at 31 December 2020, the interest rate for social capital was 0.65% (at year-end 2019: 1%).

As at 31 December 2020, the reported **equity** amounted to €8.4 billion, which means that it fell slightly (€0.1 billion) compared to the end of 2019.

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 as of the entry into force of Regulation (EU) 2019/876 (CRR II) are reflected in the determination of capital ratios as of 31 December 2020, as well as the provisions of Regulation (EU) 2020/873 amending Regulations (EU) 575/2013 and (EU) 2019/876 due to certain adjustments resulting from the COVID-19 pandemic.

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

Bank Austria Group's **net capital resources** decreased marginally to **€7.0 billion** as of 31 December 2020 compared to 31 December 2019, primarily due to ~~a~~ reduction of Tier 2 instruments.
As of 31 December 2020, Bank Austria did not make use of the possibility of allocating the IFRS 9 credit risk effects over time.

Common Equity Tier 1 capital (CET1) remained unchanged at €6.3 billion.

Compared to the end of 2019, the **risk-weighted assets (RWA)** fell from €33.5 billion to **€31.5 billion**. The COVID 19-induced increase in credit risk was more than offset by supporting measures (including the application of CRR quick fixes) and exposure reductions. Market risk increased by €0.1 billion.

As a result of the decrease in RWA, the capital ratios increased, as shown in the table below. The ratios continue to significantly exceed the legal requirements.

Capital ratios (based on all risks)

	31.12.2020	31.12.2019
Common Equity Tier 1 (CET1) capital ratio	20.1%	18.9%
Tier 1 capital ratio	20.1%	18.9%
Total capital ratio	22.3%	21.3%

Without taking into account the transitional provisions defined in the CRR, the Common Equity Tier 1 capital ratio (fully loaded) was 20.1% and the total capital ratio (fully loaded) was 22.3%.

The leverage ratio pursuant to the Delegated Regulation (EU) 2015/62, based on the current status of transitional arrangements, was 6.2% as at 31 December 2020. Without taking the transitional provisions defined in the CRR into account, the value is also 6.2%.

Permanent establishments

There are no permanent establishments.

Management Report

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**).*

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 and optimising processes, while maintaining stringent cost management and aligning itself with the Group's ICT strategy as well as the ICT security strategy. The main objective is to enhance the customer experience and expand it to include digital channels in addition to automating internal processes. The main focus (in addition to the necessary regulatory and system maintenance measures) was already on the digitisation and further development of online channels (mobile banking, online sales, self-service devices) in 2019. Due to the COVID-19 pandemic, this was also a special focus in 2020, meaning that customer needs could be met and satisfaction further increased despite an increase in system security. 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 at the heart of the business strategy

"Sustainability is an essential part of the DNA of the UniCredit Group." All business activities of the Group – and therefore also of Bank Austria – are co-determined by the following basic ideas: awareness of responsibility towards society and the environment as well as the careful and conscious handling of resources in order to contribute significantly to transforming the economy into a key driver for a sustainable, CO_2-free society.
The issue of sustainability is therefore where it belongs at Bank Austria: at the core of the business strategy and thus also in the core business. But this is just the beginning: the relevance of a sustainable outlook will continue to grow. The SDG (Sustainable Development Goals) and ESG (Environment, Social, Governance) already represent the everyday benchmarks of our economic activities and have a huge influence on the products and services we offer.

On the one hand, we are responding to the requirements set out by the EU (keyword: sustainable finance). Above all, however, we are consciously setting the tone ourselves – including by seeking exchange with external experts. Against this background, we have been in partnership with the WWF for three years with the intent of raising awareness – both within the company and outside of it. We firmly believe that the only way we can achieve a sustainable future is together: not only with our customers, but also with our dedicated employees. Mandatory sustainability and sustainable finance training courses for all colleagues, training of sustainability ambassadors and targeting of children and young people are some important cornerstones here. We also focus on sustainability in the lending business: WWF Austria supports Bank Austria in setting sustainability targets for our lending portfolio, which Bank Austria then anchors into the lending process. One example of this is the criteria for "green" mortgage loans, which we developed in cooperation with experts from the WWF.

We are aware that the leverage effect of UniCredit Bank Austria, as one of Austria's leading financial services providers, is significantly greater than that of other sectors when it comes to developing towards sustainable business. Therefore, we as a Group have set ourselves numerous objectives aimed at supporting this development. These include, for example: withdrawing completely from coal-mining and coal-fired power plant projects by 2023, no financing of new projects for the extraction of Arctic oil and Arctic offshore gas, as well as of shale oil and gas by fracking, tar sand oil and deep-sea oil and gas production, and denying banking services to businesses involved in rainforest clearance. At the same time, we aim to increase renewable energy financing by 25 percent by 2023 and energy efficiency loans to customers by up to 34 percent.

Management Report

Social commitment is and remains an essential component of our sustainability strategy. In keeping with our guiding principle of "Doing what is important", we will continue 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. To this end, we continue to enter into cooperation agreements and seek to exchange ideas with other companies and with experts.

The introduction of Social Impact Banking (SIB) in 2019 with the 3 pillars of "impact financing", "microfinancing" and "financial education" supports our aim of contributing to the positive development of 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, this also refers to additional support – including through financial training.
In 2020, we funded projects which will reach around 8,000 people in the following areas:

- Creation of jobs for people with disabilities
- Hospital stays for families in the event of a child's illness
- Facilitation of integration: Kindergarten places in bilingual communities
- Products for facilitating mobility and making social re-integration easier for people with disabilities
- Event centres for cultural exchange and enabling religious worship for a minority faith community

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.
In 2020, more than 70 small businesses were supported with your investments in the following industries: hairdressers, gardening and landscaping, buffets and inns, public relations consulting, freight transportation, general medical practitioners, dentists, veterinarians.

The aim of our extensive financial education programme is to support not only company founders, but also young people and young adults. With financial training workshops and the innovative online learning platform "MoneyMatters", we want to help students understand how to handle money and financial instruments sensibly. At the "Bank Austria Business Plan competition – next generation", around 650 student teams are able to put their entrepreneurial knowledge to the test every year. Furthermore, in cooperation with our partners in the social sector, we bring easily accessible financial education to vulnerable groups, in particular young people and those at risk of marginalisation. Our web app "Geldwissen2go" offers easy access to interesting information on money, background knowledge and a money diary.

Community

In many ways, 2020 was an extraordinary year. Along with the mentioned increasing importance of sustainability issues for the core business, the COVID-19 crisis was particularly challenging for Bank Austria's social commitment. Two points have been deliberately emphasised here in order to recognise the work of a number of charitable organisations during this difficult time. On the one hand, the Bank Austria Social Award prize money, which has been awarded in all federal states for 11 years, was increased to a total of €90,000. This measure has been received very positively in light of the extreme economic challenges. On the other hand, we have taken into account the enormous need for additional support and advice for children and young people. With targeted special support of €50,000 for the "*Rat auf Draht*" hotline, we have been able to help cushion the advice costs, which have risen greatly. In response to the increased demand due to the pandemic, we have also provided emergency aid to Caritas of an additional €50,000.

Bank Austria continues to play an especially important role in the social sector in terms of long-term, mature partnerships with well-known charitable organisations. 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 700 Austrian families facing hardship through no fault of their own.
However, 2020 has also shown that these long-standing partnerships are also "living" and that special challenges are taken into account whenever possible: Together with the UniCredit Foundation, three educational projects from SOS Children's Villages, Caritas and Teach for Austria were supported with a considerable amount, significantly improving future prospects for children.

The UniCredit Foundation'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 made by the UniCredit Group corporate foundation are increased by funds held by the UniCredit Foundation. This not only supports charitable organisations but strengthens the interaction and social awareness of employees.

Management Report

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. Cultural commitment therefore not only fits perfectly into the Bank's comprehensive sustainability programme, but also expands it to include a multi-layered perspective.

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 six 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 six years, the Bank has helped create a total of over 200 exciting projects and initiatives. Together with around 17,000 supporters, we have contributed that the Austrian art and cultural scene received more than €2 million.

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. This commitment is now being furthered by the cooperation with Special Olympics Austria, which adds a new dimension to the Olympic motto "Taking part is everything".

Disability

Inclusion, i.e. the equal integration of people with disabilities into social and working life, is an integral part of Bank Austria's corporate culture. Therefore, disability has also been an important topic for the company for many years. For more than ten years, UniCredit Bank Austria Disability Management, headed by two directors, has worked in close cooperation with Human Capital, the Works Council and representatives of people with disabilities, as well as an internal network of 60 people, to integrate people with disabilities as well as possible as employees into everyday working life and to provide them with the best possible support as customers.

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. Since 3 December 2020, UniCredit Bank Austria has offered customers a dedicated inclusion loan for purchasing aids at an especially low effective customer interest rate of 1.5 percent (tied to the 3 month Euribor) and zero percent processing fees upon presentation of an Austrian disability certificate with a disability of 50 percent or more or a certificate from the *Hilfsgemeinschaft der Blinden und Sehschwachen* (Austrian Aid Community for the Blind and Visually Impaired).

By promoting a diverse workforce and creating an inclusive culture, UniCredit Bank Austria facilitates an environment in which everyone can develop and contribute to success with their unique strengths. The 288 employees with disabilities are also met with a supportive environment that offers the best conditions tailored to their individual needs so that they can use their talents, skills and experience to create added value for the company. As a result, UniCredit Bank Austria has for many years been one of only 22 percent of Austrian companies that meet the statutory employment quota for people with disabilities.

We are very pleased to have become the leading financial institution in Austria and all of Continental Europe through our commitment in the field of accessibility and inclusion. This is also evidenced by our numerous international awards, such as the renowned "*Disability Matters Award 2018*", the "Austria's Leading Companies Award 2019" or the "Highly Commended" award at the "Financial Adviser Diversity in Finance Awards 2020".

Management Report

Commitment to the environment – climate protection takes high priority
Environmental and climate protection are key tasks which the economy now has to tackle. As already mentioned, we at Bank Austria have decided to make a significant contribution towards a climate-neutral economy. It goes without saying that we do this together with our customers. Nevertheless, environmental protection starts with us and we have been aware of this for many years. 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.

Through its numerous initiatives and projects, Bank Austria has been making a very significant contribution to this for years. Bank Austria is also taking a pioneering role in many other areas, such as by reducing CO_2 emissions by over 80% since 2008 and in our move towards paperless offices, the reduction in air travel and the reduction of waste.
It is worth mentioning that since the start of 2020, Bank Austria has been powered almost completely by green energy from renewable energy sources in accordance with the Austrian Eco-Label (UZ46) and in this way, is taking a further step towards climate protection.

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 represents huge cost savings. A major contribution to this reduction comes from the new corporate headquarters established in 2018, which were planned and built in line with strict environmental criteria and which have now been certified as DGNB Gold and LEED Gold. We also must not forget the geothermal plant built by Bank Austria at the same time at the same site, which is one of the largest of its kind in Europe.
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 Ministry for Climate Action in 2011. This voluntary obligation has now been successfully finalised, with all goals set regarding the reduction of CO_2 emissions, increasing the share of renewable energy sources and improving energy efficiency now being in some cases significantly exceeded by Bank Austria and correspondingly acknowledged by Minister Gewessler at an awards ceremony. Bank Austria is also expected to be a member of the follow-up pact, which sets targets for 2030.

It is logical that successful climate protection can only function by transforming the economy. It is also logical that this requires cooperation between financial service providers and companies and a corresponding product offering and incentive system.
Bank Austria has already taken initial steps here and even after a short time, can already point to a considerable sustainable product portfolio: From a significantly expanded offering of ESG investment products both for private and institutional investors and ESG-linked loans and similarly structured products (better conditions are linked to the improvement of ESG ratings here) to green mortgage loans and the first universal bank account to be UZ49-certified (Austrian Eco-Label), where sustainable financing can be guaranteed to the amount of all account deposits.

Customers

Excellent customer orientation even in challenging times
This year in particular, positive customer experiences were a challenge. Bank Austria was able to further improve customer trust thanks to the commitment of its employees and greater flexibility in implementing support measures during the lockdown.

Quality of the customer relationship
We obtain structured feedback on our products and services so that we can assess the quality of customer relationships and customer satisfaction. This takes place in two main categories: through conventional telephone surveys with around 5000 interviews per year across all segments, and online through "*MyFeedback*". Immediately after being in contact with Bank Austria, customers can quickly and easily provide feedback using their smartphone – for example directly after an advisory session, service or using the online channels. This prompt feedback allows us to respond quickly to our customers' wishes and complaints.
Our customers make extensive use of this opportunity to express their satisfaction at various contact points within our multi-channel bank. In 2020, a total of around 56,000 "*MyFeedbacks*" were submitted.
The quality of the feedback on service, reliability and advice supports our advisers in implementing our customer satisfaction goals and recommendation of Bank Austria. Despite the difficult environment, customer satisfaction figures revealed a positive trend for recommendations in 2020. The Net Promoter Score (NPS) increased despite the COVID-19 crisis.

Management Report

Customer complaints give an opportunity for positive customer experiences

We aim to offer the highest standards when handling complaints – both with regard to response time (within 48 hours) and, of course, finding satisfactory solutions for our customers. This is why we develop and implement improvement measures in the "Customer Experience Board". Moreover, we pool specific competencies in the ombudsman's office, e.g. 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 foreign currency loans. Despite the challenging situation in 2020, this enabled us to significantly reduce customer complaints (-16% year-on-year).

Employees

Working at the Campus

Since 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 the city. Around 5,300 employees from 16 companies of the Bank Austria Group and the resident UniCredit CEE units work in the buildings at 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 entire 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, as part of UniCredit's multi-year plan strategy.

Its own 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.

In order to support the different ways of life of our employees, a special measure can be found in the audited "*Career and family*" initiative. The bank successfully submitted its first external audit at the end of 2009. The re-audit, which was also successful, took place in 2018.

One focus of the target agreement covering a further three years is on providing an optimum infrastructure to best support working time flexibility and 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 that equal opportunities for women and men and people with disabilities are an integral part of the programme. The success of these initiatives depends to a large extent on management control: qualitative objectives and quantitative targets are defined with regard to the measures and the results are regularly evaluated.

Thanks to many years of experience in the field of remote working, Bank Austria was able to very quickly and efficiently move central areas (more than 90% of all central staff in the “hard lockdown” phases) and the majority of sales areas to the safety of home office during the lockdown phases in 2020, while still providing customers with all services to the usual standard.

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 "Doing 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 2020, our top priority was always the physical and mental health of our employees, and we therefore placed great importance on supporting their work-life balance and creating a positive work environment for all our employees so that they 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 already having made 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. In the challenging year that 2020 was, we considered and still consider it our responsibility to support all our employees specifically through targeted initiatives, measures and solutions aimed at increasing flexibility, complying with formal working hours, supporting management with remote teams, supporting home learning as well as new working methods.

In 2020, it was particularly important to stop and recognise that our reality had changed and to become aware of and understand our feelings. As part of our support for all our colleagues in this challenging environment, we introduced additional initiatives, particularly in the area of "*wellbeing & (mental) health*". With the newly launched mindfulness and meditation app "*eleMENTAL*" and special *Goodhabitz* training sessions, we support the awareness of a healthy work-life balance. It is important that we always take care of our health and wellbeing, in these times more than ever. We supported our employees with recommendations and information from our page on mental and physical wellbeing and support for individual needs.

As a pan-European bank, UniCredit and the European Works Council of UniCredit signed the first joint declaration on remote working in October 2020. The future expansion of remote working will change our corporate culture, way of working and management style. We will support our employees and managers with training so that they can continue to expand their skills here.

External recruiting: In this challenging situation, we made every effort in particular to safeguard the health and safety of all employees and all new recruits to ensure that this year, around 360 interns were able to gain their first professional experience at the Bank and all training initiatives were able to be implemented as planned. In total, around 200 internships were awarded to students at universities of applied sciences and universities. During the summer, an additional 160 school pupils in Vienna as well as in the other federal states were able to complete their holiday work placements, primarily in UniCredit Bank Austria branches. We also secured the recruitment of 40 apprentices in autumn through the implementation of online recruiting. UniCredit Bank Austria additionally offered school leavers excellent opportunities to launch their career as part of the *BestStart* training programme and similarly, graduates of a Bachelor's or Master's programme had the opportunity to start their career with us as part of our graduate programme in January 2021. During the corona crisis in particular, training initiatives are incredibly important for the Austrian economy and society as a whole, which is why one of our particular concerns, especially in the current situation, is to ensure the education of young talent and further invest in the future.

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. 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.

Management Report

Performance management: 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. Regular feedback provides the basis for achieving individual goals and thus also corporate goals. Performance management supports this process as a Group-wide assessment and development tool. It includes assigning goals, assessing performance and potential and defining career plans and development measures. It therefore forms the framework for regular dialogue.

Learning & development: In order to support our employees and managers in their daily work and development, we have thoroughly strengthened our online learning offerings and expanded these with new cooperative partners. 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. We have therefore expanded the comprehensive learning media portfolio 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 numerous 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.

The world of work is changing, meaning that we need to adapt our way of working and our work behaviour. We therefore support our managers and employees with "learning" and with making the best use of remote working. For this reason, we intensively expanded our learning offerings in this area this year, e.g.:

- Our Leadership Tool Box offers a comprehensive range of support on different topics in the area of "(remote) leadership"
- Useful tips on "remote goal-setting" or "remote feedback & performance meetings".

Through our central learning platform "*MyLearning*", we offer a wide range of web-based training (WBT) in the area of remote working, such as "*The Smarters in Remote Working*". In addition, we have expanded our offer with podcasts from *getAbstract* on "working remote", tips and tricks on using our digital tools such as Skype for Business, and included *Goodhabitz* courses on virtual cooperation.

The introduction of a learning management system has improved the roll-out 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.

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 Programme has been revised and redeveloped this year. With our new "Rising Stars" and "Leadership Champions" programmes, we ensure a pipeline of top talent, who play a key role for the success of our company and its transformation thanks to their skill profiles. Our established process of succession planning provides sustained support for the stability of Bank Austria through its personnel development.

Management Report

Diversity & inclusion: 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. As part of the UniCredit Group, we at Bank Austria have been establishing an environment where all employees can express their diverse ideas, talents and experiences and contribute their unique value to our company for many years. We are committed to promoting greater diversity by encouraging international cooperation and teamwork that extends across borders and roles. On our journey to promoting diversity and inclusion, we want to attract and employ candidates with a range of different qualifications, support the careers of our colleagues, promote loyalty to the company and further develop employees, boost our performance-based remuneration system and overall, foster an inclusive culture. The achievement of our diversity and inclusion projects is supported by:

- A focus on how we address candidates with a new employer brand strategy and our pledge to advertise vacancies transparently
- The introduction of several new training and learning programmes to support raising awareness and handling our subconscious prejudices – which we all have –, as well as promoting inclusion and our promising female management employees
- Further development of our promotion and appointment process
- Continuation of our strong support for the Disability Management action plan

At UniCredit in Austria, we have been successfully supporting the goals of diversity and inclusion for many years through different networks that have been initiated by employees, especially through our Bank Austria Women's Forum. Inspired by this enthusiasm, we introduced two further employee resource groups this year:

- UniCredit Bank Austria LGBTQIA+ Network
- Race & Ethnicity Employees Group

The objective of these employee resource groups is to identify new inclusion allies who can help us to listen to the stories and voices of the people that make our bank so diverse. Every human being is unique, and this variety and individual differences need to be recognised. We want to understand one another and go beyond mere tolerance to accept and appreciate the rich variety of diversity.

Bank Austria's commitment to these values was further demonstrated by a series of 11 different events covering gender, disability, LGBTQ+, resilience, race & ethnicity, practising allyship and much more. This series was offered to our staff as part of the "*Diversity & Inclusion Week 2020*", 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 the UniCredit CEO 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 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

Economic environment 2021

The economic outlook for 2021 is based on the pandemic easing significantly from the middle of the year onwards, which appears hopeful due to the start of vaccination campaigns across the world and improved treatment options. A weak, partially downwards economic trend is still expected for most of the winter. Most of the restrictive economic measures will not have gone away until the arrival of the warmer weather and the comprehensive vaccination coverage of the population during the summer, and a vast improvement in sentiment in the second half of 2021 will allow for a fundamental economic recovery. The global economy will grow by 4 to 5 percent after the most severe downturn in global GDP during peacetime, paving the way for a return to pre-pandemic levels at the beginning of 2022. The USA's economic performance, which fell by 3.5 percent in 2020, is expected to increase strongly - with fiscal support - in 2021. Also for the eurozone a strong GDP increase can be expected in 2021, though after a much sharper decline than the USA in the previous year due to comparably stricter lockdowns. The rate of recovery will depend on how households or businesses respond regarding savings and investments, along with the availability of vaccines and an actual normalisation of economic life. Due to a degree of ongoing uncertainty among households, instead of sparking celebratory sentiments, a doubled savings rate in the eurozone during the pandemic was followed by only a gradual decline in savings rates and vice versa, a limited rebound of consumption. The corporate sector was able to respond to the rise in debt during the pandemic by entering into a phase of debt reduction, despite a simultaneous need to increase investments again, which will be clearly supported by the low interest environment. By contrast, the predictions regarding fiscal policy are clear. At least for the next two years, an expansionary stance will provide strong support for growth. In the same way, the highly supportive monetary policy both from the US Federal Reserve and the ECB is expected to continue in 2021 as inflation prospects remain very low and national economies will have difficulty closing output gaps that have arisen during the pandemic. Against this macro-economic background, a moderate increase in long-term market interest rates until the end of 2021 can be assumed in the USA as well as Europe. Strong growth in corporate earnings is enabling a continued constructive view of the global equity and corporate bond markets and, due to the waning attractiveness of the US dollar against an improving risk profile, the euro may achieve a steady value in 2021. 2021 also offers room for improvement where raw material prices are concerned.

The outlook for Austria

In view of the ongoing second wave of infections since autumn 2020 and the renewed lockdown, the Austrian economy entered 2021 under difficult conditions, particularly concerning the provision of market services, especially in the hotel and catering sectors, while the industrial as well as the construction sectors started the new year under relatively more favourable conditions. With the launch of the immunisation campaign, a gradual return to normal economic life is definitely in sight. While the economy may weaken slightly until the spring due to the necessary restrictions under health policy, the counter-movement that follows, driven by base and catch-up effects, should allow for a lasting recovery in the second half of the year. Due to high momentum from late summer onwards, economic growth of around 3 percent is expected in 2021. The overall economic losses brought about by the pandemic are therefore, however, expected to be recovered only in the course of 2022. The labour market will suffer the consequences of the pandemic for even longer. Economic recovery will only be felt on the labour market after some delay, meaning that the unemployment rate for 2021 will only experience a moderate drop to an average of about 9.5% for the year. An offensive fiscal policy will be continued to stimulate the economic recovery. The national coronavirus aid package as well as new economic support measures will also continue to provide support; this, however, will be reflected in a continued high level of new debt of almost 7 percent of GDP in 2021. On the other hand, the Austrian economy will benefit from the positive effects of the reinforced EU budget for 2021-2027 as well as the "Next Generation EU" recovery programme, the effects of which will not start to be felt until the second half of 2021. With the revival of the economy, inflation in Austria will slowly increase after low values at the beginning of the year; it will, however, remain moderate in 2021.

Developments in financing as well as deposits are subject to a particularly high degree of uncertainty in 2021 and will depend on the development of the pandemic and the pace of the expected recovery. From today's perspective, however, demand for housing finance should remain strong in 2021. While demand for corporate loans should noticeably decline, there will also be increases, whereby the focus of businesses will move from securing liquidity back to financing investments. The weak development in consumer loans is expected to continue in view of the ongoing uncertainties including above all on the labour market.
Deposits, whose overall growth may slow down significantly compared to the swings of the previous year caused by the pandemic, will experience a continuation of the moderate change in investment focus in 2021. The slight revival in demand for investment funds among Austrian households from 2020 should continue. Nevertheless, the majority of new investments by private households may also be made in the form of deposits in 2021, regardless of the unchanged low interest rate.

Management Report

Medium and long-term objectives

We are one of the most highly capitalised major banks in Austria and part of UniCredit, a successful pan-European commercial bank with 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.

The focus remains to expand and strengthen the customer base through more efficient and optimised products and services, while all strategic initiatives are essentially driven by the improvement of the customer experience. The central transformation goal of a "paperless bank" will be implemented by 2023 in all Western Europe markets of UniCredit. Fully digitised processes are designed to deliver the best customer experience while reducing costs and operational risk. At the same time, the bank will concentrate on simplicity, fast processes and sustainability. In general, the bank furthermore also focuses on productivity gains while keeping a strong focus on risk management. Due to the corona pandemic, UniCredit Bank Austria AG adjusted its strategic plan which was approved by the management board in December 2020.

UniCredit will improve the service model for its retail customers, in particular by means of a further optimised mix of online and offline channels: The focus here is on direct channels for customer service and transactions, so that sales can devote itself fully to consulting. Moreover, direct channels for the service of the broad business will be made available in order to exploit growth opportunities through a greater coverage and improved investment services in Private Banking and wealth management. UniCredit is also focusing on the further expansion of digital solutions such as video consulting or digital contract signing in the corporate customer sector, particularly in the support of small and medium-sized companies. With its fully integrated Corporate & Investment Banking (CIB), it also offers SME clients access to global capital markets and best-in-class solutions.

As UniCredit Bank Austria, we are expanding our existing competitive advantages in Austria so as to continue to operate profitably and, at the same time, become even more attractive and modern for our customers. With all our business units, we are therefore making a consistent contribution to achieving the Group-wide " goals":

- **Privatkundenbank**: With the new service model, which is fully geared toward raising the customer's potential, we have created the basis for future success. Founded on this, we want to:
  - Further increase customer satisfaction and improve service quality in all segments and channels
  - Leverage business opportunities, especially in the SME sector, and build new pillars for future earnings growth
  - Consolidate business models and organisational changes to further improve our business results
  - Implement process simplification and automation to further reduce operational risk and increase effectiveness
- **Unternehmerbank**:
  - Unternehmerbank defends its leading role in corporate banking on the Austrian market and also makes use of CIB's product capacities
  - Strategically selective credit growth targets
- **Wealth Management**:
  - New service model with double coverage for key customers (recruitment of new investment experts and account managers)
  - Expansion of the product range, in particular by providing new products in CIB
  - Securities loans, structured products, insurance solutions and private equity investments are to become integral components of wealth management
  - Further growth in assets under management (AuM)
- **Cross-divisional/Corporate Centre:**
  - The activities of the central units are to be linked even more closely to the business, as defined by the simplest possible interfaces to the front and mid-office and the greatest possible flexibility, adapted to the needs of sales
  - Redesign end-to-end processes using workflow tools, advanced automation, robotics, chat bots and more, with an emphasis on improving the customer experience, especially with the use of optimised products and processes

In the course of the **COVID-19 crisis**, our bank has once again demonstrated its organisational strength and flexibility, as well as the high degree of commitment and know-how of our employees:

- With the move to our new headquarters on the Austria Campus in 2018, we have enabled our employees to work 20 percent of their weekly working hours in the home office. This successful remote working concept provided an important basis for over 90 percent of the 5,300 employees at our headquarters being able to continue working from home and supporting our customers as well as possible within just a few days of the start of the COVID-19-related lockdown in March.

Management Report

- During the rest of the year, we adapted our safety and protective measures in the branches and on the Austria Campus continually to the decisions the Federal Government made in response to the epidemiological development. Our top priority has always been to keep the infection risk for our customers and employees as low as possible while ensuring the continued smooth running of all bank services for our customers.

With our **support for the economy during the COVID-19 crisis**, we worked in many areas at the same time: During the initial acute crisis phase, our main focus was on supporting businesses and households as well as possible:
- We have supported companies directly through deferments, bridging loans, special credit limits for export losses and comprehensive advice.
- With an increase in deferments and framework increases, we have ensured that our customers did not get into an emergency situation and remained liquid and thus were able to continue to contribute to the now-so-important domestic demand in Austria.
- Since the beginning of the crisis, we have lent up to €3 billion (at the top end) and implemented tens of thousands of deferments. Moreover, every second export guarantee was handled by OeKB, i.e. around 50 percent, via UniCredit Bank Austria, which is well above our usual market share of 30 percent. Even in our guarantee systems (aws, OeHT), we were able to provide more guarantees than corresponded to our market shares. Even in this crisis, we have therefore shown that we are a reliable partner to our customers as one of the leading banks in the country.
- As a leading Corporate Bank and preferred partner in funding advice, we are the ideal point of contact for all entrepreneurs who want to obtain an overview of the current funding opportunities. Our funding experts have advised and supported our customers in the past few months, mainly through telephone and video calling.
- To relieve the financial burden on domestic households, UniCredit Bank Austria refrained from price adjustments for all account products in 2020.

In a second phase, the medium-term and long-term objectives were increasingly brought to the fore to make the **business models** and the **equity basis of the company** fit for the future. Companies need both credit and funding as well as sufficient equity to get through the crisis:
- Key points from our discussions with our customers in this phase are also opportunities brought about from the current situation: such as expansion possibilities through targeted purchases, the preparation and implementation of company handovers in SME or the expansion of the e-commerce offering.
- We support companies in positioning themselves in a way that is sustainable and considerate of the environment, especially through investments in digitisation, climate and environmental protection. Here, we offer advice and an analysis on where they stand with regard to ESG criteria (environment/social issues/sustainable governance), which objectives they need to set and how we can support them on the path to sustainable financing.
- Our core business is and remains to lend. As a bank, therefore, it is not our objective to participate directly in companies. However, we are committed to supporting initiatives which boost the capital market, generate private capital or, as with "*Stolz auf Wien*", create funding solutions in cooperation with the public domain, which provide SMEs with equity for a limited period.

UniCredit Bank Austria not only supports companies on their path to more sustainable business activities. We also offer our customers sustainable alternatives with account and investment products, such as with the *GoGreen* account, launched in 2020, which is certified with the Austrian Eco-Label. Here, we carry out sustainable financing to the amount of the deposits in *GoGreen* accounts: for companies, in particular, projects in the area of renewable energies (wind and solar power plants); for private customers, mainly building renovations to improve energy certificates, newly built low-energy houses and consumer loans with a sustainable purpose. For sustainable investment products, reduced purchase costs apply for the *GoGreen* account.

Management Report

In the COVID-19 crisis, the strength of our Bank as one of the leading capital market players was impressively documented by **a series of highly visible transactions**:

- March 2020: We accompanied the Republic of Austria in the successful admission of €7.5 billion with a double-tranche bond (€5 billion 3-year and €2.5 billion 31-year), mainly to cover the increased need for funds due to COVID-19.
- April 2020: OMV, the largest Austrian and internationally active energy group, issued a senior bond with maturities of 4, 8 and 12 years and a volume of €1.75 billion in three tranches, despite a difficult market environment. UniCredit successfully acted as an active bookrunner and was the key to attracting investor interest, which was in the lead with over €4.25 billion.
- June 2020: UniCredit Bank Austria received the mandate as coordinator, BMLA (Bookrunner, Mandated Lead Arranger) and documentation agent of a syndicated OeKB facility for €60 million (of which €20 million at UniCredit Bank Austria) for FACC, an Austrian supplier of structural components made of carbon fibre composite materials for the aircraft industry.
- September 2020: In just one week, UniCredit played a significant role in five out of six ESG transactions in Europe with a total volume of €9 billion.
- October 2020: UniCredit was involved as a joint bookrunner in the first social bond of the European Union with a volume of €17 billion.

In terms of **renewable energy funding**, UniCredit Bank Austria also made important contributions to achieving the objectives of UniCredit set out in the strategic, multi-year "Team 23" plan in 2020. Two examples:

- Our bank played a major role in the financing of Northvolt, Europe's first and largest factory for the production of lithium-ion batteries for electric cars.
- Together with the European Investment Bank (EIB), we funded the expansion of one of the largest wind farms in Austria at Gols am Neusiedlersee.

An important – and quite positive – effect of the COVID-19 crisis is the strong economic and social impetus in the field of **digitisation**. Many of our customers also opted more strongly and convincingly for digital solutions in 2020 than in the past three years. Right at the start of the COVID-19 crisis, our bank strengthened its **multi-channel offering with additional remote advice and service offerings via digital channels** so as to continue to provide the best possible service.

Throughout the bank, we saw how the use of our digital offering continued to increase:

- Customers increased direct contact with our advisers via secure online channels by 50 percent during the spring lockdown.
- With regards to mobile banking, we recorded around 20 percent more log-ins during the spring lockdown.
- Digital orders via 24You doubled in April 2020 compared to April 2019, with digitally signed messages almost tripling.

In 2020, we comprehensively updated our **MobileBanking app** and equipped it with additional features: The new, modern design offers an extremely intuitive and above all, user-friendly app experience. In this way, we are establishing "mobile" as an equal channel to 24You with extended functionalities. To allow new customers to use our app immediately, they can open an account fully and digitally within 15 minutes using their smartphone.

Our **cooperation with FinTechs** is constantly adding new momentum – and with it, exclusive innovations that we can make available to our customers, such as the **Bank Austria Keyboard** in 2020: a smartphone keyboard that connects our mobile banking with any written communication via smartphone, whether email, SMS, social media, messaging or messenger services, platforms or chats.

The role of the **bank branch** has developed further towards personal advice for complex products and individual solutions, while day-to-day banking is carried out online or by mobile more than ever. With the option for TAN signing for contracts, products and services, we are therefore meeting the needs of our business customers for quick and digital solutions without physical contact. The option for TAN signing via the communication centre in *BusinessNet* and *24You* guarantees trust, security and legality. As a paperless solution, it also contributes to environmental protection.

Management Report

In general, we see **digitisation as a driver of change** – both for our own business and for that of our customers. This reinforced us in our ongoing efforts to become a paperless retail bank by 2021, saving us up to 2.8 million letters on an annual basis. With this ambitious and promising project, our company not only becomes more efficient, but also contributes effectively to creating higher customer satisfaction thanks to improved products and services. The paperless bank is thus a key initiative within the framework of "Team 23". Our new permanent end-to-end rooms will also help us to improve our processes across the company.

With our "**Social Impact Banking**", launched in Austria in 2019, we continue to pool and strengthen our activities for a fairer and more inclusive society – by granting special loans, passing on economic and financial know-how and with the dedication of our employees. In addition, we are strengthening the public's financial knowledge with activities and cooperation in the field of education.

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 systems in relation to the financial reporting 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.

Management Report

Development of business segments

Privatkundenbank

(€ million)

	2019	2019 [1]	CHANGE +/- € million	CHANGE +/- %
Operating income	869	904	(35)	-3.8%
Operating costs	(755)	(741)	(13)	1.8%
Operating profit	115	163	(48)	-29.5%
Net write-downs of loans	(78)	5	(83)	n.m.
Net operating profit	37	168	(131)	-78.1%
Profit (loss) before tax	**(29)**	**128**	**(157)**	**n.m.**
Total Financial Assets [2]	67,374	65,619	1,755	2.7%
Loans to customers	19,352	18,791	561	3.0%
Deposits from customers	35,056	33,198	1,857	5.6%
Ø Risk-weighted assets (RWA) [3]	8,573	8,860	(287)	-3.2%
ROAC [4]	-4.2%	8.1%	-12.3 PP	n.m.

1) In segment reporting, the comparative figures for 2019 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 customer assets, i.e. sum of customer liabilities, 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 with 12.25% CET1 ratio

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

Operating profit
Despite the difficult market environment and the COVID-19 crisis, Privatkundenbank achieved an operating profit of €115 million in 2020 (2019: €163 million). Operating income was -€35 million (-3.8%) below the previous year's figure, mainly due to the decline in net fees and commissions (-4.7%), which also reflects the currently challenging conditions due to the COVID-19 crisis and the difficult environment in the securities business.
Operating costs were at €755 million, up 1.8% (€13 million) on the previous year). This increase was mainly driven by the subsidiary card complete and is a one-off effect relating to the reclassification of this subsidiary from "held for sale" to "held for use".

Net write-downs of loans and provisions for guarantees and commitments
Due to the COVID-19 crisis and the resulting changes in the probability of default and LGDs, an amount of -€78 million was provided. The comparative year-end 2019 figures were +€5 million.

Profit (loss) before tax from continuing operations
After taking into account the high net write-downs of loans and non-operating items expenses of -€65 million (almost exclusively systemic charges, impacted also by Commerzialbank Mattersburg) result before tax of Privatkundenbank in 2020 was -€29 million (-€157 million compared to the previous year).

Loans to customers/customer deposits
At €19.4 billion, the loan volume was +€0.6 billion above the previous year's level, with new business in the construction and residential business continuing to be the most important driver. Customer deposits increased – also due to the COVID-19 crisis and low private consumption - by €1.9 billion to €35.1 billion.

In **Privatkundenbank**, customers are ideally looked after and advised by means of tailor-made service models in the relevant segments – **Retail Banking, Premium Banking, Small Business Banking and Wealth Management**.

The offer for wealthy private customers was significantly expanded in **Premium Banking** in 2019. The entry threshold was reduced from an investment volume of €500,000 to €300,000. We have therefore significantly expanded our range of advisory services, which is now available to our customers at 32 locations throughout Austria.

Management Report

The **Small Business Banking** segment serves business customers and independent professionals with an annual turnover of up to €3 million. In 2020, numerous growth initiatives were launched in this segment. Here we also benefit from the cooperation with strong partners. The branch network was also continually modernised during the reporting period and our consulting times were extended to suit the customer's behaviour in the best possible way. In most of our branches we offer consulting services by appointment from 8 a.m. to 7 p.m.

In addition, customers of Privatkundenbank, business customers and independent professionals and the self-employed can take advantage of our **video advisory services, wherever they are**. This service is also available for deaf customers in sign language.

The year 2020 was marked by the accelerated expansion of digital offers and services. In light of the COVID-19 pandemic, a **variety of measures** were implemented to enable customers to perform all essential bank transactions – without visiting a branch – purely via **digital channels**. All account variants as well as access to Internet banking can now be opened completely paperlessly and entirely digitally via video legitimisation within 15 minutes. Advice by telephone or video calling has been further improved and is available to all customers. Online contract signing via the secure TAN procedure has been expanded to include all essential transactions.

A further focus was the introduction of the new innovative **MobileBanking app**. The design of the new MobileBanking app was made more modern and user-friendly. An extremely intuitive and above all, more user-friendly experience establishes the MobileBanking app as an equal channel to 24You, the easiest Internet banking experience in Austria. At the same time, functionality has been expanded, making the app even more attractive. With the automatically integrated personal finance manager, customers have a perfect overview of their income and expenses. The new intelligent transfer forms recognise the type of transfer using the account number, automatically fill in known account details and guide the user intuitively through the process. Another new feature is the option to handle foreign or tax office transactions using the new MobileBanking app.
As previously, all orders can be made and approved directly in the MobileBanking app, and now even more quickly using facial recognition, fingerprint or self-chosen authorisation code (ATC). There is no longer a need for a second app or even SMS reception; nevertheless, the app meets the highest security standards, as all security provisions have already been integrated into this app.

The **Wealth Management** segment is concentrated in the **Schoellerbank**, which is considered a specialist in investment and retirement provision. 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 entrust it with around €12.5 billion – in making all the financial decisions in their lives: From the coverage of basic financial services to financial planning, estate succession and foundation management. Schoellerbank Invest provides customers with an in-house investment trust which presents tailored special funds for especially wealthy customers. 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 as a leading wealth manager in the country. With 10 locations, Schoellerbank – a wholly-owned subsidiary of UniCredit Bank Austria AG and the centre of excellence of UniCredit for wealth management in Austria − is also the only private bank represented throughout Austria.

Management Report

Unternehmerbank

(€ million)

	2020	2019	CHANGE	
			+/- € million	+/- %
Operating income	487	513	(26)	-5.0%
Operating costs	(194)	(190)	(4)	2.1%
Operating profit	293	323	(30)	-9.2%
Net write-downs of loans	(172)	(55)	(117)	>100%
Net operating profit	121	268	(147)	-54.9%
Profit (loss) before tax	**112**	**276**	**(164)**	**-59.5%**
Loans to customers	23,969	25,701	(1,732)	-6.7%
Deposits from customers	17,205	15,303	1,902	12.4%
Ø Risk-weighted assets (RWA)	9,618	9,492	126	1.3%
ROAC	7.4%	17.9%	-10.5 PP	n.m.

Operating profit

In 2020, operating income of €487 million was achieved in a continuing difficult interest rate environment and under the influence of COVID-19 (down -€26 million from the previous year). The fee and commission income successfully could be stabilized on the level of the previous year. Net interest, dividends and trading income declined substantially due to the difficult economic environment as compared to the same period of the previous year.

Operating costs increased by €4 million to €194 million due to positive one-off effects in other administrative expenses in 2019. Payroll costs declined further in 2020 and strict cost management remains in place. In total, an operating profit of €293 million (-9.2% compared to the previous year) was achieved.

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

Due to the effects of COVID-19, the net write-downs of loans and provisions for guarantees and commitments increased sharply to -€172 million. This corresponds to a significant increase by -€117 million as compared to the previous year.

Profit before tax from continuing operations

After taking into account the systemic charges and sales proceeds of +€14 million, in particular due to property sales and the sale of the leasing business area of fleet management, profit before tax of Unternehmerbank amounted to €112 million in 2020. The decrease compared with the previous year was mainly due to lower operating income and higher loan loss provisions in 2020 and the positive release of provisions for sanctions in the previous year following an agreement with the US authorities.

Loans to customers/customer deposits

At the end of the half-year, the loan volume was €24.0 billion (31 December 2019: €25.7 billion), while customer deposits were at €17.2 billion, significantly up compared with the previous year (31 December 2019: €15.3 billion). In particular in the fourth quarter 2020, the tense economic situation (second lockdown) lead to a reduced loan demand by many corporates. Taking into account prudent risk management, many corporates increased their deposits with Unternehmerbank also particularly in the fourth quarter 2020.

For Unternehmerbank, too, 2020 was heavily influenced by the COVID-19 crisis. However, the business momentum varied over the course of the year. In the first quarter of 2020, a very good result was achieved, continuing the trends from 2019, and companies still showed cautious optimism, even if the end of the economic cycle could already be felt. The impact of the first lockdown, which began on 16 March 2020, were not yet tangible in business performance for the first quarter. After this "moment of shock", however, the picture took a clear turn, and from April, Austria's companies entered crisis mode – which, with a few exceptions, meant significant declines in sales and, of course, a huge decline in investment activities. With the gradual introduction of the various state-guaranteed crisis financing models, Unternehmerbank experienced a high demand for these models, especially in April and May, with existing credit lines also being used more intensively during this period. However, demand for new financing stagnated from the middle of the year, and many companies were able to boost their short-term liquidity themselves, while the investment mood was generally careful and cautious. After a slight economic recovery and the related recovery in demand for financing in the third quarter, the fourth quarter was again marked by the second lockdown and a reduction in economic activity.

Management Report

Particular attention in providing support through the crisis was and continued to be paid to industries which were most affected by the difficult situation, such as tourism (operators as well as real estate) or very export-dependent industries in international supply chains. With the increasing importance of the public sector as a stable economic factor in difficult times, the business intensity of Bank Austria has also increased in this segment. However, 2020 has gratifyingly shown that the vast majority of Unternehmerbank's customers have reacted to the crisis in an extremely resilient manner so far. Bank Austria supports them even in these ongoing difficult times with its high level of expertise and a wide range of financial solutions.

An equally important aspect given the events of 2020 was providing Unternehmerbank customers with digital services to enable them to complete their bank transactions contactlessly and from their home office to the usual standard. With the offer of video consultations, the option to sign contracts via *BusinessNet*, acceptance of mobile signatures on contracts as well as the launch of the "*UniCredit Corporate Portal*" in Austria too, key milestones were set. Further innovations in this area are already planned or in preparation for 2021.

With an extensive presence across Austria and recognised for the expertise and reliability of its advisers, Bank Austria continues to be a strategic financial partner for Austrian companies. A continuous increase in customer satisfaction and, despite the crisis, high profitability – even if reduced due to the crisis – speak for themselves.

Management Report

Corporate & Investment Banking (CIB)

(€ million)

	2020	2019	CHANGE	
			+/- € million	+/- %
Operating income	408	386	22	5.7%
Operating costs	(166)	(166)	1	-0.5%
Operating profit	242	219	23	10.4%
Net write-downs of loans	(154)	6	(160)	n.m.
Net operating profit	89	226	(137)	-60.7%
Profit (loss) before tax	**52**	**221**	**(170)**	**-76.6%**
Loans to customers	17,340	18,383	(1,042)	-5.7%
Deposits from customers	9,106	8,340	766	9.2%
Ø Risk-weighted assets (RWA)	10,083	10,104	(21)	-0.2%
ROAC	3.3%	13.9%	-10.6 PP	n.m.

Operating profit

In the CIB segment, the operating result in 2020 was €242 million, up 10.4% on the previous year's figure. Operating income increased by €22 million or 5.7% to €408 million, mainly due to the higher net interest of +€23 million as a result of the good performance of the treasury business and the positive development of the deposit business. The positive interest result was partially offset by a decline in the fees business, which was affected by the COVID-19 crisis. At the same time, operating costs were reduced by 0.5% to €166 million thanks to strict cost management and efficiency-increasing measures.

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

The COVID-19 crisis and the resulting rating deterioration of some clients led to a significant increase in the net write-downs of loans and provisions for guarantees and commitments to €154 million (previous year: net releases of €6 million).

Profit before tax from continuing operations

The CIB business segment posted a profit before tax of €52 million, a decrease of €170 million compared to the previous year, with the current period being strongly influenced by the building of loan loss provisions, while on the other hand, the same period of the previous year includes a share of the net release of provisions for sanctions following an agreement with the US authorities.

Loans to customers/customer deposits

In comparison to the year 2019, loan volume saw a volatile evolution throughout the year affected by COVID-19 crisis with a drop in the last month of 2020 to reach -5.7% to €17.3 billion. Customer deposits grew by 9.2% to €9.1 billion.

UniCredit is one of the largest lenders to companies and institutional customers in Europe. Since 2012, UniCredit was also amongst the top four in Europe for syndicated financing and Euro bonds. In Austria, UniCredit Bank Austria is second in Austrian bonds and number one in Austrian syndicated loans and corporate loans. As a result, UniCredit Bank Austria made a significant contribution to the Austrian real economy.

UniCredit Bank Austria was voted the Best Treasury & Cash Management Provider, Market Leader and Best Service in All Services in Trade Finance and the Best Sub-Custodian Bank in 2020 and the Best FX Provider in Austria.

The CIB business segment further expanded its leading market position in the segment of multinational companies in 2020. Despite the challenging economic environment due to COVID-19, we continue to be there for and support our multinational Austrian companies. Equally we are continuing this process in our expanded core markets, such as Scandinavia and Iberia.

The positive development is in particular underlined by our success and our resulting leading position in the lending and capital market business. The CIB product lines are directly linked to the Commercial Banking and Wealth Management of Bank Austria and form the basis for the ongoing development of product know-how and services for our customers thanks to networking within the Group.

Management Report

Vienna, 19 February 2021

Robert Zadrazil
CEO
Chief Executive Officer
(Chairperson)

Gregor Hofstätter-Pobst
CFO Finance

Mauro Maschio
Privatkundenbank

Wolfgang Schilk
CRO Risk Management

Günter Schubert
Corporate & Investment
Banking Division

Susanne Wendler
Unternehmerbank

Consolidated Financial Statements

Consolidated Income Statement

Consolidated income statement

(€ million)

ITEMS	YEAR 2020	YEAR 2019
10. Interest income and similar revenues	1,308	1,381
of which: interest income calculated with the effective interest method	*1,023*	*1,196*
20. Interest expenses and similar charges	(401)	(421)
30. Net interest margin	**907**	**960**
40. Fees and commissions income	834	901
50. Fees and commissions expenses	(182)	(209)
60. Net fees and commissions	**653**	**692**
70. Dividend income and similar revenues	5	6
80. Net gains (losses) on trading	55	31
90. Net gains (losses) on hedge accounting	1	(1)
100. Gains (Losses) on disposal and repurchase of:	5	13
a) financial assets at amortised cost	-	-
b) financial assets at fair value through other comprehensive income	4	13
c) financial liabilities	1	-
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss:	(9)	14
a) financial assets/liabilities designated at fair value	(3)	(3)
b) other financial assets mandatorily at fair value	(6)	17
120. Operating income	**1,616**	**1,715**
130. Net losses/recoveries on credit impairment relating to:	(346)	(33)
a) financial assets at amortised cost	(347)	(33)
b) financial assets at fair value through other comprehensive income	-	-
140. Gains/Losses from contractual changes with no cancellations	(1)	-
150. Net profit from financial activities	**1,268**	**1,683**
160. Net premiums	-	-
170. Other net insurance income/expenses	-	-
180. Net profit from financial and insurance activities	**1,268**	**1,683**
190. Administrative expenses:	(1,238)	(1,392)
a) staff costs	(611)	(770)
b) other administrative expenses	(627)	(622)
200. Net provisions for risks and charges:	(56)	61
a) commitments and financial guarantees given	(51)	-
b) other net provisions	(6)	61
210. Net value adjustments/write-backs on property, plant and equipment	(94)	(92)
220. Net value adjustments/write-backs on intangible assets	(4)	(1)
230. Other operating expenses/income	78	82
240. Operating costs	**(1,313)**	**(1,341)**
250. Gains (Losses) of equity investments	(12)	174
260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	(2)	(5)
270. Goodwill impairment	-	-
280. Gains (Losses) on disposals of investments	27	8
290. Profit (Loss) before tax from continuing operations	**(32)**	**519**
300. Tax expenses (income) of the year from continuing operations	(2)	177
310. Profit (Loss) after tax from continuing operations	**(34)**	**696**
320. Profit (Loss) after tax from discontinued operations	49	14
330. Profit (Loss) of the year	**15**	**710**
340. Minority profit (loss) of the year	6	(11)
350. Parent Company's profit (loss) of the year	**20**	**698**

Consolidated Statement of Comprehensive Income

Consolidated statement of comprehensive income

(€ million)

ITEMS	AS AT 31.12.2020	31.12.2019
PROFIT (LOSS) FOR THE PERIOD	**15**	**710**
Other comprehensive income after tax not reclassified to profit or loss	**(100)**	**(314)**
Equity instruments designated at fair value through other comprehensive income	9	-
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	2	67
Intangible assets	-	-
Defined-benefit plans	(101)	(365)
Non-current assets and disposal groups classified as held for sale	(5)	-
Portion of valuation reserves from investments valued at equity method	(6)	(16)
Other comprehensive income after tax reclassified to profit or loss	**23**	**(61)**
Foreign investments hedging	-	-
Foreign exchange differences	-	-
Cash flow hedging	(4)	(53)
Hedging instruments (non-designated items)	-	-
Financial assets (different from equity instruments) at fair value through other comprehensive income	33	(10)
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	(6)	2
Total other comprehensive income after tax	**(77)**	**(376)**
COMPREHENSIVE INCOME	**(62)**	**334**
Minority consolidated comprehensive income *)	6	(11)
Parent Company's consolidated comprehensive income	**(56)**	**323**

*) previous year's figures were adjusted.

Earnings per share (in €, basic and diluted)

(€)

POSITIONS	AS AT 31.12.2020	31.12.2019*
Earnings per share from profit (loss) after taxes from continuing operations	(0.45)	1.34
Earnings per share from profit (loss) after taxes from discontinued operations	0.21	0.06

*) previous year's figures were adjusted.

Statement of Financial Position

Consolidated balance sheet

(€ million)

ASSETS	AMOUNTS AS AT 31.12.2020	AMOUNTS AS AT 31.12.2019
10. Cash and cash balances	95	270
20. Financial assets at fair value through profit or loss:	2,334	2,230
a) financial assets held for trading	1,205	1,016
b) financial assets designated at fair value	117	-
c) other financial assets mandatorily at fair value	1,011	1,215
30. Financial assets at fair value through other comprehensive income	12,909	14,935
40. Financial assets at amortised cost:	96,175	76,736
a) loans and advances to banks	34,843	14,250
b) loans and advances to customers	61,332	62,485
50. Hedging derivatives	1,995	1,817
60. Changes in fair value of portfolio hedged items (+/-)	748	560
70. Equity investments	2,250	2,319
80. Insurance reserves charged to reinsurers	-	-
90. Property, plant and equipment	948	1,035
100. Intangible assets	5	3
of which: goodwill	-	-
110. Tax assets:	634	623
a) current	5	8
b) deferred	629	615
120. Non-current assets and disposal groups classified as held for sale	81	782
130. Other assets	337	353
Total assets	**118,510**	**101,663**

Statement of Financial Position

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 31.12.2020	AMOUNTS AS AT 31.12.2019
10. Financial liabilities at amortised cost:	101,023	84,009
a) deposits from banks	26,972	14,880
b) deposits from customers	61,497	57,080
c) debt securities in issue	12,554	12,049
20. Financial liabilities held for trading	1,264	1,065
30. Financial liabilities designated at fair value	61	103
40. Hedging derivatives	1,976	1,819
50. Value adjustment of hedged financial liabilities (+/-)	477	425
60. Tax liabilities:	43	54
a) current	38	48
b) deferred	5	6
70. Liabilities associated with assets classified as held for sale	40	573
80. Other liabilities	831	624
90. Provision for employee severance pay	-	-
100. Provisions for risks and charges:	4,432	4,507
a) commitments and guarantees given	227	186
b) post-retirement benefit obligations	4,009	4,025
c) other provisions for risks and charges	196	296
110. Technical reserves	-	-
120. Valuation reserves	(1,763)	(1,682)
130. Redeemable shares	-	-
140. Equity instruments	-	-
150. Reserves	4,246	3,605
160. Share premium	4,136	4,136
170. Share capital	1,681	1,681
180. Treasury shares (-)	-	-
190. Minority shareholders' equity (+/-)	40	48
200. Profit (Loss) of the year (+/-)	20	698
Total liabilities and shareholders' equity	**118,510**	**101,663**

Statement of Changes in Equity

Statement of changes in Equity as at 31.12.2020

	BALANCE AS AT 31.21.2019	ALLOCATION OF PROFIT FROM PREVIOUS YEAR	
		RESERVES	DIVIDENDS AND OTHER ALLOCATIONS
Issued capital:			
a) ordinary shares	1,681	-	-
b) other shares	-	-	-
Share premium	4,136	-	-
Reserves:			
a) other reserve	3,605	698	(44)
b) foreign currency reserve	(1)	-	-
Revaluation reserves:	(1,682)	-	-
a) Cashflow Hedge Reserve	25	-	-
b) Revaluation Reserve FA @FVTOCI	311	-	-
c) Revaluation Reserve associates and joint ventures	16	-	-
d) Revaluation reserve tangible assets	67	-	-
e) Pension and similar liabilities IAS 19	(2,100)	-	-
f) Revaluation reserve: non - current assets classified held-for-sale	-	-	-
Net profit or loss for the period	698	(698)	-
Shareholders' Equity Group	**8,438**	**-**	**(44)**
Shareholders' Equity minorities	48	-	(1)
Total Shareholders' Equity	**8,486**	**-**	**(45)**

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 31.12.2020
-	-	-	-	-	1,681
-	-	-	-	-	-
-	-	1	1	-	4,136
(12)	-	-	-	-	4,248
(1)	-	-	-	-	(2)
(5)	-	-	-	(77)	(1,763)
-	-	-	-	(4)	21
-	-	-	-	42	353
(5)	-	-	-	(11)	-
(5)	-	-	-	2	64
-	-	-	-	(101)	(2,201)
5	-	-	-	(5)	-
20	-	-	-		20
2	**-**	**1**	**1**	**(77)**	**8,320**
(6)	(1)	-	(1)	-	40
(4)	**(1)**	**1**	**-**	**(77)**	**8,360**

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	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)	-	-
Revaluation reserves:	(1,305)	-	(1,305)		-
a) Cashflow Hedge Reserve	77	-	77	-	-
b) Revaluation Reserve FA @FVTOCI	321	-	321	-	-
c) Revaluation Reserve associates and joint	32	-	32	-	-
d) Revaluation reserve tangible assets	-	-	-	-	-
e) Pension and similar liabilities IAS 19	(1,735)	-	(1,735)	-	-
f) Revaluation reserve: non - current assets classified held-for-sale	-	-	-	-	-
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)
-	-	(2)	(2)	(375)	(1,682)
-	-	-	-	(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 Cash Flows

(€ million)

	AS AT	
	31.12.2020	31.12.2019
A. OPERATING ACTIVITIES		
1. Non-cash items included in net profit and adjustments to reconcile net profit to cash flows from operating activities:	**567**	**446**
- profit (loss) of the period (+/-)	15	710
- gains/losses on financial assets held for trading and on other financial assets/liabilities at fair value through profit or loss (-/+)	(20)	(19)
- gains (losses) on hedge accounting (-/+)	(1)	1
- net losses/recoveries on impairments (+/-)	427	24
- net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-)	100	98
- net provisions for risks and charges (incl. personnel) and other expenses/income (+/-)	(57)	(9)
- unpaid duties, taxes and tax credits (+/-)	1	(178)
- impairments/write-backs after tax on discontinued operations (+/-) [1]	19	(6)
-other adjustments (+/-)	83	(175)
2. Liquidity generated/absorbed by financial assets:	**(17,084)**	**(2,331)**
- financial assets held for trading	36	(227)
- financial assets designated at fair value	(116)	-
- other financial assets mandatorily at fair value	200	166
- financial assets at fair value through other comprehensive income	2,074	(1,455)
- financial assets at amortised cost	(19,317)	245
- other assets	40	(1,061)
3. Liquidity generated/absorbed by financial liabilities:	**16,312**	**2,308**
- financial liabilities at amortised cost	16,867	1,499
- financial liabilities held for trading	-	295
- financial liabilities designated at fair value	(46)	(147)
- other liabilities	(509)	660
Net liquidity generated/absorbed by operating activities	**(206)**	**422**
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by:	**206**	**109**
- sales of equity investments [2]	86	18
- collected dividends on equity investments	27	38
- sales of property, plant and equipment	80	47
- sales of intangible assets	-	-
- sales of subsidiaries and business units (less cash disposed)	14	7
2. Liquidity absorbed by:	**(108)**	**(127)**
- purchases of equity investments	-	-
- purchases of property, plant and equipment	(104)	(126)
- purchases of intangible assets	(4)	(1)
- purchases of subsidiaries and business units (less cash acquired)	-	-
Net liquidity generated/absorbed by investment activities	**98**	**(17)**

Statement of Cash Flows

(€ million)

	AS AT	
	31.12.2020	31.12.2019
C. FUNDING ACTIVITIES		
- issue/purchase of equity instruments	-	-
- dividend distribution to shareholders and non controlling interests	(45)	(231)
- sale/purchase of minority control	-	-
- Proceeds from issues of subordinated liabilities	2	-
- Payments for repayment of subordinated liabilities	(25)	(1)
Net liquidity generated/absorbed by funding activities	**(68)**	**(232)**
NET LIQUIDITY GENERATED/ABSORBED IN THE YEAR	**(175)**	**171**
CASH AND CASH EQUIVALENTS AT END OF PREVIOUS PERIOD	**270**	**98**
Cash flows from operating activities	(206)	422
Cash flows from investment activities	98	(17)
Cash flows from funding activities	(68)	(232)
Effects of changes in scope of consolidation	-	-
Effects of exchange rate changes	-	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**95**	**270**
PAYMENTS FOR TAXES, INTEREST AND DIVIDENDS		
Income taxes received (+)/ paid (–) from operating activities	-	(1)
Interest received	1,308	1,381
Interest paid	(401)	(421)
Dividends received	27	38

1) Includes tax expense from discontinued operations of €19 million.
2) of which cash flow from discontinued operations of €86 million.

In addition to the cash outflows from the redemption of subordinated liabilities in the amount of €25 million and cash inflows from subordinated liabilities issued in the reporting year in the amount of €2 million, there were effects from the valuation of subordinated liabilities in the amount of €6 million and from foreign currency translation in the amount of -€7 million on the balance sheet date.

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 2020 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 2020, 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:
- the 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;
- documents from the European Securities and Markets Authority (ESMA) and the Consob (Italian Companies and Exchange Commission) concerning the use of specific IFRS regulations and the required publications based on the COVID-19 pandemic; in particular, the ESMA publications from 25 March 2020 and 20 May 2020, as well as 28 October 2020 and 6 January 2021 apply;
- 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. This is reinforced by the excellent capital base of the Bank Austria Group with a regulatory tier 1 capital ratio and total capital ratio of 20.1% and 22.3% respectively as at 31 December 2020 (2019: 18.9% and 21.3% respectively) as well as a very good liquidity position on the part of Bank Austria AG (LCR as at 31 December 2020: 191.7%).

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, not least also due to the COVID-19 pandemic, 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.
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, contingent liabilities and obligations (A.6.7, C.20);
- 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);
- Impairment test of investments in subsidiaries, associates and other companies (A.5.4).

The reason for this uncertainty is, along with the COVID-19 pandemic, the fact that 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 Part E – Risk report – Section E.2 – Credit risk.

A more detailed description of the relevant estimates, assumptions and methods 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 financial statements on 31 December 2020.

Consolidated Accounts

The financial information in the consolidated financial statements includes the parent company, UniCredit Bank Austria AG and its subsidiaries, joint ventures and associates as at 31 December 2020.

Amounts in foreign currencies are translated on the balance sheet using the exchange rates prevailing as at the balance sheet date and in the profit and loss account using the average annual exchange rates (based on the currency rates at the end of the day for major currencies.

The data logged to prepare the consolidated financial statements in accordance with IFRS, including the notes of significant, fully consolidated subsidiaries, is audited by contracted 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 – Accounting methods

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 the profit and loss account under the item "Total profit or loss after tax from discontinued operations".

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 disclosed separately 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 in the consolidated financial statements, if they are material for the Bank Austria Group, using the at-equity valuation.

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.

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.

Regarding the subsidiary Card Complete, a reclassification from "held for sale" to "held for use" was performed, an adjustment of previous year values was not done.

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 2020
The following new and amended accounting guidelines were applied for the first time by the Group from 1 January 2020 onwards.

Amendments to IFRS 3 Business combinations
On 22 October 2018, the IASB adapted the criteria to define business operations. In order to classify the business operations, inputs and at least one substantive process are necessary 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 operation.

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. Bank Austria has no such transactions in the 2020 financial year.

Changes to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"
On 26 September 2019, the IASB introduced changes to IFRS 9 (Financial Instruments), IAS 39 (Financial Instruments: Recognition and Measurement) and IFRS 7 (Financial Instruments: Disclosures). The Board is responding to uncertainties related to the possible ramifications of the IBOR reform on financial reporting. The changes aim to ensure that balance sheet hedging relationships (hedge accounting) continue to exist despite the anticipated replacement of various reference interest rates. The amendments concern in particular certain provisions relating to hedge accounting regulations - accounting documentation and are mandatory for all hedging relationships directly affected by the reform of the reference interest rate. Bank Austria has applied the amendments described here (as well as the EONIA/€STR conversion) since 2019.

On 27 August 2020, the IASB introduced amendments to IFRS 9 (Financial Instruments), IAS 39 (Financial Instruments: Recognition and Measurement), IFRS 7 (Financial Instruments: Information, IFRS 4 (Insurance Contracts) and IFRS 16 (Leasing Terms). These amendments concern the result of phase 2 of the IASB's IBOR project. The objective of these changes in phase 2 is to reduce the effects brought about by replacing an existing reference interest rate with an alternative interest rate in financial reporting at the time of the replacement. In particular, it is pointed out that IFRS9 B5.4.5. can be used in the IBOR reform. This stipulates that any change to the effective interest rate on instruments with a variable interest rate invoked by a change to market interest rates does not result in any significant changes to carrying amounts through profit or loss. The amendments are required to be applied for annual periods beginning on or after 1 January 2021.

In order to analyse the interest rate benchmark reform further and the necessary preparations for this from a business, operational and legal perspective, Bank Austria set up a correspondingly comprehensive project back in 2019, 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). This implementation project is running on schedule. One significant challenge here is the continued ambiguity regarding future market standards.

A – Accounting methods

The pending replacement of foreign currency reference interest rates (e.g. USD Libor, CHF Libor, JPY Libor etc.) and its implications (basic risk, contractual cash flow profile) will still lead to a minor adjustment in the risk position and strategy. The nominal figures for the derivatives concerned, separated by essential reference interest rates, can be seen in the following table.

(million €, notional amounts)

		INDEX USD LIBOR	INDEX CHF LIBOR	INDEX JPY LIBOR	OTHER INDICES
Fair Value Hedge	Assets	1,529	-	285	209
	Liabilities	572	-	-	-
Cash Flow Hedge	Assets	530	5,817	1,123	90
	Liabilities	-	-	-	-

Changes to IAS 1 and IAS 9 with regard to the definition of materiality
The IASB issued the “Definition of material (changes to IAS 1 and IAS 8)” in order to strengthen the definition of “material” and to harmonise the various definitions in the framework concept and 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 changes were applied from 1 January 2020 and have no effect.

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 impact on Bank Austria is insignificant.

Amendment to IFRS 16 Covid-19-related rent concessions
The IASB published an amendment to IFRS 16 leasing terms on 28 May 2020 to facilitate the accounting of concessions for lessees, such as rent payment deferrals or lease price reductions, granted in direct connection with the outbreak of the coronavirus pandemic. The European Union adopted the IASB announcement 'COVID-19-related rent concessions (Amendment to IFRS 16)' for use in Europe on 12 October 2020. The amendment is applied from 1 June 2020 onwards for financial years beginning on or after 1 January 2020.

The amendment relating to the Covid-19 rent concessions (Amendment to IFRS 16) amends IFRS 16 to:
- Exempt the lessee from the assessment of whether a lease concession related to the coronavirus pandemic is a lease modification;
- Require the lessee, when applying the derogation, to balance the rental concessions related to the coronavirus pandemic as if they were not modifications to the lease;
- Require the lessee applying the derogation to disclose this fact; and
- Require the lessee to apply the exemption retrospectively in accordance with IAS 8, but not to require that it adjust the comparative figures for earlier periods.

The main change from the draft is that the IASB had proposed that practical relief should be available only for lease payments originally due in 2020. However, after considering the feedback on the draft, the IASB decided to extend this period until June 2021, in order to include rental concessions that are currently granted and are valid for 12 months.

The amendments have no effect on Bank Austria.

A – Accounting methods

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 as mandatory for the first time to financial years starting on or after 1 January 2023. The IASB issued amendments to IFRS 17 and an extension to the previous exemption from the application of IFRS 9 (Amendments to IFRS 4) on 25 June 2020.
Bank Austria 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.

Classification of liabilities as short or long-term (Amendment of IAS 1)
On 23 January 2020, the IASB published amendments to IAS 1 "Presentation of Financial Statements" to clarify that the classification of short or long-term liabilities depends on the rights that exist at the end of the reporting period. The classification is independent of management's expectations as well as any events after the balance sheet date (e.g. breach of contract after the balance sheet date). The IASB published the postponement to the date of entry into force of IAS 1 "Presentation of Financial Statements" on 15 July 2020. The amendments will now apply as of 1 January 2023 onwards. Premature application is permitted. Existing classifications are analysed as part of the new regulations as to whether reclassifications are required.

Changes to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions for Risks and Charges, Contingent Liabilities and Contingent Assets and Annual Improvements 2018-2020
Changes to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions for Risks and Charges, Contingent Liabilities and Contingent Assets and Annual Improvements were published on 14 May 2020. The amendments are to be applied as of 1 January 2022. Earlier application of the amendments is permitted but requires an EU endorsement.
The changes to IFRS 3 Business Combinations concern a reference in IFRS 3 to the conceptual framework. The rules affect business combinations with an acquisition date on or after 1 January 2022.

The changes to IAS 16 Property, Plant and Equipment make it clear that income received by an enterprise through the sale of items manufactured while preparing the asset for its intended use (such as product samples) and the associated costs are to be recognised in the income statement. The inclusion of such amounts when calculating the acquisition costs is not permitted.

The changes to IAS 37 Provisions for Risks and Charges, Contingent Liabilities and Contingent Assets include the definition of the costs an enterprise will consider when assessing whether a contract will be loss-making. With this change, the IASB is responding to the clarification proposed by the IFRS Interpretations Committee on the definition of compliance costs. According to this, compliance costs are all costs directly related to the order. This means that costs that would not be incurred without the order, as well as other costs directly attributable to the contract, must be taken into account.

The annual improvements result in minor changes to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the explanatory examples of IFRS 16 Leasing Terms.

At Bank Austria, we do not anticipate any fundamental effects from the annual improvements listed above.

Changes to IFRS 4 Insurance Contracts - Postponement of IFRS 9
Following the EFRAG Board meeting on 6 July 2020, the European Financial Reporting Advisory Group (EFRAG) issued a final acceptance recommendation on the "extension to the temporary exemption from the application of IFRS 9 (Amendments to IFRS 4)" and published this on 25 June 2020. In accordance with the postponement of the date of entry into force of IFRS 17 by two years to periods beginning on or after 1 January 2023, the fixed expiry date for the temporary exemption from the application of IFRS 9 financial instruments was postponed by two years with the changes to IFRS 4, so that companies are required to apply IFRS 9 for financial years beginning on or after 1 January 2023. The final acceptance of the announcement took place on 15 December 2020. These changes do not apply to Bank Austria.

A – Accounting methods

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 recognise immediately any excess remaining after that reassessment in profit or loss.

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

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

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

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

A – Accounting methods

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

For consolidation purposes assets, liabilities and equity of foreign operations, the functional currency of which is not euro, are translated into the Group's presentation currency at the closing rate of exchange. 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/€)

		2020		2019		CHANGE IN %	
		AVERAGE	END OF REPORTING PERIOD	AVERAGE	END OF REPORTING PERIOD	AVERAGE	END OF REPORTING PERIOD
US-Dollar	USD	1,1422	1,2271	1,1195	1,1234	2,03%	9,23%
British Pound	GBP	0,8897	0,8990	0,8778	0,8508	1,36%	5,67%
Japanese Yen	JPY	121,8460	126,4900	122,0060	121,9400	-0,13%	3,73%
Swiss Franc	CHF	1,0705	1,0802	1,1125	1,0854	-3,77%	-0,48%

*) The main exchange rates are listed.

A – Accounting methods

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 of loans and debt instruments, Bank Austria developed processes and systems (SPPI test) to identify at a later stage whether the contractual cash flows enable a subsequent measurement "at amortised cost" (in the "hold" business model) or "at fair value through other comprehensive income, in equity" (in the "hold and sell" business model) if the SPPI result is positive ("pass") or if they require an assessment at fair value through profit and loss (if the SPPI test yields a negative result ("fail").

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 – Accounting methods

A financial asset must be derecognised when the contractual rights to the cash flows from the financial asset expire or the contractual rights to receive the cash flows of the financial asset are transferred to a non-Group counterparty. Rights to cash flow are considered to be transferred even if contractual rights to receive the asset's cash flow are retained but there is an obligation to pay this cash flow to one or more entities and all the following conditions are fulfilled (pass-through agreement):
- 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 must continue to recognise the transferred asset (or the group of assets). 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. If the entity retains at least the power of disposal, the asset (or group of assets) shall remain in the balance sheet as part of the entity's ongoing exposure.

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 discounts estimated future cash payments or receipts for the net carrying amount of the financial asset or liability, throughout the expected lifespan of the financial instrument. 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.

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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 amortisations, are recognised in the item “Income/expenses due to contractual changes (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

a) 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.

b) Financial assets designated 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".

c) 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, the SPPI criterion is met and the cash flows therefore represent only repayments and interest payments on the outstanding principal amount.

These balance sheet items also include equity instruments for which Bank Austria exercises the option of accounting at fair value through profit or loss.

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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. 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 securities, gains and losses arising from changes in fair value are recognised in the statement of comprehensive income ("other comprehensive income") and shown in the equity items "valuation reserve" in the balance sheet. 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 profit and loss account.

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, 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 includes 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.

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

The conditions for the separation from the basic 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, the basic contract must be treated according to the IFRS provisions, and the derivative must initially be assessed at fair value. As a result, changes to the fair value are recognised in the profit and loss account for the period.

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 those 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.

A – Accounting methods

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 included in the equity item "revaluation reserve", 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 – Depreciation of financial instruments
Bank Austria has implemented internal guidelines for the recording, administration and valuation of loans, which govern both value adjustments and write-offs or partial write-offs of loans.
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 time of the initial recognition and the current credit risk on the valuation date, these instruments are categorised either in Stage 1, Stage 2 or Stage 3:
- Stage 1 includes all newly added financial instruments, and those for which no significant increase in the 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).
- Stage 2 includes instruments for which a significant increase in risk has been identified since the initial recognition, but in which there have been no failures yet, and are therefore classified as "performing", as well as instruments without a PD at the time of access.
- Stage 3 is for the non-performing portfolio, which is made up of unusual risk positions pursuant to Article 178 of Regulation (EU) No. 575/2013.

The three-stage approach is applied for financial instruments within the framework of the impairment regulations of IFRS 9, which do not already feature an impairment at the time of acquisition or origin ("purchased or originated credit-impaired financial assets", POCI), which form a separate category in accordance with the legal provisions of IFRS 9.

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 amount of expected credit losses to be recognised depends on the allocation of stages.

Impairment losses for Stage 1 and 2 (Performing Loans)
For Stage 1 instruments, a credit loss equal to the expected 12-month credit loss ("1-year ECL") is recognised. For Stage 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).

Stage transfer logic (from Stage 1 to Stage 2) is a central and key component of the impairment regulations. Bank Austria uses both relative and absolute criteria for the transfer of stages. The significant criteria for a transfer from Stage 1 to Stage 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 as at the observation date is compared with the probability of default at the start of business. To date, the 1-year PDs have been used, but since December 2020, the comparison has been made on the basis of the PD profile for the entire term of the transactions.

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- The limit from which deterioration is considered significant is determined for each individual transaction, using a function which applies this PD at the time of the initial recognition as most important variable. The higher the PD is at the start of business, the lower the relative tolerated deterioration is, which leads to a shift into Stage 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 Stage 2 for average economic situations. This share may increase or decrease, depending on the respective economy. If the PD of a transaction sufficiently improves by the next reporting date, it will be transferred back to Stage 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, and taking into account the inherent risks since the initial recognition);
- in 2020, the internal criteria were extended to include further COVID-related criteria (see also section E2 – Assessment of the potential loss due to COVID-19).

Impairment Losses for Stage 3 (Non-Performing Loans)
Stage 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 more than €2 million (based on Group of Connected Clients, GCC) are transferred to the restructuring management (Monitoring & Special Credit/CIB) until there are first concrete indications of a possible default. In the event of these engagements, designated as "significant" due to the credit amount, the responsible restructuring manager calculates the impairment requirement on a case-by-case basis, for the first time when taking over the case and subsequently, on a quarterly basis. This is calculated based on probability-weighted cash flow scenarios. The amount of impairment corresponds to the difference between the carrying amount of the loans and receivables and the present value of the expected cash flows (repayments and interest payments), discounted by the original effective interest rate.

For instruments with fixed interest, the underlying interest rate is constant over the term, while for instruments with variable interest, a recalculation is carried out depending on the contractual circumstances.

Portfolio-based specific provisioning method
UniCredit Bank Austria AG applies a parameter-based method for the calculation of a portfolio-based specific provisioning method ("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 Clients) level. By decision of the restructuring management, customers who belong to a GCC over €2 million can also be allocated to this method, provided the individual customer exposure 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.

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 defaulted instruments, forward-looking information is also considered based on the application of multiple scenarios.

Write-offs of Non-Performing Loans
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.

Credit exposures which can no longer be viewed as recoverable are written off by reducing the carrying amount of the receivable 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 writedowns to be made are specified in detail in the internal policy for individual portfolios. A one-off writedown constitutes a derecognition and can therefore no longer be written up. In addition to the time and amount of the write-off, the related process, the competency limits for the amounts, the monitoring and the reporting are regulated in the internal guidelines, among other things. Full or partial depreciation does not represent a loss of legal title to the recoverability of the credit. If the legal claim is forfeited externally, derecognition takes place, which can no longer be attributed.

A – Accounting methods

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 (RWA, EL) 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 and forward-looking, so 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” LGD are adjusted according to IFRS 9 requirements 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.

The acceptance procedure by the bank supervisory authority is followed by changes to the implementation of regulatory IRB models. This can result in an interim phase where the essential effects of planned IRB model changes can already be estimated; however, the technical implementation of the calculation of the equity requirement can only be done after the approval by the authority. For IFRS 9 purposes, effects such as these are anticipated in any case if the interim phase goes beyond a balance sheet date and if the changes significantly affect the calculation of the ECL. This essentially applies to changes in the average level of credit risk parameters resulting from IRB model recalibrations. It involves anticipating the expected changes to the IRB models for IFRS9 purposes by way of an approximation. In 2020, this was carried out for recalibrations of the PD and LGD models, including the consideration of the calibration changes resulting from the new EBA definition of default.

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 Stage 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 Stage 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.

As a result of the special significance of the currency development 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 is 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 LGD in order to take the specific properties of this portfolio in a lifetime concept into consideration.

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Consideration of forward-looking information

Macroeconomic forecast is considered in the determination of expected credit losses. The application of a multiple scenario consideration of forward-looking components considers the partly non-linear nature in the correlation between the macroeconomic changes and the credit risk. For Stages 1 and 2, the multiple scenarios are considered by estimating specific factors on the ECL ("overlay factor"). The same scenarios are taken into account when calibrating the loss rates for the portfolio-based specific provisioning methods.

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 macroscenarios are modelled by the UniCredit Group unit responsible for stress tests, with regard to their effect on the credit risk parameters ("multifactor model"). This leads to adjustments of the parameter on the multi-year horizon of the scenario. For subsequent terms, the parameters of the base scenario 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. All three scenarios are based on the expectation that the drop in 2020-GDP amounts to -8% in the Eurozone/-6.3% in Austria; the unemployment rate in Austria is 5% in 2020.

Basic scenario

The COVID-19 pandemic led to corresponding restrictions on mobility as well as production slumps in 2020. Simultaneously, a resolute fiscal policy lessened the effects on employment and income; central banks continue to "control" the interest curve and offer favourable financing conditions. Due to milder weather, vastly reduced restrictions and the availability of the COVID-19 vaccination, economic growth is expected to accelerate considerably from spring 2021 onwards. This will lead to increased trust in further economic development and therefore also to a rise in economic activity. In light of the improving health situation and rising optimism, private households will begin to break down portions of the additional crisis savings through increased consumption. This will help major national economies return to solid growth in 2021.

In this scenario, the GDP growth of the Eurozone should significantly recover at 5% for 2021 after the 2020 decline, followed by 2.7% in 2022 and 2.2% in 2023. We also expect similar values for Austria: 5%, 2.5% and 2.1% from 2021 to 2023. With production gaps preventing inflationary tendencies, in the Eurozone the inflation rate should increase to a maximum of 1.5% and in Austria a maximum of 1.8% during this period. The sharp rise in national debt invoked by COVID-19 is supported by the control of the interest curve from the purchasing programmes of major central banks, expected until at least 2023. Low inflation pressure due to more freely available production capacities will support central banks with this policy. The new strategy of the Fed with regard to monetary policy – focusing on average inflation – will enable the US Federal Reserve to refrain from introducing any new fiscal restrictions after inflation increases. In the Eurozone, the PEPP (Pandemic Emergency Purchase Programme) and TLTROs (targeted longer-term financing operations) will continue until at least 2022. Short- and medium-term interest rates will remain at a very low level, with long-term interest rates gradually starting to increase from the second half of 2021 onwards.
The interest rate curve in Europe will become sharper at a much slower rate compared to the USA. The euro should strengthen its position against the USD.

Negative scenario

This scenario shows Europe experiencing a new wave of the pandemic at the start of 2021. Milder weather ultimately allows governments to gradually ease restrictions in the spring. The vaccination campaign achieves slower progress than in the basic scenario, firstly due to supply bottlenecks and later due to difficulties in counteracting vaccination scepticism among the population to a sufficient extent. Extensive immunisation of wide groups of the population is therefore not achieved until nearer the end of 2023. Private demand thus remains weak and the longer-term negative effects are more severe. Fiscal policy remains expansionary and the ECB maintains both PEPP and TLTROs until the end of 2023. The financial conditions remain favourable despite sharper increases in debt.
In this scenario, the GDP in the Eurozone only increases by 1.5% in 2021 (3.5% percentage points (PP) less than in the basic scenario) and grows by 3% in 2022, and 2.1% in 2023. Overall, the gross domestic product of the Eurozone remains below pre-crisis levels during the next three years. This can also be expected for Austria's economy; with just 1.7% in 2021 (instead of 5% in the basic scenario), followed by 3.7% (instead of 2.5%) and 2.1%, the economy will not reach the level of 2019 until the end of 2023. Weak demand increases the availability of free production capacities, while inflation remains far below the ECB target of 2%. Monetary policy therefore remains expansionary until the end of 2023, with the focus placed on unconventional measures (PEPP and TLTRO) and not on further reducing interest rates. The flexibility of the PEPP prevents distortions in the government bond market in the euro area. TLTROs ensure continued favourable refinancing conditions for banks. The long-term interest rates for government bonds should therefore remain low (negative), while the spreads appear similar to the basic scenario. In this scenario, unlike in the basic scenario, the euro should barely increase against the USD.

A – Accounting methods

Positive scenario
This scenario is based on the assumption that successes in tackling the pandemic by means of a faster vaccine availability (along with improved treatment successes) will lead to a sharper rise in optimism and also in economic output. This will bring about, above all in 2022, a stronger growth than in the basic scenario, as pent-up demand for consumption and investment is satisfied more rapidly and the pre-crisis GDP level is achieved again more quickly. As a result, fiscal policy also has to be less expansionary, which will ultimately also reduce the necessity of an extremely expansionary monetary policy.
In this scenario, while we expect the same growth as in the basic scenario (5%) in 2021 in the Eurozone, we anticipate growth more than twice the level of the basic scenario, at 6% in 2022 (+3.3 PP compared to the basic scenario), followed by a normalisation of growth rates at 2.5% (+0.3 PP). Our predictions for Austria are similar, at 6.5% (+4 PP compared to the basic scenario) in 2022 and 2.5% (+0.4 PP) in 2023. As freely available production capacities close more quickly in this scenario, inflation nearly reaches the price stability target of the ECB. Nevertheless, the central banks maintain an expansionary stance and no interest rate increase – neither from the ECB nor the Fed – is expected. While the ECB would end their PEPP at the start of 2022, they would purchase more securities as part of the other programmes. Despite continued low interest rates in the money market, the long-term interest rates would increase at a slightly stronger rate than in the basic scenario, while government bond spreads in the euro area would fall. The euro would appreciate slightly earlier than the USD.

Probabilities of occurrence
The actual success of vaccines will play a crucial role in national economic recovery in 2021. The probabilities stated – 55% basic scenario, 40% negative scenario and 5% positive scenario – here reflect the following core assumptions: (1) No significant bottleneck occurs in the supply of vaccines; (2) a sufficient extent and rate for mobilising large sections of the population to get vaccinated is achieved and (3) the immunising effect is not lost in the short term, but rather continues for a sufficient amount of time. As all assumptions come with a significant risk that things do not occur as expected, 40% of the weighting is attributed to the negative scenario (this already reflects the impact of the COVID-19 pandemic) and just 5% to the positive scenario.

Sensitivity analysis
As explained above, the consideration of forward-looking information is an important element when calculating impairment losses, with the macrodependency model of the Group used here acting as a multi-factor model and considering the changes of multiple macrofactors as a whole. To be able to interpret sensitivities easily, we therefore show this sensitivity as a whole in the alternative scenarios explained above (this means the factors are changed simultaneously to the respective overall extent and not just by 1%). Moreover, the impairments of Stages 1 and 2 have been calculated individually with the basic, positive and negative scenario. The overall spectrum between the positive and negative scenarios is almost one-tenth of the ECL of the basic scenario or, measured in euro, slightly less than €50 million, with deviations of the positive scenario slightly above and those of the negative scenario slightly below 5% (therefore roughly +/-€25 million).

For the balance sheet date, the different scenarios meet the ECL with the respective weighting by way of a so-called overlay factor, with the final level allocation used being that of the basic scenario.

The adjusted macroeconomic factors are translated into changes in credit risk parameters by the macro dependency model ("Satellite Model") of the UniCredit Group.

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.

Internal processes ensure that the regulations from IFRS9 are used correctly. This relates in particular to the process for determining the expected credit losses and the associated technical accounting representation of the credit risk provisions. Adaptations are simulated accordingly and subjected to a plausibility check in terms of their respective effects. The results are shown accordingly in detail and presented to RICO for feedback. Significant model changes and scenario assumptions are highlighted here and require the explicit approval of RICO, with the corresponding protocols also presented to the Management Board for decision. Further notes relating to specific changes, in particular with reference to the anticipation of the new definition of default as well as COVID-specific adjustments are mentioned in section E2 (Credit Risk).

Contractual modifications
If, as part of renegotiations of loans and receivables, contractual cash flows are changed, an assessment regarding the significance of the change becomes necessary.

A – Accounting methods

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 gain 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.

A modification that leads to the derecognition of the original and the recognition of a new contract, is considered to be significant, if, in case of a renegotiation (amongst other things to avoid customer migration), cash flows change due to a changes in the interest rate, currency or others.

Instruments with an already impaired credit rating ("POCI")
Pursuant to IFRS 9, loans and receivables measured at amortised cost or at fair value through profit or loss and classified as non-performing instruments at the date of acquisition are classified as Purchased or Originated Credit Impaired ("POCI") instruments.
At Bank Austria, "POCI" loans include new loans for defaulted customers as well as final conversions of foreign currency loans.

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.

Guarantees and credit derivatives in the same class
Guarantees and credit derivatives are initially and subsequently recognised under "Other liabilities", as long as these are classed as guarantees pursuant to IFRS 9 (i.e. contracts under which the purchaser makes ongoing payments, and therefore receives compensation for losses suffered as a result of default by a third-party debtor if the 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 is the economic owner of the subject of the lease and who 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 effects of the hedging instrument are assessed. It is necessary to assess the hedge's effectiveness, at inception and in subsequent periods, in offsetting the risks from changes in the hedged items fair value or cash flows attributable to the hedged risk.

A – Accounting methods

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, this is measured according to the original criterion dictated by the accounting standard applied to the relevant portfolio. In the case of an interest-bearing underlying transaction, the "basic adjustment" is amortised over the remaining term of the 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.

A – Accounting methods

- **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.

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 profit or loss".

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 indices, 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".

A – Accounting methods

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 "Impairments on financial assets at amortised cost".

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.

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** (2021–2023; in individual cases until 2025):
  For 2020, annual excess and risk-weighted assets were used according to forecast figures for 2020, while for the following years, values according to the currently available multi-year plan, which usually extends to 2023, were used. If planning information until 2025 was available, this was used.
- **Phase 2** (from end of planning period until 2028):
  Within this phase, the growth rate converges on the anticipated sustainable long-term economic growth of the euro area of 2% (unchanged from the previous year).
- **Phase 3 – perpetual annuity**:
  Calculation of the present value of a perpetual annuity on the assumption of a long-term growth rate of 2%, which takes into account the sustained long-term economic growth expected by UniCredit Bank Austria AG for the euro area.

The impairment test was performed on the basis of the multi-year plans provided. 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% for banks. 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.

A – Accounting methods

UniCredit Bank Austria holds a stake in 3 Austrian regional banks (Oberbank, BKS Bank AG (BKS), Bank für Tirol und Vorarlberg (BTV), known collectively as the "3-Bank Group"), which are balanced "at equity" in the annual group statements of UniCredit Bank Austria. As at 31 December 2020, an impairment test was performed in accordance with IAS 36.

As at 31 December 2020, the three Austrian regional banks were evaluated through a two-step procedure, in which the carrying amount was compared with the fair value (less costs to sell) and, where the fair value (less costs to sell) lay below the carrying amount, the value in use (ViU) is calculated using a discounted cashflow model (DCF) based on the multi-year plans (MYPs) provided by the companies.

With Oberbank, the proportionate fair value (less costs to sell) was higher than the carrying amount. Therefore, given the fact that in accordance with IAS 36, the achievable amount is the higher value between the fair value (less costs to sell) and the value in use, and as the fair value (less costs to sell) lies above the carrying amount, the sustainability of the carrying value of the Oberbank was able to be confirmed.

In relation to the BKS and the BTV, the respective proportionate applicable fair value (less costs to sell) lay below the respective carrying amount. An impairment test was therefore performed by calculating the value in use.

The value in use was calculated using the DCF model, with – as recommended by the ESMA – the following two scenarios taken into account:

- "Basic scenario":
  The calculated value in use was based on information from the multi-year plans, which were provided both by the BTV and the BKS.
- "Alternative scenario":
  The information from the multi-year plans provided has been adjusted to take into account the extent of the macroeconomic insecurities in the context of the COVID-19 pandemic.

The assessment uncertainties of some multi-year plan assumptions, e.g. cost of risk, cost income ratio and sustainable profit and assessment parameters were analysed, and where possible, compared with historical development and market data. The adjustments were taken into account in the alternative scenario.

The basic scenario and alternative scenario were weighted with a probability of occurrence of 50% each. A different weighting of the basic and alternative scenario would not cause any significant changes to the result of the impairment test.

3-Banken - Impairment Test

(€ million)

LEGAL ENTITY	SHARE	CARRYING VALUE BEFORE 4Q20 IMPAIRMENT	PROPORTIONAL MARKET CAPITALIZATION 1)	CARRYING VALUE AFTER 4Q20 IMPAIRMENT 1)
Oberbank	27.2%	800.5	809.5	800.5
BTV	47.4%	743.6	482.9	741.7
BKS	29.8%	334.7	160.2	289.2

1) As at 31 December 2020

The result of the impairment test carried out in 4Q20 for BKS and BTV led to an impairment of -€47.3 million (including BKS -€45.5 million, BTV -€1.8 million) in 4Q20. Taking into account the impairment recorded in 2Q20 of -€62.9 million for BKS and BTV (BKS -€27.2 million, BTV -€35.7 million), the impairment in the 2020 financial year as a whole is -€110.2 million for BKS and BTV (including BKS -€72.7 million, BTV -€37.5 million).

Less significant investments in other companies are valued using models and parameters 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 2020 financial statements.

A – Accounting methods

A.6 – Information on other financial statement line items

A.6.1 – Cash and cash equivalents

The cash and cash equivalents designated in the statement of cash flows include the cash and cash balances.

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.

Bank Austria assesses the properties used in the business (regulated by IAS 16 "Property, plant and equipment") with the revaluation model and properties held for financial investment (regulated by IAS 40 "Properties held for investment purposes") at the fair value. All other assets are assessed using the amortised cost model.

For properties used in the business, the differences between the carrying amount and fair value are accounted for using the revaluation model as follows:
- if negative: in the profit and loss statement unless there is a revaluation reserve item for this asset. In this case, the negative difference between the fair value and carrying amount is recorded in other income, if this does not exceed the credit of the corresponding revaluation reserve item.
- If positive: Under other 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.

Properties held for investment purposes are assessed at the fair value, with value changes to be recorded in the profit and loss statement.

The market value of the properties was determined by independent experts. Based on the significance of the individual real estate items, either:
- "Full/on-site" assessments, based on a physical inspection of the property by the expert, or
- "Desktop" reports, 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.

A – Accounting methods

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

- Buildings: max. 50 years
- Moveable installations: max. 25 years
- Electronic equipment: max. 15 years
- Other: max. 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.

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, are not reflected in the P&L statement.

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;
- • current tax assets, i.e. the amount of tax paid in excess of income tax for the period 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 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.

A – Accounting methods

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 from continuing operations" 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.

Pursuant to the group taxation rules introduced in Austria, Bank Austria has formed a group of companies. 12 Group members (2019: 12) have a profit and loss transfer agreement and there is a tax compensation agreement with 153 Group members (2019: 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, targeted longer-term refinancing operations (TLTRO), 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 – 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".

A – Accounting methods

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 as at 31 December 1999 became effective, and – as a special feature of UniCredit Bank Austria AG's staff regulations – for the future benefits, equivalent to those under mandatory insurance, earned by 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 leave the company to take retirement 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 of 31 December 2020:
- Pensions: 13.35 years
- Severance: 8.47 years
- Anniversary bonus: 5.22 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 basis of the following actuarial assumptions:
- Discount rate: 0.65% p.a. (2019: 1.00% p.a.)
  The interest rate was calculated by the UniCredit Group based on the DBO cash flow determined by Mercer and taking as a basis the UniCredit Yield Curve. As at 31 December 2020, the duration of the pension plan is 13.35 years (2019: 13.46 years; the weighted duration for pension, severance and long-term service plans is 12.9 years (2019: 13.0 years).
- Pension increase (BA-ASVG): 1.43% p.a. (2019: 1.53% p.a.), calculated on the basis of the effective average real pension increases over the last 19 years
- Pension increase (other): 1.96% p.a. (2019: 2.08% p.a.), calculated on the basis of the effective average real pension increases, taking into account a long-term expected inflation rate of 1.73%.
- 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	
		31.12.2020	31.12.2019
Discount rate	-0,25%	132	133
	0,25%	(125)	(126)
Salary increase rate	-0,25%	(7)	(7)
	0,25%	6	8
Pension increase rate	-0,25%	(116)	(118)
	0,25%	123	124

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 – „Targeted Longer-Term Refinancing Operations“ (TLTRO)

"Targeted longer-term refinancing operations" (TLTRO) are ECB refinancing instruments from the banking book, which should be assessed at amortised purchasing cost in the subsequent assessment in accordance with IFRS 9.4.2.1.
The possibility of the borrowing bank retaining an additional interest rate advantage of 50 basis points – in addition to the average interest rate of the deposit facility rate (DFR) or the main refinancing operation (MPO) – with these long-term refinancing transactions is linked to the achievement of certain thresholds for cumulative net lending (CNL) to specific borrowers (loans to non-financial companies, loans to private households – excluding housing loans).
The financial conditions contained in the TLTROs reflect in particular the monetary policy initiatives of the ECB to reduce the refinancing costs for banking institutions by using "non-conventional" instruments reflected in money market transactions. The corresponding profits must therefore be taken into account when calculating the interest rate yields of these refinancing instruments in accordance with IFRS 9.
The launch of forward-looking, "success-dependent" payments as part of the ECB TLTRO programme are treated as changes to market parameters and the interest rates are therefore calculated according to the "effective interest rate method" which distributes the interest rate profits across the application term of the effective interest rate.

A – Accounting methods

In addition to the measures already decided by the ECB in March 2020 to grant a further interest rate advantage of 50 basis points, on top of the average interest rate of the deposit facility or the main refinancing operation for the period June 2020 to June 2021 upon reaching a certain threshold for cumulative net lending as of 31 March 2021, the ECB Governing Council decided on 10 December 2020 (see Official Journal of the European Union Decision (EU) 2021/124 of the European Central Bank of 29 January 2021 amending Decision (EU) 2019/1311 on a third series of targeted longer-term refinancing operations (ECB/2021/3)) that a further interest rate advantage of 50 basis points may be obtained for the period June 2021 to June 2022, in addition to the average interest rate of the deposit facility or the main refinancing operation, provided that the cumulative net lending to defined borrowers reaches a certain threshold as of 31 December 2021. The corresponding Governing Council decision of 10 December 2020 was already published by the ECB in December 2020.
UniCredit Bank Austria has participated in TLTRO III in June 2020 and drew a new volume of €15.4 billion, while volumes of earlier TLTROs were repaid. In the 2020 financial year, under the assumption that the target values will achieve the cumulative net lending as of 31 March 2021 as well as of 31 December 2021, a net interest rate effect of +€26.9 million was taken into account, in addition to the average interest rate on deposit facilities based on an assumed 3-year term on the outstanding TLTRO volume of €15.4 billion. The assumption of target achievement is supported by the existence of previously provided loans as well as the financial development expected in the 2021 budget and the actual deal pipeline.

A.6.7.3 – 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.

A.6.7.4 – 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.

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

The fair value is recorded under the item "Administrative costs – payroll costs" 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.

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A.6.7.5 – 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

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.

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 Bank Austria received for deposits (liabilities and equity) 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.

A.6.11 – Dividends

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

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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 authority, 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.

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

Independent price verification is supplemented by the calculation of fair-value adjustments 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.

7.2.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value levels

(€ million)

	AMOUNTS AS AT 31.12.2020			AMOUNTS AS AT 31.12.2019		
FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets at fair value through profit or loss	117	1,930	287	-	1,848	382
a) Financial assets held for trading	-	1,201	4	-	998	18
b) Financial assets designated at fair value	117	-	-	-	-	-
c) Financial assets mandatorily at fair value	-	728	283	-	850	364
2. Financial assets at fair value through other comprehensive income	10,988	1,832	89	13,673	1,165	97
3. Hedging derivatives	-	1,995	-	-	1,817	-
4. Property, plant and equipment	-	-	394	-	-	380
5. Intangible assets	-	-	-	-	-	-
Total	**11,105**	**5,756**	**769**	**13,673**	**4,831**	**859**
1. Financial liabilities held for trading	-	1,260	3	-	1,047	18
2. Financial liabilities designated at fair value	-	60	1	-	102	1
3. Hedging derivatives	-	1,976	-	-	1,819	-
Total	**-**	**3,297**	**4**	**-**	**2,967**	**19**

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

(€ million)

	CHANGES IN 2020							
	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	**382**	**18**	**-**	**364**	**97**	**-**	**380**	**-**
2. Increases	**36**	**2**	**-**	**34**	**16**	**-**	**112**	**-**
2.1 Purchases	2	2	-	-	-	-	4	-
2.2 Profits recognised in	-	-	-	-	12	-	20	-
2.2.1 Income statement	-	-	-	-	-	-	10	-
- of which unrealised gains	*-*	*-*	*-*	*-*	*-*	*-*	*10*	*-*
2.2.2 Equity	X	X	X	X	12	-	10	-
2.3 Transfers from other levels	34	-	-	34	-	-	-	-
2.4 Other increases	-	-	-	-	4	-	87	-
3. Decreases	**131**	**16**	**-**	**115**	**7**	**-**	**98**	**-**
3.1 Sales	20	16	-	4	-	-	32	-
3.2 Redemptions	-	-	-	-	-	-	3	-
3.3 Losses recognised in	5	-	-	5	2	-	19	-
3.3.1 Income statement	5	-	-	5	-	-	13	-
- of which unrealised losses	*5*	*-*	*-*	*5*	*-*	*-*	*2*	*-*
3.3.2 Equity	X	X	X	X	2	-	6	-
3.4 Transfers to other levels	61	-	-	61	-	-	-	-
3.5 Other decreases	44	-	-	44	6	-	43	-
of which: business combinations	-	-	-	-	-	-	-	-
4. Closing balances	**287**	**4**	**-**	**283**	**106**	**-**	**394**	**-**

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.

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

(€ million)

	CHANGES IN 2020			CHANGES IN 2019		
	FINANCIAL LIABILITIES HELD FOR TRADING	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	HEDGING DERIVATIVES	FINANCIAL LIABILITIES HELD FOR TRADING	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	HEDGING DERIVATIVES
1. Opening balances	**18**	**1**	**-**	**10**	**1**	**-**
2. Increases	**2**	**-**	**-**	**7**	**-**	**-**
2.1 Issuance	2	-	-	7	-	-
2.2 Losses recognised in	-	-	-	-	-	-
2.2.1 Income statement	-	-	-	-	-	-
- of which unrealised losses	-	-	-	-	-	-
2.2.2 Equity	X	-	-	X	-	-
2.3 Transfers from other levels	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-
3. Decreases	**17**	**-**	**-**	**-**	**-**	**-**
3.1 Redemptions	17	-	-	-	-	-
3.2 Purchases	-	-	-	-	-	-
3.3 Profits recognised in	-	-	-	-	-	-
3.3.1 Income statement	-	-	-	-	-	-
- of which unrealised gains	-	-	-	-	-	-
3.3.2 Equity	X	-	-	X	-	-
3.4 Transfers to other levels	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-
4. Closing balances	**3**	**1**	**-**	**18**	**1**	**-**

Increases/decreases in financial liabilities are recognised in the income statement in the following items:
- Result from liabilities held for trading;
- Fair value adjustments in hedge accounting;
- Net income from 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)

For the 2020 financial year, transfers of €142 million were made from Level 2 to Level 1. There were no transfers from Level 1 to Level 2.

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A.7.3 – Day-One Profit/Loss

In accordance with IFRS 9, a Day-One Profit/Loss is considered to exist if the transaction value differs from the fair value. The fair value of financial instruments, other than those designated at fair value through profit or loss, at their recognition date is set as 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.

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. Holdings of such instruments are therefore reported in Level 1 within the fair value hierarchy. 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 risk premium curve used, securities are reported in Level 2 or Level 3; they are classified in Level 3 if a significant, unobservable risk premium is used when no comparable risk premium curves are available 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 liquid bonds and assessment 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 fundamental 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 instruments 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 counterparts. 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. During the Independent Price Verification (IPV), a fair value is determined for each illiquid instrument using the pricing model. The sensitivity analysis for Level 3 positions with respect to the unobservable model input is based on the following categories of model inputs:
Credit spreads (SP): for instruments exposed to issuer risk the unobservable input is mainly the issuer credit spread.
Interest rates (IR): In the absence of liquid interest rate swap markets, the term structure of the return curve of available instruments, primarily government bonds, is used.
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 positions are fair value loans, equity funds and stock options.

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The sensitivities for changing the non-observable parameters for the different categories of Level 3 financial instruments that are valued at fair value are shown in the following table, with the change in value for derivatives on stocks, commodities and foreign exchange being reported in the event of a 1% shift in underlying volatility; for interest rate derivatives, the change in the underlying curves is indicated by 1 basis point; for interest options, the change in the underlying volatility is indicated by 1%; for credit derivatives, the change in the risk premium by 1 basis point or the effect of a 5% shift in the repayment rate on the CVA is indicated; for debt securities, the change in the risk premium is indicated by 1 basis point; for equities, the change in underlying volatility is reported by 1%; fund quotes indicate the change in inventory value by 1%.

(€ million)

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	AS AT 31.12.2020 FAIR VALUE ASSETS LEVEL 3	FAIR VALUE MOVEMENTS GIVEN REASONABLE POSSIBLE ALTERNATIVES	
1. Financial assets at fair value through profit or loss	287	+/-	-
a) Financial assets held for trading	4	+/-	0.3
b) Financial assets designated at fair value	-	+/-	-
c) Financial assets mandatorily at fair value	283	+/-	-
2. Financial assets at fair value through other comprehensive income	89	+/-	0.0
3. Hedging derivatives	-	+/-	-
4. Property, plant and equipment	394	+/-	-
5. Intangible assets	-	+/-	-
Total A	**769**	**+/-**	**0.3**
1. Financial liabilities held for trading	3	+/-	0.3
2. Financial liabilities designated at fair value	1	+/-	-
3. Hedging derivatives	-	+/-	-
Total B	**4**	**+/-**	**0.3**

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.

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Market approach
A valuation technique that uses prices and other information that arise in market transactions involving identical or comparable (i.e. similar) assets, liabilities or groups of assets and liabilities. e.g. business premises.

Adjusted net asset value
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.

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 payment timing represent 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.

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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 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.

Cash flows include capital repayments and interest payments and depend on contractual conditions and market conditions (i.e. interest rates). In addition, potential premature repayments for some customer segments are taken into account in the assessment.

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. The credit spread for non-quoted products, such as loans to non-banks, cannot be derived directly from observable market prices; the bank therefore estimates the credit spread based on counterpart/transaction specific factors (i.e. recovery-rate assumptions, probability of default), taking into account observable market prices.

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	UNCERTAINTY RANGE	
Derivatives	Financial Instruments	Equity & Commodities	Option Pricing Model	Volatility	2%	20%
				Correlation	2%	24%
			Option Pricing Model/ Discounted Cash Flows	Dividends Yield	1%	18%
		Foreign Exchange	Option Pricing Model	Volatility	0%	27%
			Discounted Cash Flows	Interest rate (bps)	-	36,0
		Interest Rate	Discounted Cash Flows	Swap Rate (bps)	0.19	35.78
			Option Pricing Model	Interest Rate Volatility	2%	35%
				Correlation	0%	20%
	Credit Derivatives		Hazard Rate Model	Credit Spread (bps)	1	73.00
				Recovery rate	0%	5%
Debt Securities and Loans		Corporate/ Government/Other	Market Approach	Credit Spread (bps)	1	391.00
Equity Securities		Unlisted Equity & Holdings	Market Approach	Price (% of used value)	0%	3%
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 Bank Austria Group in 2020

A.8.1 – Information on fully consolidated companies

Investments in subsidiaries (consolidated line by line)

			2020		2019	
NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	HOLDING %	VOTING RIGHTS % *)	HOLDING %	VOTING RIGHTS % *)
"BF NINE" Holding GmbH	VIENNA	EUR 35.000	100.00		100.00	
AI Beteiligungs GmbH	VIENNA		Disposal on 01.02.2020		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/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	
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 VIENNA 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	
BAL LETO Immobilien Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	

*) Voting rights are shown only if different from the percentage of holding.

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NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2020 HOLDING %	2020 VOTING RIGHTS % *)	2019 HOLDING %	2019 VOTING RIGHTS % *)
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	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	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		Sold on 29.05.2020		55.00	
Castellani Leasing GmbH	VIENNA	EUR 1.800.000	100.00		100.00	
Charade Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	

*) Voting rights are shown only if different from the percentage of holding.

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			2020		2019	
NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	HOLDING %	VOTING RIGHTS % *)	HOLDING %	VOTING RIGHTS % *)
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.	WARSCHAU	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 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	
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 Grundstücksverwaltungsgesellschaft 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	
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	

*) Voting rights are shown only if different from the percentage of holding.

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			2020		2019	
NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	HOLDING %	VOTING RIGHTS % *)	HOLDING %	VOTING RIGHTS % *)
Immobilien Holding GmbH	VIENNA	EUR 36.336	100.00		100.00	
Immobilien Rating GmbH in Liqu.	VIENNA	EUR 50.000	100.00		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	100.00	95.92
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	
KSG Karten-Verrechnungs- und Servicegesellschaft m.b.H.	VIENNA	EUR 44.000	50.10		50.10	
Kunsthaus Leasing GmbH	VIENNA		Sold on 05.03.2020		100.00	
Kutra Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36.337	100.00		100.00	
Lagermax Leasing GmbH	VIENNA		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	
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 Grundstückvermietungs 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 Beteiligungsverwaltungsgesellschaft m.b.H.	VIENNA	EUR 36.336	100.00		100.00	

*) Voting rights are shown only if different from the percentage of holding.

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NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2020 HOLDING %	2020 VOTING RIGHTS % *)	2019 HOLDING %	2019 VOTING RIGHTS % *)
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 35.000	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		94.00	
Real Invest Property GmbH & Co SPB Jota KG	VIENNA		Disposal on 01.02.2020		42.30	
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		100.00		100.00	
RSB Anlagenvermietung Gesellschaft m.b.H.	VIENNA		Sold on 25.07.2020		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		100.00		100.00	
SEDEC Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Sext Z Immobilien Leasing Gesellschaft m.b.H	VIENNA	EUR 36.500	100.00		100.00	
Shopping Palace Bratislava, v.o.s.	BRATISLAVA		Disposal on 01.02.2020		42.30	
Sigma Leasing GmbH	VIENNA	EUR 18.286	100.00		100.00	
Sonata Leasing-Gesellschaft m.b.H.	VIENNA	EUR 36.336	100.00		100.00	
Spectrum Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA		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	

*) Voting rights are shown only if different from the percentage of holding.

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			2020		2019	
NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	HOLDING %	VOTING RIGHTS % *)	HOLDING %	VOTING RIGHTS % *)
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		100.00	
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		Sold on 30.09.2020		100.00	
BAH-Omega Zrt "v.a."	BUDAPEST		100.00		100.00	
BAH-Kappa Kft "v.a."	BUDAPEST		100.00		100.00	
UniCredit Leasing Technikum GmbH	VIENNA	EUR 35.000	100.00		100.00	
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 OK1 Leasing GmbH	VIENNA	EUR 35.000	100.00		0.00	
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	
UniCredit Rent d.o.o. Beograd	BELGRAD	RSD 3.285.948.900	100.00		100.00	
UniCredit Sterneck Leasing GmbH	VIENNA	EUR 35.000	100.00		0.00	
UniCredit TechRent Leasing GmbH	VIENNA	EUR 36.336	100.00		100.00	
UniCredit Zega Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
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	
WÖM 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	

*) Voting rights are shown only if different from the percentage of holding.

A – Accounting methods

NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2020 HOLDING %	2020 VOTING RIGHTS % *)	2019 HOLDING %	2019 VOTING RIGHTS % *)
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	
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 shown only if different from the percentage of holding.

A.8.2 – Breakdown of minority interests

Non-controlling interests

(€ million)

	31.12.2020	31.12.2019
card complete Service Bank AG [1]	21	29
DC Bank AG [2]	9	11
Other entities	13	17
Consolidation adjustments	(3)	(9)
TOTAL	**40**	**48**

[1] Reclassified from 'held for sale' to 'held for use'.
[2] Classified as "held for sale".

A – Accounting methods

Investments in subsidiaries with material non-controlling interests, 2020

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 Bank AG 1)	518,336	-	455,555	57,454	234,511	41,412	20,665	49.90

1) Reclassified from 'held for sale' to 'held for use'.

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 Bank AG 1)	663,874	1	590,004	71,945	246,171	57,992	28,938	49.90

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

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
6,438	61,276	(64,085)	(20,075)	(16,670)	-	(16,670)	91	(16,579)	(8,273)	-

(€ 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

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 [1] [2]	At equity	VIENNA	5	30.09.2014
Bank für Tirol und Vorarlberg Aktiengesellschaft	At equity	INNSBRUCK	1	30.09.2020
BKS Bank AG	At equity	KLAGENFURT	1	30.09.2020
CBD International Sp.z.o.o.	At equity	WARSCHAU	5	31.12.2019
Fides Leasing GmbH	Joint Venture	VIENNA	2	31.12.2020
HETA BA Leasing Süd GmbH	Joint Venture	KLAGENFURT	2	31.12.2020
NOTARTREUHANDBANK AG	At equity	VIENNA	1	30.09.2020
Oberbank AG	At equity	LINZ	1	30.09.2020
Oesterreichische Kontrollbank Aktiengesellschaft	At equity	VIENNA	1	30.09.2020
Österreichische Wertpapierdaten Service GmbH	At equity	VIENNA	3	31.12.2019
Palatin Grundstückverwaltungs Gesellschaft m.b.H.	Joint Venture	ST. PÖLTEN	2	31.12.2020
PSA Payment Services Austria GmbH	At equity	VIENNA	2	31.12.2019
"UNI" Gebäudemanagement GmbH	At equity	LINZ	5	30.09.2020
WKBG Wiener Kreditbürgschafts- und Beteiligungsbank AG	At equity	VIENNA	1	31.12.2019

1) Reclassification according to IFRS 5 as "held for sale" investments.
2) Disposal in 2020.
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

A – Accounting methods

(€ thousand)

2020				2019			
ISSUED CAPITAL	HOLDING %	VOTING RIGHTS %	CARRYING AMOUNT € THSD	ISSUED CAPITAL	HOLDING %	VOTING RIGHTS %	CARRYING AMOUNT € THSD
	Sold on 06.10.2020			EUR 3.000.000	34.38		22,603
EUR 68.062.500	47.38	46.85	741,742	EUR 68.062.500	47.38	46.85	754,466
EUR 85.885.800	29.78	29.78	289,191	EUR 85.885.800	29.78	30.30	350,341
PLN 100.500	49.75		1,213	PLN 100.500	49.75		1,180
EUR 36.000	50.00		170	EUR 36.000	50.00		143
EUR 36.500	50.00		1,134	EUR 36.500	50.00		1,645
EUR 8.030.000	25.00		11,045	EUR 8.030.000	25.00		9,984
EUR 105.402.000	27.17	27.17	800,471	EUR 105.768.000	27.17	27.29	786,389
EUR 130.000.000	49.15		390,523	EUR 130.000.000	49.15		401,016
EUR 100.000	29.30		69	EUR 100.000	29.30		58
EUR 36.336	50.00		83	EUR 36.336	50.00		92
EUR 285.000	24.00		6,588	EUR 285.000	24.00		6,500
EUR 18.168	50.00		87	EUR 18.168	50.00		64
EUR 9.205.109	21.54		6,079	EUR 9.205.109	21.54		6,134

*) Voting rights are shown only if different from the percentage of holding.

A – Accounting methods

Investments in associates and joint ventures: accounting information 2020 *)

NAME	TOTAL ASSETS	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	NON-FINANCIAL ASSETS	FINANCIAL LIABILITIES
Under significant influence					
BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT	13,635,535	2,283,530	10,875,447	476,558	11,570,387
BKS BANK AG	9,572,181	889,218	8,520,450	162,513	8,071,839
NOTARTREUHANDBANK AG	2,579,852	4	2,577,172	2,677	2,518,934
OBERBANK AG	25,002,052	2,570,248	21,879,908	551,896	21,236,602
OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT	35,433,806	649,022	34,655,666	129,118	33,106,540

*) Data as at 30.09.2020

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 at 30.09.2019

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
330,832	1,734,316	343,621	139,280	(75,923)	(11,959)	73,284	62,441	1,935
235,704	1,264,638	254,279	132,635	(100,171)	(10,224)	60,780	51,277	1,535
16,738	44,181	14,464	10,594	(7,406)	(1,685)	4,242	4,242	-
819,729	2,945,721	627,216	336,739	(317,383)	(48,004)	92,253	85,544	1,727
1,532,709	794,557	432,183	104,958	(80,576)	(11,865)	36,891	33,925	16,081

(€ 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

A – Accounting methods

Consolidated companies and changes in consolidated companies of the Bank Austria Group in 2020

	CONSOLIDATED COMPANIES	COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD	TOTAL
Opening balance	**214**	**14**	**228**
Additions	**2**	**-**	**2**
Newly established companies	-	-	-
Acquired companies	2	-	2
Other changes	-	-	-
Changes in UniCredit Group	-	-	-
Disposals	**-7**	**-1**	**-8**
Companies sold or liquidated	-4	-1	-5
Mergers	-	-	-
Changes in UniCredit Group	-3	-	-3
CLOSING BALANCE	**209**	**13**	**222**

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 2020 financial year amounts to €71.9 million.

A – Accounting methods

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
AI BETEILIGUNGS GMBH	Vienna	100.00
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. in Liqu.	Vienna	89.26
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 in Liqu.	Vienna	100.00
RE-St.Marx Holding GmbH	Vienna	100.00
Treuconsult Property Alpha GmbH	Vienna	94.95

*) Inclusion of companies is based on quantitative criteria (e. g.: total assets < €5 million, possibility of realisation of profit) and qualitative criteria (e.g.: strategic relevance).

A – Accounting methods

Exposure towards unconsolidated structured entities

Exposure towards unconsolidated investment funds

Units in investment funds

(€ million)

EXPOSURE TYPE	CATEGORY	31.12.2020 BOOK VALUE	31.12.2020 NOMINAL VALUE	31.12.2020 FAIR VALUE	31.12.2019 BOOK VALUE	31.12.2019 NOMINAL VALUE	31.12.2019 FAIR VALUE
Units in investment funds	Financial assets mandatorily at fair value through P&L	13	22	13	23	29	23
	Held for trading	-	-	-	-	-	-
TOTAL		**13**	**22**	**13**	**23**	**29**	**23**

Other exposure towards unconsolidated investment funds

Assets

(€ million)

EXPOSURE TYPE	CATEGORY	31.12.2020 BOOK VALUE	31.12.2020 NOMINAL VALUE	31.12.2019 BOOK VALUE	31.12.2019 NOMINAL VALUE
Loans and receivables	Financial assets at amortised cost: b) Loans and receivables with customers	179	179	478	478
Credit derivatives	Held for trading	-	-	-	-
Other derivatives	Held for trading	2	49	2	57
Guarantees	Off-balance sheet	-	-	-	-
Credit lines revocable	Off-balance sheet	-	1,784	-	1,540
Credit lines irrevocable	Off-balance sheet	-	137	-	145
TOTAL		**181**	**2,149**	**480**	**2,220**

1) Previous year's figures and disclosure (from position "Credit derivatives" to position "Other derivatives") were adjusted.

Liabilities

(€ million)

EXPOSURE TYPE	CATEGORY	31.12.2020 BOOK VALUE	31.12.2019 BOOK VALUE
Deposits	Financial liabilities at amortised cost: b) Loans and receivables with customers	1,068	964
Other derivatives (no credit risk)	Liabilities	-	-
TOTAL		**1,068**	**964**

Income from unconsolidated structured entities

In 2020, Bank Austria Group generated income from fees and commissions from unconsolidated investment funds in the amount of €35 million (previous year: €35 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 2020 DEBT SECURITIES	YEAR 2020 LOANS	YEAR 2020 OTHER TRANSACTIONS	YEAR 2020 TOTAL	YEAR 2019 TOTAL
1. Financial assets at fair value through profit or loss	**2**	**46**	**239**	**287**	**260**
1.1 Financial assets held for trading	-	-	239	239	204
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily at fair value	1	46	-	47	56
2. Financial assets at fair value through other comprehensive income	**130**	**-**	**X**	**130**	**156**
3. Financial assets at amortised cost	**3**	**891**	**X**	**893**	**1,040**
3.1 Loans and advances to banks	-	16	X	16	51
3.2 Loans and advances to customers	3	875	X	877	989
4. Hedging derivatives	**X**	**X**	**(117)**	**(117)**	**(124)**
5. Other assets	**X**	**X**	**14**	**14**	**16**
6. Financial liabilities	**X**	**X**	**X**	**100**	**33**
Total	**134**	**936**	**137**	**1,308**	**1,381**
of which: interest income on impaired financial assets	-	*42*	-	*42*	*41*
of which: interest income on financial lease	-	*54*	-	*54*	*66*

The total interest income for financial assets not measured at fair value through profit or loss amounts to €1,037 million (previous year: €1,212 million). Interest income from currency-denominated financial assets amounted to €141 million (previous year: €230 million).

Income received for deposits (liabilities) in the amount of €110 million (previous year: €33 million) is reported under interest and similar income. Interest income for impaired financial assets classified in Stage 3 amounted to €42 million (previous year: €41 million).

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

B – Notes to the income statement

1.2 Interest expenses and similar charges: breakdown

(€ million)

ITEMS/TYPES	YEAR 2020 DEBTS	YEAR 2020 SECURITIES	YEAR 2020 OTHER TRANSACTIONS	YEAR 2020 TOTAL	YEAR 2019 TOTAL
1. Financial liabilities at amortised cost	**(112)**	**(211)**	**X**	**(323)**	**(411)**
1.1 Deposits from central banks	-	X	X	-	-
1.2 Deposits from banks	(72)	X	X	(72)	(85)
1.3 Deposits from customers	(40)	X	X	(40)	(80)
1.4 Debt securities in issue	X	(211)	X	(211)	(245)
2. Financial liabilities held for trading	**-**	**-**	**(238)**	**(238)**	**(204)**
3. Financial liabilities designated at fair value	**-**	**-**	**-**	**-**	**(1)**
4. Other liabilities and funds	**X**	**X**	**(1)**	**(1)**	**(1)**
5. Hedging derivatives	**X**	**X**	**236**	**236**	**233**
6. Financial assets	**X**	**X**	**X**	**(75)**	**(36)**
Total	**(112)**	**(211)**	**(4)**	**(401)**	**(421)**
of which: interest expenses on lease liabilities	*(10)*	-	-	*(10)*	*(10)*

The total interest expense for liabilities not measured at fair value through profit or loss amounts to -€324 million (previous year: -€412 million). Interest expense on financial liabilities denominated in foreign currencies amounted to -€46 million (previous year: -€87 million). Expenses incurred for receivables (assets) in the amount of -€76 million (previous year: -€36 million) are reported under interest and similar expenses.

B – Notes to the income statement

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

2.1 Fee and commission income: breakdown

(€ million)

TYPE OF SERVICES/VALUES	YEAR 2020	YEAR 2019
a) Guarantees given	37	40
b) Credit derivatives	-	1
c) Management, brokerage and consultancy services	364	364
1. Securities trading	-	-
2. Currency trading	2	2
3. Portfolio management	124	231
3.1 Individual [1]	41	59
3.2 Collective [2]	83	172
4. Custody and administration of securities	87	85
5. Custodian bank	-	-
6. Placement of securities	-	-
7. Reception and transmission of orders	19	18
8. Advisory services	24	7
8.1 Relating to investments [1]	15	-
8.2 Relating to financial structure	9	7
9. Distribution of third-party services	108	20
9.1 Portfolio management	87	4
9.1.1 Individual	-	-
9.1.2 Collective [2]	87	4
9.2 Insurance products	18	15
9.3 Other products	2	2
d) Collection and payment services	78	90
e) Securitisation servicing	-	-
f) Factoring	3	3
g) Tax collection services	-	-
h) Management of multilateral trading facilities	-	-
i) Management of current accounts	130	135
j) Other services	221	268
k) Security lending	-	-
Total	**834**	**901**

1) In 2020, an amount of €15 million was reclassified from item "Portfolio management individual" to item "Advisory services relating to investments".
2) In 2020, fund income in the amount of €84 million was reclassified from item "Portfolio management" to item "Distribution of third-party services".

B – Notes to the income statement

2.2 Fee and commission expenses: breakdown

(€ million)

SERVICES/VALUES	YEAR 2020	YEAR 2019
a) Guarantees received	(2)	(14)
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services	(70)	(64)
1. Trading financial instruments	(2)	(4)
2. Currency trading	-	-
3. Portfolio management	(15)	(13)
3.1 Own portfolio	(3)	(3)
3.2 Third party portfolio	(11)	(10)
4. Custody and administration of securities	(30)	(23)
5. Placement of financial instruments	-	-
6. Off-site distribution of financial instruments, products and services	(23)	(23)
d) Collection and payment services	(104)	(125)
e) Other services	(5)	(6)
f) Security lending	-	-
Total	**(182)**	**(209)**

In comparison to 2019, net fee and commission income decreased by €39 million to €653 million due to COVID-19 pandemic. While net fee and commission income from portfolio management performed relatively well despite the difficult market environment, there was a significant decline in other services.

B.3 – Dividend income and similar revenues

3.1 Dividend income and similar revenues: breakdown

(€ million)

	YEAR 2020		YEAR 2019	
ITEMS/REVENUES	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	4	-	5	-
D. Equity investments	1	-	2	-
Total	**5**	**-**	**6**	**-**
Total dividends and similar revenues		**5**		**6**

B – Notes to the income statement

B.4 – Net trading income

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

(€ million)

TRANSACTIONS/P&L ITEMS	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**	**27**
4. Derivatives	**28**	**-**	**-**	**-**	**27**
4.1 Financial derivatives	28	-	-	-	27
- On debt securities and interest rates	28	-	-	-	28
- On equity securities and share indices	-	-	-	-	-
- On currency and gold	X	X	X	X	(1)
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: economic hedges linked to the fair value option	*X*	*X*	*X*	*X*	-
Total 12.31.2020	**28**	**2**	**-**	**-**	**55**
Total 12.31.2019	**5**	**3**	**(1)**	**-**	**31**

B.5 – Fair value adjustments in hedge accounting

5.1 Fair value adjustments in hedge accounting: breakdown

(€ million)

P&L COMPONENT/VALUES	YEAR 2020	YEAR 2019
A. Gains on		
A.1 Fair value hedging instruments	84	303
A.2 Hedged financial assets (in fair value hedge relationship)	135	42
A.3 Hedged financial liabilities (in fair value hedge relationship)	53	-
A.4 Cash-flow hedging derivatives	-	-
A.5 Assets and liabilities denominated in currency	-	-
Total gains on hedging activities (A)	**272**	**345**
B. Losses on		
B.1 Fair value hedging instruments	(271)	(295)
B.2 Hedged financial assets (in fair value hedge relationship)	-	-
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)	**(271)**	**(346)**
C. Net hedging result (A – B)	**1**	**(1)**
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 2020 GAINS	YEAR 2020 LOSSES	YEAR 2020 NET PROFIT	YEAR 2019 GAINS	YEAR 2019 LOSSES	YEAR 2019 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	5	(1)	4	13	-	13
2.1 Debt securities	5	(1)	4	13	-	13
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**5**	**(1)**	**4**	**13**	**-**	**13**
B. Financial liabilities at amortised cost						
1. Deposits from banks	1	-	1	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities (B)	**1**	**-**	**1**	**-**	**-**	**-**
Total financial assets/liabilities			**5**			**13**

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	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A + B) – (C + D)]
1. Financial assets	**1**	**-**	**-**	**-**	**1**
1.1 Debt securities	1	-	-	-	1
1.2 Loans	-	-	-	-	-
2. Financial liabilities	**38**	**-**	**(43)**	**-**	**(4)**
2.1 Debt securities	-	-	-	-	-
2.2 Deposits from banks	38	-	(42)	-	(4)
2.3 Deposits from customers	-	-	-	-	-
3. Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**-**
Total 12.31.2020	**40**	**-**	**(43)**	**-**	**(3)**
Total 12.31.2019	**70**	**-**	**(73)**	**-**	**(3)**

The valuation result due to the change in UniCredit Bank Austria AG's own credit rating was -€0.4 million (previous year: -€4 million).

B – Notes to the income statement

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	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A + B) – (C + D)]
1. Financial assets	**11**	**1**	**(15)**	**(3)**	**(6)**
1.1 Debt securities	5	-	-	-	5
1.2 Equity securities	-	-	-	-	-
1.3 Units in investment funds	1	-	(4)	-	(4)
1.4 Loans	6	-	(10)	(3)	(7)
2. Financial assets: exchange differences	**X**	**X**	**X**	**X**	**-**
Total 12.31.2020	**11**	**1**	**(15)**	**(3)**	**(6)**
Total 12.31.2019	**25**	**12**	**(8)**	**(11)**	**17**

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 2020						YEAR 2019
	WRITE-DOWNS			WRITE-BACKS			
		LEVEL 3					
	LEVEL 1 AND 2	WRITE-OFF	OTHER	LEVEL 1 AND 2	LEVEL 3	TOTAL	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	**(211)**	**(18)**	**(333)**	**128**	**86**	**(348)**	**(34)**
- Loans	(210)	(18)	(333)	128	86	(347)	(36)
- Debt securities	(1)	-	-	-	-	-	2
of which: acquired or originated impaired loans	*(1)*	-	-	-	-	-	*(3)*
Total	**(212)**	**(18)**	**(333)**	**129**	**86**	**(347)**	**(33)**

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

B – Notes to the income statement

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 2020						YEAR 2019
	WRITE-DOWNS			WRITE-BACKS			
		LEVEL 3					
	LEVEL 1 AND 2	WRITE-OFF	OTHER	LEVEL 1 AND 2	LEVEL 3	TOTAL	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.9 – Payroll costs

9.1 Staff expenses: breakdown

(€ million)

TYPE OF EXPENSES/VALUES	YEAR 2020	YEAR 2019
1) Employees	**(658)**	**(826)**
a) Wages and salaries	(460)	(472)
b) Social charges	(113)	(115)
c) Severance pay	-	-
d) Social security costs	-	-
e) Allocation to employee severance pay provision	-	-
f) Provision for retirements and similar provisions	(52)	(49)
- Defined contribution	-	(1)
- Defined benefit	(51)	(48)
g) Payments to external pension funds	(15)	(15)
- Defined contribution	(14)	(14)
- Defined benefit	(1)	(1)
h) Costs arising from share-based payments	(2)	(3)
i) Other employee benefits	(16)	(171)
2) Other staff	**(2)**	**(3)**
3) Directors and Statutory Auditors	**-**	**-**
4) Early retirement costs	**-**	**-**
5) Recoveries of payments for second employees to other companies *)	**57**	**67**
4) Early retirement costs	**(8)**	**(7)**
Total	**(611)**	**(770)**

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

B – Notes to the income statement

9.2 Defined benefit company retirement funds: costs and revenues

(€ million)

	YEAR 2020	YEAR 2019
Current service cost	(12)	(12)
Settlement gains (losses)	-	30
Past service cost	-	-
Interest cost on the DBO	(39)	(67)
Interest income on plan assets	-	-
Other costs/revenues	-	-
Administrative expenses paid through plan assets	-	-
Total recognised in profit or loss	**(51)**	**(48)**

9.3 Other employee benefits

(€ million)

	YEAR 2020	YEAR 2019
- Seniority premiums	(4)	(7)
- Leaving incentives *)	(1)	(152)
- Other	(11)	(12)
Total	**(16)**	**(171)**

*) Includes restructuring expenses in connection with the multi-year plan 2020 - 2023 of Bank Austria.

B – Notes to the income statement

B.10 – Other administrative expenses

10.1 Other administrative expenses: breakdown

(€ million)

TYPE OF EXPENSES/SECTORS	YEAR 2020	YEAR 2019
1) Indirect taxes and duties	**(66)**	**(66)**
1a. Settled	(66)	(66)
1b. Unsettled	-	-
2) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)	**(81)**	**(60)**
3) Guarantee fee for DTA conversion	**-**	**-**
4) Miscellaneous costs and expenses	**(480)**	**(496)**
a) Advertising marketing and communication	(27)	(25)
b) Expenses relating to credit risk	(4)	(4)
c) Indirect expenses relating to personnel	(5)	(9)
d) Information & Communication Technology expenses	(238)	(226)
Lease of ICT equipment and software	(1)	(1)
Software expenses: lease and maintenance	(10)	(10)
ICT communication systems	(5)	(5)
Services ICT in outsourcing	(212)	(201)
Financial information providers	(10)	(10)
e) Consulting and professional services	(27)	(23)
Consulting	(18)	(17)
Legal expenses	(8)	(6)
f) Real estate expenses	(38)	(38)
Premises rentals	(3)	(4)
Utilities	(9)	(9)
Other real estate expenses	(26)	(26)
g) Operating costs	(143)	(172)
Surveillance and security services	(4)	(2)
Money counting services and transport	(6)	(5)
Printing and stationery	(4)	(6)
Postage and transport of documents	(18)	(19)
Administrative and logistic services	(97)	(103)
Insurance	(3)	(3)
Association dues and fees and contributions to the administrative expenses deposit guarantee funds	(10)	(10)
Other administrative expenses - other	-	(25)
Total (1+2+3+4)	**(627)**	**(622)**

The contributions to resolution funds and deposit guarantee schemes include both contributions based on harmonised EU regulations and contributions based on existing local regulations. The increase in 2020 compared to the previous year is mainly due to the deposit guarantee claims of Commerzialbank Mattersburg and Anglo Austrian ABB AG.

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

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

(€ million)

	PROVISIONS	REALLOCATION SURPLUS	TOTAL 12.31.2020	TOTAL 12.31.2019
Loan commitments	(50)	29	**(21)**	**(1)**
Financial guarantees given	(54)	25	**(29)**	**1**

B – Notes to the income statement

B.12 – Net provisions for risks and charges

12.1 Net provisions for risks and charges: breakdown

(€ million)

ASSETS/P&L ITEMS	YEAR 2020 PROVISIONS	YEAR 2020 REALLOCATION SURPLUS	YEAR 2020 TOTAL	YEAR 2019 TOTAL
1. Other provisions				
1.1 Legal disputes	(17)	12	(5)	75
1.2 Staff costs	-	-	-	-
1.3 Other	(5)	4	-	(13)
Total	**(22)**	**16**	**(6)**	**61**

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

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

(€ million)

ASSETS/INCOME ITEMS	YEAR 2020 DEPRECIATION (A)	YEAR 2020 IMPAIRMENT LOSSES (B)	YEAR 2020 WRITE-BACKS (C)	YEAR 2020 NET PROFIT (A+B-C)	YEAR 2019 DEPRECIATION (A)	YEAR 2019 IMPAIRMENT LOSSES (B)	YEAR 2019 WRITE-BACKS (C)	YEAR 2019 NET PROFIT (A+B-C)
A. Property, plant and equipment								
A.1 Used in the business	**(87)**	**(1)**	**-**	**(87)**	**(86)**	**(1)**	**3**	**(83)**
- Owned	(54)	(1)	-	(54)	(56)	(1)	3	(53)
- Right of use of Leased Assets	(33)	-	-	(33)	(30)	-	-	(30)
A.2 Held for investment	**-**	**-**	**-**	**-**	**-**	**(4)**	**-**	**(4)**
- Owned	-	-	-	-	-	(4)	-	(4)
- Right of use of Leased Assets	-	-	-	-	-	-	-	-
A.3 Inventories	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total A	**(87)**	**(1)**	**-**	**(88)**	**(86)**	**(5)**	**3**	**(87)**
B. Non-current assets and groups of assets held for sale	**X**	**(6)**	**-**	**(6)**	**X**	**(4)**	**-**	**(4)**
- Used in the business	X	(6)	-	(6)	X	(4)	-	(4)
- Held for investments	X	-	-	-	X	-	-	-
- Inventories	X	-	-	-	X	-	-	-
TOTAL A + B	**(87)**	**(7)**	**-**	**(94)**	**(86)**	**(9)**	**3**	**(92)**

B – Notes to the income statement

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

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

(€ million)

ASSETS/P&L ITEMS	YEAR 2020				YEAR 2019			
	AMORTISATION (A)	IMPAIRMENT LOSSES (B)	WRITE-BACKS (C)	NET PROFIT (A+B-C)	AMORTISATION (A)	IMPAIRMENT LOSSES (B)	WRITE-BACKS (C)	NET PROFIT (A+B-C)
A. Intangible assets								
A.1 Owned	**(4)**	**-**	**-**	**(4)**	**(1)**	**-**	**-**	**(1)**
- Generated internally by the company	-	-	-	-	-	-	-	-
- Other	(4)	-	-	(4)	(1)	-	-	(1)
A.2 Right of use of Leased Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Non-current assets and disposal group classified as held for sale	**X**	**-**	**-**	**-**	**X**	**-**	**-**	**-**
Total	**(4)**	**-**	**-**	**(4)**	**(1)**	**-**	**-**	**(1)**

B.15 – Other operating income and expenses

15.1 Other operating expenses: breakdown

(€ million)

TYPE OF EXPENSE/VALUES	YEAR 2020	YEAR 2019
Costs for operating leases	-	-
Non-deductible tax and other fiscal charges	-	(1)
Write-downs on leasehold improvements	(12)	(12)
Costs relating to the specific service of financial leasing	-	-
Other	(29)	(32)
Total of other operating expenses	**(42)**	**(45)**

15.2 Other operating income: breakdown

(€ million)

TYPE OF REVENUE/VALUES	YEAR 2020	YEAR 2019
A) Recovery of costs	**-**	**-**
B) Other revenues	**120**	**127**
Revenues from administrative services	19	20
Revenues on rentals Real Estate investments (net of operating direct costs)	12	(4)
Revenues from operating leases	47	62
Recovery of miscellaneous costs paid in previous years	3	9
Revenues on financial leases activities	-	1
Other	38	38
Total of other operating income (A+B)	**120**	**127**

B – Notes to the income statement

B.16 – Profit (loss) on equity investments

16.1 Profit (loss) on equity investments

(€ million)

	2020	2019
Jointly owned companies - Equity		
Income		**-**
Revaluations		-
Net profit		**-**
Companies under significant influence		
Income	**98**	**185**
Revaluations	98	173
Gains on disposal		2
Write-backs		10
Other gains		-
Expenses	**(110)**	**(11)**
Write-downs		-
Impairment losses	(110)	(11)
Losses on disposal		-
Other expenses		-
Net profit	**(12)**	**174**
Total	**(12)**	**174**

The result of the impairment test carried out for BKS and BTV led to an impairment loss of -€110.2 million (thereof BKS -€72.7 million, BTV -€37.5 million). In 2019, the impairment loss at BKS amounted to -€10.8 million, while a write-up of €10.2 million was recognized at BTV in the previous year.

B – Notes to the income statement

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

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

(€ million)

ASSETS/INCOME COMPONENTS	YEAR 2020				
			EXCHANGE DIFFERENCES		
	REVALUATIONS (A)	WRITEDOWNS (B)	POSITIVE (C)	NEGATIVE (D)	NET PROFIT (A-B+C-D)
A. Property, plant and equipment	**10**	**(13)**	**-**	**-**	**(2)**
A.1 Used in the business	**3**	**(2)**	**-**	**-**	**1**
- Owned	3	(2)	-	-	1
- Right of use of Leased Assets	-	-	-	-	-
A.2 Held for investment	**7**	**(11)**	**-**	**-**	**(3)**
- Owned	7	(11)	-	-	(3)
- 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	**10**	**(13)**	**-**	**-**	**(2)**

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

(€ million)

ASSETS/INCOME COMPONENTS	YEAR 2019				
			EXCHANGE DIFFERENCES		
	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)**

B – Notes to the income statement

B.18 – Gains and losses on disposal of investments

18.1 Gains and losses on disposal of investments: breakdown

(€ million)

P&L ITEMS/SECTORS	YEAR 2020	YEAR 2019
A. Property		
- Gains on disposal	14	6
- Losses on disposal	-	-
B. Other assets		
- Gains on disposal	14	5
- Losses on disposal	-	(3)
Net Profit	**27**	**8**

B.19 – Income tax

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

(€ million)

P&L ITEMS/SECTORS		YEAR 2020	YEAR 2019
1.	Current taxes (-)	(20)	(33)
2.	Change of current taxes of previous years (+/-)	2	11
3.	Reduction of current taxes for the year (+)	39	25
3.bis	Reduction of current taxes for the year due tax credit under Law 214/2011 (+)	-	-
4.	Change of deferred tax assets (+/-) *)	34	118
5.	Change of deferred tax liabilities (+/-)	(57)	57
6.	**Tax expenses for the year (-) (-1+/-2+3+/-4+/-5)**	**(2)**	**177**

*) Included here are deferred taxes from the capitalization of loss carryforwards.

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 €34 million (previous year: €121 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.

19.2 Reconciliation of theoretical tax charge to actual tax charge

(€ millions)

	2020	2019
Total profit of loss before tax from continuing operations	**(32)**	**519**
Applicable tax rate	25%	25%
Theoretical tax	**8**	**(130)**
Different tax rates	-	1
Non-taxable income	5	10
Non-deductible expenses	(10)	(10)
Different fiscal laws	-	-
Prior years and changes in tax rates	2	40
a) effects on current tax	-	40
b) effects on deferred tax	2	-
Valuation adjustments and non-recognition of deferred taxes	(6)	264
Amortisation of goodwill	-	-
Non-taxable foreign income	-	-
Other differences	(2)	1
Recognized taxes on income	**(2)**	**177**

B – Notes to the income statement

B.20 – Profit after tax from discontinued operations

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

(€ million)

P&L ITEMS	YEAR 2020	YEAR 2019
1. Income	8	25
2. Expenses	(3)	(8)
3. Valuation of discontinued operations and related liabilities	(1)	-
4. Profit (Loss) on disposal [1)]	64	-
5. Tax	(19)	(4)
Profit (Loss)	**49**	**14**

1) In the 2020 financial year, an associated company (ARWAG Holding Aktiengesellschaft) was sold/deconsolidated.

B.21 – Earnings per share

21.1 Earnings per share

	2020	2019
Net profit or loss attributable to the ordinary shareholders of UniCredit Bank Austria AG in € million	20	698
from continuing operations	(29)	684
from discontinued operations	49	14
Weighted average number of ordinary shares (in million) outstanding in the reporting period	231.2	231.2
Basic/diluted earnings per share in €	**0.09**	**3.02**
from continuing operations	(0.12)	2.96
from discontinued operations	0.21	0.06

21.2 Comprehensive earnings per share

	2020	2019 *)
Comprehensive income attributable to the ordinary shareholders of UniCredit Bank Austria AG in € million	(56)	323
from continuing operations	(105)	309
from discontinued operations	49	14
Weighted average number of ordinary shares (in million) outstanding in the reporting period	231.2	231.2
Basic/diluted comprehensive earnings per share in €	**(0.24)**	**1.40**
from continuing operations	(0.45)	1.34
from discontinued operations	0.21	0.06

*) previous year's figures were adjusted

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 based on the average number of shares outstanding (2020: 231.2 million shares; 2019: 231.2 million shares).

B.22 – Appropriation of profits

After reversal of reserves in the amount of €52,037,589.30, the net loss of UniCredit Bank Austria AG for the financial year from 1 January 2020 to 31 December 2020 amounted to €243,227.56. After attribution of the profit carried forward of €243,227.56, there is no distributable profit that can be distributed.

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	
	31.12.2020	31.12.2019
a) Cash	95	98
b) Demand deposits with Central banks [1]	-	172
Total	**95**	**270**

1) Reclassification of central bank balances at a subsidiary to claims on credit institutions.

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 31.12.2020			AMOUNTS AS AT 31.12.2019		
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	**-**	**1,201**	**3**	**-**	**997**	**17**
1.1 Trading	-	1,116	3	-	883	17
1.2 Linked to fair value option	-	85	-	-	114	-
1.3 Other	-	-	-	-	-	-
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Trading	-	-	-	-	-	-
2.2 Linked to fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total (B)	**-**	**1,201**	**4**	**-**	**997**	**18**
Total (A+B)	**-**	**1,201**	**4**	**-**	**998**	**18**
Total Level 1, Level 2 and Level 3			**1,205**			**1,016**

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

(€ million)

	AMOUNTS AS AT 31.12.2020			AMOUNTS AS AT 31.12.2019		
ITEMS/VALUES	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**-**	**88**	**6**	**-**	**89**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	88	6	-	89	-
2. Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**
3. Units in investment funds	**-**	**6**	**7**	**-**	**7**	**16**
4. Loans	**-**	**634**	**270**	**-**	**754**	**349**
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	634	270	-	754	349
Total	**-**	**728**	**283**	**-**	**850**	**364**
Total Level 1, Level 2 and Level 3			**1,011**			**1,215**

C – Notes to the statement of financial position

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

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 31.12.2020	31.12.2019
1. Equity instruments	**-**	**-**
of which: banks	-	-
of which: other financial companies	-	-
of which: non-financial companies	-	-
2. Debt securities	**94**	**89**
a) Central banks	-	-
b) Governments and other Public Sector Entities	82	77
c) Banks	-	-
d) Other financial companies	12	12
of which: insurance companies	*12*	*12*
e) Non-financial companies	-	-
3. Units in investment funds	**13**	**23**
4. Loans and advances	**905**	**1,102**
a) Central banks	-	-
b) Governments and other Public Sector Entities	-	-
c) Banks	-	-
d) Other financial companies	11	14
of which: insurance companies	-	-
e) Non-financial companies	566	709
f) Households	327	380
Total	**1,011**	**1,215**

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)

	AMOUNTS AS AT 31.12.2020			AMOUNTS AS AT 31.12.2019		
ITEMS/VALUES	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**10,988**	**1,788**	**22**	**13,673**	**1,141**	**24**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other	10,988	1,788	22	13,673	1,141	24
2. Equity instruments	**-**	**45**	**67**	**-**	**24**	**73**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**10,988**	**1,832**	**89**	**13,673**	**1,165**	**97**
Total Level 1, Level 2 and Level 3			**12,909**			**14,935**

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 31.12.2020	AMOUNTS AS AT 31.12.2019
1. Debt securities	**12,797**	**14,838**
a) Central Banks	-	-
b) Governments and other Public Sector Entities	10,685	13,083
c) Banks	1,822	1,553
d) Other financial companies	68	-
of which: insurance companies	-	-
e) Non-financial companies	222	202
2. Equity instruments	**112**	**97**
a) Banks	-	-
b) Other issuers	112	97
- Other financial companies	52	45
of which: insurance companies	*23*	*17*
- Non-financial companies	57	50
- 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	**12,909**	**14,935**

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	12,798	12,798	-	-	1	-	-	-
Loans and advances	-	-	-	-	-	-	-	-
Total 31.12.2020	**12,798**	**12,798**	**-**	**-**	**1**	**-**	**-**	**-**
of which: purchased or originated credit-impaired financial assets	-	-	-	-	-	-	-	-
Total 31.12.2019	**14,799**	**14,799**	**40**	**-**	**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)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 31.12.2020						AMOUNTS AS AT 31.12.2019					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
	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	**28,232**	**-**	**-**	**-**	**1**	**28,232**	**6,252**	**-**	**-**	**-**	**1**	**6,251**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserves / Liquidity [1]	28,055	-	-	X	X	X	6,251	-	-	X	X	X
3. Reverse repos	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	177	-	-	X	X	X	1	-	-	X	X	X
B. Loans and advances to banks	**6,611**	**-**	**-**	**274**	**5,414**	**966**	**7,999**	**-**	**-**	**-**	**7,481**	**563**
1. Loans	5,756	-	-	-	5,039	759	7,199	-	-	-	6,681	563
1.1 Current accounts and demand deposits	673	-	-	X	X	X	471	-	-	X	X	X
1.2 Time deposits	4,011	-	-	X	X	X	5,274	-	-	X	X	X
1.3 Other loans	1,073	-	-	X	X	X	1,455	-	-	X	X	X
- Reverse repos	230	-	-	X	X	X	472	-	-	X	X	X
- Lease Loans	-	-	-	X	X	X	-	-	-	X	X	X
- Other	843	-	-	X	X	X	984	-	-	X	X	X
2. Debt securities	854	-	-	274	375	207	799	-	-	-	799	-
2.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other	854	-	-	274	375	207	799	-	-	-	799	-
Total	**34,843**	**-**	**-**	**274**	**5,415**	**29,198**	**14,250**	**-**	**-**	**-**	**7,481**	**6,814**
Total Level 1, Level 2 and Level 3						**34,887**						**14,295**

1) Increase mainly due to investment of taken TLTRO volume („Targeted Longer-Term Refinancing Operations)

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 31.12.2020						AMOUNTS AS AT 31.12.2019					
	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	**58,824**	**1,151**	**16**	**-**	**23,098**	**37,729**	**61,156**	**1,019**	**5**	**-**	**25,563**	**37,761**
1.1 Current accounts	5,269	148	1	X	X	X	7,033	170	1	X	X	X
1.2 Reverse repos	-	-	-	X	X	X	-	-	-	X	X	X
1.3 Mortgages	13,118	49	-	X	X	X	12,434	28	-	X	X	X
1.4 Credit cards and personal loans, including wage assignment	728	37	1	X	X	X	354	40	-	X	X	X
1.5 Lease loans	1,986	81	-	X	X	X	2,194	114	-	X	X	X
1.6 Factoring	1,870	6	-	X	X	X	2,082	7	-	X	X	X
1.7 Other loans	35,852	831	15	X	X	X	37,059	660	4	X	X	X
2. Debt securities	**1,347**	**9**	**-**	**1,033**	**259**	**85**	**300**	**10**	**-**	**3**	**224**	**87**
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	1,347	9	-	1,033	259	85	300	10	-	3	224	87
Total	**60,171**	**1,161**	**16**	**1,033**	**23,357**	**37,814**	**61,456**	**1,029**	**5**	**3**	**25,788**	**37,848**
Total Level 1, Level 2 and Level 3						**62,205**						**63,639**

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

(€ million)

	AMOUNTS AS AT 31.12.2020			AMOUNTS AS AT 31.12.2019		
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	**1,347**	**9**	**-**	**300**	**10**	**-**
a) Governments and other Public Sector Entities	1,022	-	-	102	-	-
b) Other financial companies	102	9	-	119	10	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	223	-	-	78	-	-
2. Loans	**58,824**	**1,151**	**16**	**61,156**	**1,019**	**5**
a) Governments and other Public Sector Entities	6,366	158	-	7,081	144	-
b) Other financial companies	2,772	22	-	4,186	8	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	31,458	682	14	32,215	539	3
d) Households	18,228	290	3	17,674	328	3
Total	**60,171**	**1,161**	**16**	**61,456**	**1,029**	**5**

C – Notes to the statement of financial position

4.4 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	2,194	2,194	10	13	-	2	3	-
2. Loans	74,296	-	18,929	2,154	65	348	1,002	87
Total 31.12.2020	**76,490**	**2,194**	**18,939**	**2,167**	**65**	**349**	**1,006**	**87**
of which: purchased or originated credit-impaired financial assets	*X*	*X*	*-*	*19*	*X*	*-*	*2*	*-*
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*

C.5 – Hedging derivatives (assets)

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

(€ million)

	AMOUNTS AS AT 31.12.2020				AMOUNTS AS AT 31.12.2019			
	FAIR VALUE			NOTIONAL AMOUNT	FAIR VALUE			NOTIONAL AMOUNT
	LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3	
A. Financial derivatives	**-**	**1,995**	**-**	**55.693**	**-**	**1,817**	**-**	**47,340**
1) Fair value	-	1,924	-	50.130	-	1,771	-	43,102
2) Cash flows	-	71	-	5.562	-	46	-	4,238
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**1,995**	**-**	**55.693**	**-**	**1,817**	**-**	**47,340**
Total Level 1, Level 2 and Level 3			**1,995**				**1,817**	

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 31.12.2020	31.12.2019
1. Positive changes	**1,466**	**1,284**
1.1 Of specific portfolios	1,466	1,284
a) Financial assets at amortised cost	1,466	1,284
b) Financial assets at fair value through other comprehensive income	-	-
1.2 Overall	-	-
2. Negative changes	**719**	**723**
2.1 Of specific portfolios	719	723
a) Financial assets at amortised cost	719	723
b) Financial assets at fair value through other comprehensive income	-	-
2.2 Overall	-	-
Total	**748**	**560**

C – Notes to the statement of financial position

C.7 – Investments in associates and joint ventures

(€ million)

	CHANGES IN	
	31.12.2020	**31.12.2019**
A. Opening balance as at 1 January	**2,319**	**2,183**
B. Increases	**98**	**185**
B.1 Purchases	-	-
B.2 Write-backs	-	10
B.3 Revaluation	98	173
B.4 Other changes	-	2
C. Decreases	**(168)**	**(49)**
C.1 Sales	-	-
C.2 Write-downs	-	-
C.3 Impairment [1]	(110)	(11)
C.4 Other changes [2]	(58)	(38)
D. Closing balance as at 31 December	**2,250**	**2,319**

1) Impairment in the financial year 2020 relates to BKS and BTV, companies accounted for using the equity method.
2) Includes mainly changes in retained earnings in the amount of -€41 million and changes in valuation reserves in the amount of -€16 million.

C.8 – Property, plant and equipment

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

(€ million)

	AMOUNTS AS AT	
ASSETS/VALUES	**31/12/2020**	**31/12/2019**
1. Owned assets	**232**	**315**
a) Land	-	-
b) Buildings	-	-
c) Office furniture and fitting	31	36
d) Electronic systems	20	15
e) Other	181	265
2. Right of use of Leased Assets	**323**	**336**
a) Land	1	-
b) Buildings	316	331
c) Office furniture and fitting	-	-
d) Electronic systems	-	-
e) Other	6	5
Total	**554**	**651**
of which: obtained by the enforcement of collateral	-	-

C – Notes to the statement of financial position

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

(€ million)

ASSETS/VALUES	AMOUNTS AS AT 31.12.2020			AMOUNTS AS AT 31.12.2019		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Owned assets	**-**	**-**	**146**	**-**	**-**	**189**
a) Land	-	-	47	-	-	61
b) Buildings	-	-	100	-	-	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	**-**	**-**	**146**	**-**	**-**	**189**
of which: obtained by the enforcement of collateral	-	-	-	-	-	-
Total Level 1, Level 2 and Level 3			**146**			**189**

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

(€ million)

ASSETS/VALUES	AMOUNTS AS AT 31.12.2020			AMOUNTS AS AT 31.12.2019		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Owned assets	**-**	**-**	**247**	**-**	**-**	**191**
a) Land	-	-	133	-	-	117
b) Buildings	-	-	115	-	-	75
2. Right of use of Leased Assets	**-**	**-**	**-**	**-**	**-**	**-**
a) Land	-	-	-	-	-	-
b) Buildings	-	-	-	-	-	-
Total	**-**	**-**	**247**	**-**	**-**	**191**
of which: obtained by the enforcement of collateral	-	-	*48*	-	-	-
Total Level 1, Level 2 and Level 3			**247**			**191**

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

(€ million)

ASSETS/VALUES	AMOUNTS AS AT 31.12.2020	AMOUNTS AS AT 31.12.2019
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**
Total	**-**	**4**
of which: measured at fair value less costs to sell	-	-

C – Notes to the statement of financial position

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

(€ million)

	CHANGES IN 2020					
	LANDS	BUILDINGS	OFFICE FURNITURE AND FITTINGS	ELECTRONIC SYSTEMS	OTHER	TOTAL
A. Gross opening balance	**61**	**481**	**123**	**58**	**339**	**1,061**
A.1 Total net reduction in value	-	(22)	(87)	(42)	(70)	(221)
A.2 Net opening balance	61	459	36	15	269	840
B. Increases	**5**	**33**	**3**	**17**	**82**	**139**
B.1 Purchases	-	4	1	5	79	88
of which: business combinations	-	-	-	-	-	-
B.2 Capitalised expenditure on improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value	4	9	-	-	-	13
a) In equity	3	7	-	-	-	10
b) Through profit or loss	1	2	-	-	-	3
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfer from properties held for investment	-	-	X	X	X	-
B.7 Other changes	1	20	3	11	3	38
C. Reductions	**18**	**76**	**9**	**12**	**163**	**278**
C.1 Disposals	1	7	4	-	20	31
of which: business combinations	-	-	-	-	-	-
C.2 Depreciation	-	36	5	12	34	87
C.3 Impairment losses	-	-	-	-	1	1
a) In equity	-	-	-	-	-	-
b) Through profit or loss	-	-	-	-	1	1
C.4 Reduction of fair value	4	4	-	-	-	8
a) In equity	4	2	-	-	-	6
b) Through profit or loss	-	2	-	-	-	2
C.5 Negative exchange differences	-	1	-	-	-	1
C.6 Transfer to	13	27	-	-	108	149
a) Property, plant and equipment held for investment	10	21	X	X	X	31
b) Non-current assets and disposal groups classified as held for sale	3	6	-	-	108	118
C.7 Other changes	-	1	-	-	1	2
D. Net final balance	**47**	**415**	**31**	**20**	**187**	**700**
D.1 Total net reduction in value	-	*(49)*	*(38)*	*(22)*	*(54)*	*(163)*
D.2 Gross closing balance	47	464	69	42	241	863
E. Carried at cost	**47**	**94**	**-**	**-**	**-**	**142**

C – Notes to the statement of financial position

8.6 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**

C – Notes to the statement of financial position

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

(€ million)

	CHANGES IN 2020			CHANGES IN 2019
	LANDS	BUILDINGS	TOTAL	TOTAL
A. Opening balances	**117**	**75**	**191**	**209**
B. Increases	**34**	**61**	**95**	**31**
B.1 Purchases	1	3	3	-
of which: business combinations	-	-	-	-
B.2 Capitalised expenditure on improvements	-	-	-	-
B.3 Increases in fair value	5	3	7	18
B.4 Write-backs	-	-	-	-
B.5 Positive exchange differences	-	-	-	-
B.6 Transfer from properties used in the business	10	21	31	4
B.7 Other changes	19	35	54	8
C. Reductions	**18**	**21**	**39**	**48**
C.1 Disposals	15	11	26	18
of which: business combinations	-	-	-	-
C.2 Depreciation	-	-	-	-
C.3 Reductions in fair value	3	8	11	17
C.4 Impairment losses	-	-	-	4
C.5 Negative exchange differences	-	1	1	-
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	-	1	1	9
D. Closing balances	**133**	**115**	**247**	**191**
E. Measured at fair value	**-**	**-**	**-**	**-**

C – Notes to the statement of financial position

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

(€ million)

	CHANGES IN 2020							
	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 IN 2020	TOTAL IN 2019
A. Opening balances	**-**	**-**	**-**	**-**	**-**	**4**	**4**	**6**
B. Increases	**2**	**-**	**-**	**-**	**-**	**-**	**2**	**-**
B.1 Purchases	-	-	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-	-	-
B.2 Write-backs	-	-	-	-	-	-	-	-
B.3 Positive exchange differences	-	-	-	-	-	-	-	-
B.4 Other changes	*2*	-	-	-	-	-	*2*	-
C. Reductions	**2**	**-**	**-**	**-**	**-**	**4**	**6**	**3**
C.1 Disposals	2	-	-	-	-	1	3	-
of which: business combinations	-	-	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	-	-	-	-	-
C.3 Negative exchange differences	-	-	-	-	-	-	-	-
C.4 Other changes	-	-	-	-	-	*2*	*2*	*3*
D. Closing balances	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4**

C – Notes to the statement of financial position

C.9 – Intangible assets

9.1 Intangible assets: breakdown by asset type

(€ million)

ASSETS/VALUES	AMOUNTS AS AT 31.12.2020 FINITE LIFE	AMOUNTS AS AT 31.12.2020 INDEFINITE LIFE	AMOUNTS AS AT 31.12.2019 FINITE LIFE	AMOUNTS AS AT 31.12.2019 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	**5**	**-**	**3**	**-**
A.2.1 Assets carried at cost	5	-	3	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	5	-	3	-
A.2.2 Assets measured at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**5**	**-**	**3**	**-**
Total finite and indefinite life		**5**		**3**

9.2 Intangible assets: annual changes

(€ million)

	GOODWILL	OTHER INTANGIBLE ASSETS: GENERATED INTERNALLY FINITE LIFE	OTHER INTANGIBLE ASSETS: GENERATED INTERNALLY INDEFINITE LIFE	OTHER INTANGIBLE ASSETS: OTHER FINITE LIFE	OTHER INTANGIBLE ASSETS: OTHER INDEFINITE LIFE	TOTAL 31.12.2020	TOTAL 31.12.2019
A. Gross opening balance	**528**	**-**	**-**	**25**	**-**	**553**	**553**
A.1 Total net reduction in value	(528)	-	-	(22)	-	(550)	(550)
A.2 Net opening balance	**-**	**-**	**-**	**3**	**-**	**3**	**3**
B. Increases	**-**	**-**	**-**	**7**	**-**	**7**	**1**
B.1 Purchases	-	-	-	3	-	3	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	-	-	-	3	-	3	-
of which: business combinations	-	-	-	-	-	-	-
C. Reduction	**-**	**-**	**-**	**4**	**-**	**4**	**1**
C.1 Disposals	-	-	-	-	-	-	-
C.2 Write-downs	-	-	-	4	-	4	1
- Amortisation	X	-	-	4	-	4	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	**-**	**-**	**-**	**5**	**-**	**5**	**3**
D.1 Total net write-down	(519)	-	-	(24)	-	(544)	(550)
E. Gross closing balance *)	**519**	**-**	**-**	**30**	**-**	**549**	**553**
F. Carried at cost	**-**	**-**	**-**	**-**	**-**	**-**	**-**

*) the change in goodwill is due to the disposal of a subsidiary.

C – Notes to the statement of financial position

C.10 – Tax claims

(€ million)

	31.12.2020	31.12.2019
Deferred tax assets deriving from tax losses	**213**	**215**
Deferred tax assets deriving from temporary differences	**792**	**726**
Financial assets and liabilities (different from credits and debts)	70	50
Credits and debts with banks and clients	-	-
Hedging and hedged item revaluation	154	90
Intangible assets different from goodwill	-	-
Goodwill and equity investments	2	-
Assets and liabilities held for disposal	-	-
Other assets and other liabilities	37	37
Provisions, pension funds and similar	529	548
Other	-	-
Accounting offsetting	**(376)**	**(326)**
TOTAL	**629**	**615**

Assets include deferred taxes due to capitalised benefits from as yet unused tax loss carryforwards in the amount of €213 million (previous year: €215 million). Most of the tax losses carried forward can be used without time restriction.

For the assessment of the usability of the tax loss carryforwards as of 31 December 2020, the adjusted multi-year plan for the years 2021 to 2023 (due to the Covid-19 pandemic) was available, with an extrapolation to 2025 for tax purposes. Based on this tax forecast, the capitalized deferred taxes on loss carryforwards are to be regarded as recoverable as of 31 December 2020. 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)

	31.12.2020	31.12.2019
Tax losses carried forward	1,148	1,175
Deductible temporary differences	-	-
TOTAL	**1,148**	**1,175**

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

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

(€ million)

	AMOUNTS AS AT	
	31.12.2020	31.12.2019
A. Assets held for sale		
A.1 Financial assets	63	611
A.2 Equity investments	-	-
A.3 Property, plant and equipment	1	75
of which: obtained by the enforcement of collateral	-	-
A.4 Intangible assets	8	10
A.5 Other non-current assets	5	57
Total (A)	**77**	**753**
of which: carried at cost	-	*629*
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	*77*	*124*
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
B.5 Property, plant and equipment	-	-
of which: obtained by the enforcement of collateral	-	-
B.6 Intangible assets	-	-
B.7 Other assets	5	6
Total (B)	**5**	**29**
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	*5*	*29*
C. Liabilities associated with assets classified as held for sale		
C.1 Deposits	4	174
C.2 Securities	-	-
C.3 Other liabilities	23	381
Total (C)	**27**	**555**
of which: carried at cost	-	*530*
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	*27*	*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	13	18
Total (D)	**13**	**18**
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	*13*	*18*

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 €5 million and liabilities €13 million).

Non-current assets held for sale
This item mainly includes the held-for-sale card complete.

C.12 – Other assets

12.1 Other assets: breakdown

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 31.12.2020	31.12.2019
Margin with derivatives clearers (non-interest bearing)	-	-
Gold, silver and precious metals	18	19
Accrued income and prepaid expenses other than capitalised income	3	2
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	6
- Customers	6	6
- Banks	-	-
Items in transit between branches not yet allocated to destination accounts	-	-
Items in processing	120	43
Items deemed definitive but not-attributable to other items	-	-
- Securities and coupons to be settled	-	-
- Other transactions	-	-
Adjustments for unpaid bills and notes	-	6
Tax items other than those included in item C.10 tax claims	6	1
Commercial credits pursuant to IFRS15	-	-
Other items	184	275
Total	**337**	**353**

C – Notes to the statement of financial position

C.13 – Financial liabilities at amortised cost

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 31.12.2020				AMOUNTS AS AT 31.12.2019			
	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 [1]	**15,455**	X	X	X	**3,968**	X	X	X
2. Deposits from banks	**11,517**	X	X	X	**10,911**	X	X	X
2.1 Current accounts and demand deposits	1,519	X	X	X	1,729	X	X	X
2.2 Time deposits	8,607	X	X	X	8,772	X	X	X
2.3 Loans	1,086	X	X	X	38	X	X	X
2.3.1 Repos	1,085	X	X	X	13	X	X	X
2.3.2 Other	1	X	X	X	25	X	X	X
2.4 Liabilities relating to commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
2.5 Lease deposits	-	X	X	X	-	X	X	X
2.6 Other deposits	306	X	X	X	372	X	X	X
Total	**26,972**	**-**	**18,080**	**8,914**	**14,880**	**-**	**5,441**	**9,486**
Total Level 1, Level 2 and Level 3				**26,994**				**14,927**

1) Increase mainly due to participation in TLTRO III ("Targeted Longer-Term Refinancing Operations") of the ECB.

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

(€ million)

TYPE OF TRANSACTION/VALUES	AMOUNTS AS AT 31.12.2020				AMOUNTS AS AT 31.12.2019			
	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	54,055	X	X	X	50,627	X	X	X
2. Time deposits	7,056	X	X	X	6,050	X	X	X
3. Loans	11	X	X	X	5	X	X	X
3.1 Repos	-	X	X	X	-	X	X	X
3.2 Other	11	X	X	X	5	X	X	X
4. Liabilities relating to commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
5. Lease liabilities	330	X	X	X	350	X	X	X
6. Other deposits	45	X	X	X	48	X	X	X
Total	**61,497**	**-**	**2,589**	**59,051**	**57,080**	**-**	**1,543**	**55,678**
Total Level 1, Level 2 and Level 3				**61,640**				**57,221**

C – Notes to the statement of financial position

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

(€ million)

TYPE OF SECURITIES/VALUES	AMOUNTS AS AT 31.12.2020 BOOK VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	AMOUNTS AS AT 31.12.2019 BOOK VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3
A. Debt securities								
1. Bonds	12,391	5,763	6,973	41	11,894	5,767	6,309	89
1.1 Structured	755	-	734	41	776	-	784	-
1.2 Other	11,636	5,763	6,239	-	11,118	5,767	5,525	89
2. Other securities	163	-	162	-	156	-	143	-
2.1 Structured	-	-	-	-	-	-	-	-
2.2 Other	163	-	162	-	156	-	143	-
Total	**12,554**	**5,763**	**7,135**	**41**	**12,049**	**5,767**	**6,452**	**89**
Total Level 1, Level 2 and Level 3				**12,939**				**12,308**

13.4 Amounts payable under finance leases

(€ million)

	31.12.2020 CASH OUTFLOWS FINANCE LEASES	31.12.2020 CASH OUTFLOWS OPERATING LEASES	31.12.2019 CASH OUTFLOWS FINANCE LEASES	31.12.2019 CASH OUTFLOWS OPERATING LEASES
Up to 1 year	35	-	13	-
1 year to 2 years	35	-	33	-
2 year to 3 years	35	-	33	-
3 year to 4 years	35	-	33	-
4 year to 5 years	35	-	36	-
Over 5 years	198	-	234	-
Total Lease Payments to be made	**373**	**-**	**381**	**-**
Reconciliations with deposits	(44)	-	(31)	-
Unearned finance expenses (-) (Discounting effect)	(44)	-	(31)	-
Lease deposits	**330**	**-**	**350**	**-**

C – Notes to the statement of financial position

C.14 – Financial liabilities held for trading

14.1 Financial liabilities held for trading: breakdown by product

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 31.12.2020					AMOUNTS AS AT 31.12.2019				
	NOMINAL VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	FAIR VALUE	NOMINAL VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	FAIR VALUE
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	-	1,260	3	X	X	-	1,047	17	X
1.1 Trading derivatives	X	-	1,149	3	X	X	-	918	17	X
1.2 Linked to fair value option	X	-	112	-	X	X	-	129	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading derivatives	X	-	-	-	X	X	-	-	-	X
2.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**-**	**1,260**	**3**	**X**	**X**	**-**	**1,047**	**18**	**X**
Total (A+B)	**X**	**-**	**1,260**	**3**	**X**	**X**	**-**	**1,047**	**18**	**X**
Total Level 1, Level 2 and Level 3			**1,264**					**1,065**		

C – Notes to the statement of financial position

C.15 – Financial liabilities measured at fair value through profit or loss

15.1 Financial liabilities designated at fair value: breakdown by product

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 31.12.2020					AMOUNTS AS AT 31.12.2019				
	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	**60**	**-**	**60**	**-**	**60**	**91**	**-**	**102**	**-**	**101**
3.1 Structured	60	-	60	-	X	91	-	102	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
Total	**61**	**-**	**60**	**1**	**61**	**92**	**-**	**102**	**1**	**102**
Total Level 1, Level 2 and Level 3				**61**					**103**	

Of the change in fair value in 2020, an expense of -€0,4 million (2019: expense of -€4 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)

16.1 Hedging derivatives: breakdown by type of hedging and by levels

(€ million)

	AMOUNTS AS AT 31.12.2020				AMOUNTS AS AT 31.12.2019			
	NOTIONAL AMOUNT	FAIR VALUE			NOTIONAL AMOUNT	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
A. Financial derivatives	**37,435**	**-**	**1,976**	**-**	**46,559**	**-**	**1,819**	**-**
1) Fair value	34,686	-	1,905	-	40,002	-	1,742	-
2) Cash flows	2,749	-	71	-	6,557	-	76	-
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**37,435**	**-**	**1,976**	**-**	**46,559**	**-**	**1,819**	**-**
Total Level 1, Level 2 and Level 3			**1,976**				**1,819**	

C.17 – Changes in fair value of portfolio hedged items (liabilities and equity)

17.1 Changes to hedged financial liabilities

(€ million)

CHANGES TO HEDGED LIABILITIES/GROUP COMPONENTS	AMOUNTS AS AT 31.12.2020	AMOUNTS AS AT 31.12.2019
1. Positive changes to financial liabilities	481	425
2. Negative changes to financial liabilities	(3)	-
Total	**477**	**425**

C.18 – Tax obligations

(€ million)

	31.12.2020	31.12.2019
Deferred tax liabilities deriving from temporary differences	**382**	**329**
Financial assets and liabilities (different from credits and debts)	205	204
Credits and debts with banks and clients	-	-
Hedging and hedged item revaluation	149	95
Tangible assets and intangible assets different from goodwill	22	22
Goodwill and equity investments	-	-
Assets and liabilities held for disposal	-	-
Other assets and other liabilities	6	8
Other	-	-
Accounting offsetting	**(376)**	**(323)**
TOTAL	**5**	**6**

No deferred taxes were recognised for temporary differences in connection with investments in domestic subsidiaries in the amount of €941 million (previous year: €925 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

19.1 Other liabilities: breakdown

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 31.12.2020	31.12.2019
Liabilities in respect of financial guarantees issued	1	1
Accrued expenses and deferred income other than those to be capitalised for the financial liabilities concerned	42	58
Other liabilities due to employees [1]	360	339
Interest and amounts to be credited to	12	-
- Customers	2	-
- Banks	11	-
Available amounts to be paid to others	-	2
Items in processing	262	155
Entries relating to securities transactions	11	-
Items deemed definitive but not attributable to other lines	34	21
- Accounts payable - suppliers	10	4
- Other entries	24	17
Tax items different from those included in item 60	2	1
Other entries	106	47
Total	**831**	**624**

1) An amount of €212 million (previous year €177 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

20.1 Provisions for risks and charges: breakdown

(€ million)

ITEMS/COMPONENTS	AMOUNTS AS AT 31.12.2020	31.12.2019
1. Provisions for credit risk on commitments and financial guarantees given	227	186
2. Provisions for other commitments and other guarantees given	-	-
3. Pensions and other post-retirement benefit obligations	4,009	4,025
4. Other provisions for risks and charges	196	296
4.1 Legal and tax disputes	81	91
4.2 Staff expenses [1]	71	161
4.3 Other	44	44
Total	**4,432**	**4,507**

1) In the 2019 financial year, provisions for restructuring measures relating to the 2020-2023 strategic plan are included.

During 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

20.2 Provisions for risks and charges: annual changes

(€ million)

	CHANGES IN 2020			
	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	**-**	**4,025**	**296**	**4,321**
B. Increases	**-**	**198**	**23**	**221**
B.1 Current service cost	-	12	13	26
B.2 Interest cost	-	39	-	39
B.3 Remeasurements [1)]	-	146	10	156
B.4 Other changes	-	-	-	-
of which: business combinations	-	-	-	-
C. Decreases	**-**	**213**	**123**	**336**
C.1 Payments/uses in der reporting period	-	208	28	236
C.2 Remeasurements	-	4	-	4
C.3 Other changes	-	2	95	97
of which: business combinations	-	-	-	-
D. Closing balance	**-**	**4,009**	**196**	**4,206**

1) The increase in pensions and similar obligations is mainly due to the change in the reference interest rate.

Other provisions (personnel expenses) mainly relate to a restructuring provision recognized for the purpose of implementing initiatives in connection with the Bank Austria Group's Strategic Plan 20 - 23.
Other provisions include restructuring provisions with an opening balance of €169 million, an addition for personnel measures of €13 million, reversals of €1 million, a utilization of €10 million and reclassifications of €92 million (other changes- reclassified to other liabilities)). The year-end balance is €79 million.

20.3 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**

C – Notes to the statement of financial position

20.4 Provisions for credit risk on commitments and financial guarantees given

(€ million)

	AMOUNTS AS AT 31.12.2020				AMOUNTS AS AT 31.12.2019			
	PROVISIONS FOR CREDIT RISK ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN				PROVISIONS FOR CREDIT RISK ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN			
	STAGE 1	STAGE 2	STAGE 3	TOTAL	STAGE 1	STAGE 2	STAGE 3	TOTAL
Loan commitments given	12	22	59	93	10	13	47	69
Financial guarantees given	2	7	126	135	2	4	111	117
Total	**14**	**28**	**185**	**227**	**11**	**17**	**157**	**186**

20.5 Commitments and financial guarantees given

(€ million)

	AMOUNTS AS AT 31.12.2020				AMOUNTS AS AT 31.12.2019
	NOTIONAL AMOUNTS OF COMMITMENTS AND FINANCIAL GUARANTEES GIVEN				
	STAGE 1	STAGE 2	STAGE 3	TOTAL	TOTAL
1. Loan commitments given	**18,709**	**11,689**	**206**	**30,605**	**31,273**
a) Central Banks	-	-	-	-	-
b) Governments and other Public Sector Entities	1,419	958	-	2,377	1,894
c) Banks	20	25	-	45	2,612
d) Other financial companies	3,259	1,396	-	4,655	4,026
e) Non-financial companies	11,900	6,386	198	18,484	17,697
f) Households	2,112	2,924	8	5,044	5,044
2. Financial guarantees given	**5,245**	**2,502**	**225**	**7,972**	**8,480**
a) Central Banks	-	-	-	-	-
b) Governments and other Public Sector Entities	6	3	-	9	11
c) Banks	514	8	-	522	430
d) Other financial companies	1,448	18	3	1,468	1,860
e) Non-financial companies	3,115	2,425	218	5,758	5,986
f) Households	164	48	3	214	194

20.6 Other commitments and others guarantees given

(€ million)

	AMOUNTS AS AT	
	31.12.2020	31.12.2019
	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. Other commitments	**-**	**331**
of which: non-performing loans	-	-
a) Central Banks	-	-
b) Governments and other Public Sector Entities	-	-
c) Banks	-	312
d) Other financial companies	-	10
e) Non-financial companies	-	9
f) Households	-	-

C – Notes to the statement of financial position

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	
	31.12.2020	**31.12.2019**
Net interest	906	960
Net Interest Income	907	960
less: Trading Interest Income (Expenses) - Derivatives related to Regulatory Trading Book	(1)	-
Dividends and other income from equity investments	*103*	*179*
Dividend income and similar revenue	5	6
Profit (loss) on equity investments – of which: Profits (losses) of joint ventures and associates	98	173
Net fees and commissions	660	692
Net fees and commissions	*653*	692
Debit and credit card service	*8*	-
Net trading, hedging and fair value income	60	61
Gains (losses) on financial assets and liabilities held for trading	*55*	*31*
Gains (losses) on disposals/repurchases on OCI financial assets	*4*	*13*
Gains (losses) on disposals/repurchases on deposits	*1*	-
Other operating expenses and earnings - Gold and Precious Metals Trading	*7*	*5*
Trading Interest Income (Expenses) - Derivatives related to Regulatory Trading Book	*1*	-
Fair value adjustments in hedge accounting	*1*	*(1)*
Gains (losses) on financial liabilities designated at fair value through profit and loss	*(3)*	*(3)*
Gains (losses) on financial assets mandatorily at fair value through profit and loss	*(6)*	*17*
Net other expenses /income	44	49
Other net operating income	*78*	*82*
Impairment on tangible and intangible assets – other operating leases	*(39)*	*(41)*
Other operating expenses – amortization on leasehold improvements	*12*	*12*
Other operating expenses – amortization on leasehold improvements - Integration/restructuring costs	-	-
Other operating expenses and earnings - Gold and Precious Metals Trading	*(7)*	*(5)*
OPERATING INCOME	**1,774**	**1,941**
Payroll costs	(611)	(618)
Administrative costs – staff expenses	*(611)*	*(770)*
Integration costs	-	*152*
Other administrative expenses	(503)	(487)
Administrative costs – other administrative expenses	*(627)*	*(622)*
Integration/restructuring costs	*(1)*	*23*
Debit and credit card service	*(8)*	-
Ex-ante contributions to resolution funds and deposit guarantee schemes and bank levies	*146*	*125*
Other operating expenses – amortization on leasehold improvements	*(12)*	*(12)*
Recovery of expenses = Other net operating income – of which: Operating income – recovery of costs	-	-
Amortisation, depreciation and impairment losses on intangible and tangible assets	(59)	(44)
Impairment/Write-backs on property, plant and equipment	*(94)*	*(98)*
Impairment losses/Write-backs on property owned for investment	-	*15*
Impairment on tangible and intangible assets – other operating leases	*39*	*41*
Integration costs	-	-
Impairment/Write-backs on intangible assets	*(4)*	*(1)*
OPERATING COSTS	**(1,172)**	**(1,149)**
OPERATING PROFIT	**602**	**792**

D – Segment reporting

	AS AT	
	31.12.2020	31.12.2019
Net write-downs on loans and provisions for guarantees and commitments	(398)	(35)
Provisions for risks and charges reserves – Other commitments	*(51)*	*-*
Impairment losses/write-backs on impairment on loans	*(346)*	*(35)*
Modification gains or losses	*(1)*	*-*
NET OPERATING PROFIT	**203**	**757**
Provisions for risk and charges	2	67
Net provisions for risks and charges	*(6)*	*67*
Impairment/writebacks of IFRS5 non-current assets and disposal groups	*7*	*-*
Systemic charges	(146)	(125)
Ex-ante contributions to resolution funds and deposit guarantee schemes and bank levies	*(146)*	*(125)*
Integration/restructuring costs	1	(174)
Net income from investments	(92)	(8)
Profit (loss) on equity investments	*-*	*(15)*
Impairment losses/write-backs on property owned for investment	*(7)*	*-*
Impairment/writebacks of IFRS5 non-current assets and disposal groups	*(12)*	*174*
Profits (losses) of associates – Profits (losses) of joint ventures and associates	*(98)*	*(173)*
Gains and losses on tangible and intangible assets	*(2)*	*(5)*
Gains (losses) on disposal of investments	*27*	*8*
Financial assets at amortised cost – Impairment losses/writebacks on impairment on debt securities	*-*	*2*
Financial assets at fair value through OCI - Impairment losses/write-backs on impairment on debt securities	*-*	*-*
PROFIT BEFORE TAX	**(32)**	**519**
Income tax for the period	(2)	177
Total profit or loss after tax from discontinued operations	49	14
PROFIT (LOSS) FOR THE PERIOD	**15**	**710**
Non-controlling interests	6	(11)
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**20**	**698**

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 the organisational responsibility for customers.

In order to ensure comparability of the 2020 data with 2019, adjustments at segment level were necessary in the prior-year periods. The most significant adjustments were made due to the reclassification of FactorBank from "Unternehmerbank" division to the "CIB" division.

Segment reporting covers the following business segments (divisions):

Privatkundenbank

The Privatkundenbank (Retail Banking division) 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 Privatkundenbank are subsidiaries active in credit card business.

Unternehmerbank

The Unternehmerbank (Corporate Banking division) covers customers with an annual turnover of over €3 million, Real Estate, the Public Sector customer segment, leasing business including subsidiaries, Bank Austria 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. Since the beginning of 2020, the CIB Division has also included FactorBank (formerly included in Unternehmerbank).

Corporate Center

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.

D – Segment reporting

D.3 – Segment reporting 1–12 2020 / 1–12 2019

(€ million)

		PRIVATKUNDEN-BANK	UNTERNEHMER-BANK	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	AUSTRIA GROUP (RECAST)[1)]	RECASTING DIFFERENCES[2)]	BANK AUSTRIA GROUP[2)]
Net interest	FY20	407	297	294	(92)	906	-	906
	FY19	411	313	272	(36)	959	1	960
Dividends and other income from equity investments	FY20	1	20	-	81	103	-	103
	FY19	2	28	-	149	179	-	179
Net fees and commissions	FY20	449	127	82	1	660	-	660
	FY19	471	128	86	6	692	-	692
Net trading, hedging and fair value income/loss	FY20	10	21	31	(1)	60	-	60
	FY19	11	22	28	1	62	(1)	61
Net other expenses/income	FY20	2	22	-	20	44	-	44
	FY19	8	22	-	19	49	-	49
OPERATING INCOME	**FY20**	**869**	**487**	**408**	**10**	**1,774**	**-**	**1,774**
	FY19	**904**	**513**	**386**	**139**	**1,941**	**-**	**1,941**
OPERATING COSTS	**FY20**	**(755)**	**(194)**	**(166)**	**(58)**	**(1,172)**	**-**	**(1,172)**
	FY19	**(741)**	**(190)**	**(166)**	**(52)**	**(1,149)**	**-**	**(1,149)**
OPERATING PROFIT	**FY20**	**115**	**293**	**242**	**(48)**	**602**	**-**	**602**
	FY19	**163**	**323**	**219**	**87**	**792**	**-**	**792**
Net write-downs of loans and for guarantees and commitments	FY20	(78)	(172)	(154)	5	(398)	-	(398)
	FY19	5	(55)	6	8	(35)	-	(35)
NET OPERATING PROFIT	**FY20**	**37**	**121**	**89**	**(43)**	**203**	**-**	**203**
	FY19	**168**	**268**	**226**	**96**	**757**	**-**	**757**
Provisions for risk and charges	FY20	(9)	7	1	2	2	-	2
	FY19	-	36	39	(8)	67	-	67
Systemic charges	FY20	(50)	(31)	(38)	(27)	(146)	-	(146)
	FY19	(33)	(26)	(24)	(41)	(125)	-	(125)
Integration/restructuring costs	FY20	-	-	-	1	1	-	1
	FY19	-	(3)	(20)	(151)	(174)	-	(174)
Net income from investments	FY20	(6)	14	-	(100)	(92)	-	(92)
	FY19	(6)	1	-	(3)	(8)	-	(8)
PROFIT BEFORE TAX	**FY20**	**(29)**	**112**	**52**	**(166)**	**(32)**	**-**	**(32)**
	FY19	**128**	**276**	**221**	**(106)**	**519**	**-**	**519**
Income tax for the period	FY20	(21)	(23)	(13)	54	(2)	-	(2)
	FY19	(32)	(63)	(56)	328	177	-	177
Total profit or loss after tax from discontinued operations	FY20	-	-	-	49	49	-	49
	FY19	-	-	-	14	14	-	14
PROFIT (LOSS) FOR THE PERIOD	**FY20**	**(50)**	**89**	**39**	**(63)**	**15**	**-**	**15**
	FY19	**96**	**213**	**165**	**235**	**710**	**-**	**710**
Non-controlling interests	FY20	7	(1)	-	-	6	-	6
	FY19	(11)	(1)	-	-	(11)	-	(11)
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	**FY20**	**(43)**	**88**	**39**	**(63)**	**20**	**-**	**20**
	FY19	**86**	**212**	**165**	**235**	**698**	**-**	**698**
Risk-weighted assets (RWA) (avg.)	**FY20**	**8,573**	**9,618**	**10,083**	**5,461**	**33,735**	**-**	**33,735**
	FY19	**8,860**	**9,492**	**10,104**	**5,665**	**34,121**	**-**	**34,121**
Loans to customers (eop)	**FY20**	**19,352**	**23,969**	**17,340**	**202**	**60,863**	**-**	**60,863**
	FY19	**18,791**	**25,701**	**18,383**	**384**	**63,258**	**-**	**63,258**
Deposits from customers (eop)	**FY20**	**35,056**	**17,205**	**9,106**	**(199)**	**61,167**	**-**	**61,167**
	FY19	**33,198**	**15,303**	**8,340**	**(111)**	**56,730**	**-**	**56,730**
Cost/income ratio in %	FY20	86.8	39.8	40.6	n.m.	66.1	n.m.	66.1
	FY19	82.0	37.1	43.1	n.m.	59.2	n.m.	59.2

1) In segment reporting, the comparative figures for 2019 were adjusted (recast) to the scope of consolidation and the segment structure of the 2020 reporting period.
2) Reconciliation to accounting figures is shown in the column recasting differences and is due to shift of market trading related activities from the net interest income to the trading income.
n.a. = not available
n.m. = not meaningful

D – Segment reporting

D.4 – Segment reporting (Quarters)

(€ million)

		PRIVATKUNDEN-BANK	UNTERNEHMER-BANK	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	AUSTRIA GROUP (RECAST)[1]
Net interest	4Q20	104	78	73	(31)	223
	3Q20	99	71	75	(22)	223
	2Q20	99	73	76	(15)	233
	1Q20	105	74	70	(23)	227
	4Q19	107	77	68	(14)	239
	3Q19	106	78	68	(7)	245
	2Q19	101	80	70	(9)	242
	1Q19	96	77	67	(6)	234
Dividends and other income from equity investments	4Q20	-	5	-	30	36
	3Q20	-	8	-	35	44
	2Q20	-	4	-	(9)	(5)
	1Q20	1	3	-	24	28
	4Q19	-	9	-	40	49
	3Q19	-	8	-	47	54
	2Q19	-	10	-	36	46
	1Q19	2	1	-	27	30
Net fees and commissions	4Q20	118	34	22	(3)	171
	3Q20	108	32	20	3	162
	2Q20	101	30	20	(3)	148
	1Q20	123	32	20	5	180
	4Q19	128	33	21	4	186
	3Q19	115	33	22	-	170
	2Q19	115	31	21	3	169
	1Q19	114	31	22	-	167
Net trading, hedging and fair value income/loss	4Q20	1	13	9	1	24
	3Q20	2	8	10	1	21
	2Q20	4	3	4	5	16
	1Q20	2	(3)	7	(7)	(1)
	4Q19	1	18	12	-	31
	3Q19	3	5	1	(1)	7
	2Q19	6	5	10	(1)	20
	1Q19	2	(5)	5	3	4
Net other expenses/income	4Q20	1	4	-	2	8
	3Q20	1	6	-	5	12
	2Q20	-	7	-	9	15
	1Q20	-	5	-	4	9
	4Q19	3	4	-	6	14
	3Q19	-	4	-	4	8
	2Q19	5	4	-	4	13
	1Q19	-	10	-	4	14

1) Quarterly figures are based on recast data mainly considering a shift of FactorBank from Unternehmerbank to CIB division.

D – Segment reporting

		PRIVATKUNDEN-BANK	UNTERNEHMER-BANK	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	AUSTRIA GROUP (RECAST)[1]
OPERATING INCOME	**4Q20**	**225**	**134**	**104**	**-**	**462**
	3Q20	**210**	**126**	**105**	**21**	**461**
	2Q20	**203**	**117**	**101**	**(14)**	**407**
	1Q20	**232**	**110**	**98**	**3**	**443**
	4Q19	**240**	**141**	**101**	**36**	**518**
	3Q19	**224**	**127**	**91**	**42**	**484**
	2Q19	**227**	**130**	**100**	**32**	**490**
	1Q19	**213**	**114**	**94**	**28**	**449**
OPERATING COSTS	**4Q20**	**(196)**	**(47)**	**(42)**	**(14)**	**(300)**
	3Q20	**(184)**	**(48)**	**(41)**	**(13)**	**(285)**
	2Q20	**(184)**	**(49)**	**(41)**	**(12)**	**(286)**
	1Q20	**(191)**	**(50)**	**(42)**	**(19)**	**(302)**
	4Q19	**(183)**	**(47)**	**(42)**	**(22)**	**(294)**
	3Q19	**(184)**	**(47)**	**(41)**	**(14)**	**(286)**
	2Q19	**(185)**	**(46)**	**(41)**	**3**	**(269)**
	1Q19	**(189)**	**(50)**	**(42)**	**(19)**	**(300)**
OPERATING PROFIT	**4Q20**	**29**	**87**	**62**	**(14)**	**163**
	3Q20	**26**	**78**	**64**	**9**	**176**
	2Q20	**19**	**68**	**61**	**(27)**	**121**
	1Q20	**40**	**61**	**56**	**(16)**	**141**
	4Q19	**57**	**94**	**59**	**14**	**224**
	3Q19	**39**	**80**	**50**	**29**	**198**
	2Q19	**42**	**84**	**59**	**36**	**220**
	1Q19	**24**	**65**	**51**	**9**	**149**
Net write-downs of loans and provisions for guarantees and commitments	4Q20	(40)	(103)	(96)	2	(236)
	3Q20	7	(28)	(7)	1	(27)
	2Q20	23	(25)	(33)	2	(33)
	1Q20	(68)	(16)	(17)	-	(102)
	4Q19	14	(49)	2	3	(30)
	3Q19	(10)	(10)	2	-	(17)
	2Q19	8	(3)	2	(2)	4
	1Q19	(7)	7	1	8	9
NET OPERATING PROFIT	**4Q20**	**(11)**	**(17)**	**(34)**	**(12)**	**(74)**
	3Q20	**33**	**50**	**56**	**10**	**149**
	2Q20	**42**	**43**	**27**	**(24)**	**88**
	1Q20	**(28)**	**44**	**39**	**(16)**	**39**
	4Q19	**71**	**45**	**60**	**17**	**194**
	3Q19	**30**	**71**	**52**	**29**	**181**
	2Q19	**49**	**81**	**61**	**33**	**224**
	1Q19	**17**	**72**	**52**	**17**	**158**

1) Quarterly figures are based on recast data mainly considering a shift of FactorBank from Unternehmerbank to CIB division.

D – Segment reporting

		PRIVATKUNDEN-BANK	UNTERNEHMER-BANK	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	AUSTRIA GROUP (RECAST)[1)]
Provisions for risk and charges	4Q20	(9)	2	-	2	(5)
	3Q20	-	1	-	-	-
	2Q20	-	4	-	-	4
	1Q20	-	1	1	-	2
	4Q19	-	-	-	(5)	(5)
	3Q19	-	-	-	-	-
	2Q19	-	-	-	(5)	(6)
	1Q19	-	36	39	2	78
Systemic charges	4Q20	(5)	(1)	(1)	(1)	(9)
	3Q20	(15)	(2)	(1)	(1)	(19)
	2Q20	(1)	(2)	(3)	(2)	(8)
	1Q20	(30)	(26)	(32)	(23)	(111)
	4Q19	(2)	(1)	(1)	(1)	(5)
	3Q19	(1)	(1)	(1)	(2)	(5)
	2Q19	(1)	(1)	(1)	(2)	(5)
	1Q19	(30)	(23)	(21)	(36)	(111)
Integration/restructuring costs	4Q20	-	-	-	1	1
	3Q20	-	-	-	-	-
	2Q20	-	-	-	-	-
	1Q20	-	-	-	-	-
	4Q19	-	(3)	(20)	(151)	(175)
	3Q19	-	-	-	-	-
	2Q19	-	-	-	1	1
	1Q19	-	-	-	-	-
Net income from investments	4Q20	-	-	-	(41)	(41)
	3Q20	(1)	8	-	(2)	5
	2Q20	(3)	6	-	(61)	(59)
	1Q20	(3)	1	-	5	3
	4Q19	(6)	(3)	1	(5)	(14)
	3Q19	-	(1)	-	(1)	(3)
	2Q19	-	3	-	-	2
	1Q19	-	3	-	4	6
PROFIT BEFORE TAX	**4Q20**	**(24)**	**(16)**	**(35)**	**(51)**	**(127)**
	3Q20	**18**	**56**	**55**	**7**	**136**
	2Q20	**38**	**51**	**24**	**(88)**	**25**
	1Q20	**(60)**	**20**	**8**	**(34)**	**(66)**
	4Q19	**63**	**38**	**40**	**(146)**	**(4)**
	3Q19	**29**	**68**	**51**	**26**	**174**
	2Q19	**48**	**82**	**59**	**27**	**217**
	1Q19	**(12)**	**87**	**71**	**(14)**	**132**

1) Quarterly figures are based on recast data mainly considering a shift of FactorBank from Unternehmerbank to CIB division.

D – Segment reporting

		PRIVATKUNDEN-BANK	UNTERNEHMER-BANK	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	AUSTRIA GROUP (RECAST)[1]
Income tax for the period	4Q20	(8)	5	9	9	15
	3Q20	(4)	(12)	(15)	9	(22)
	2Q20	(4)	(12)	(6)	15	(7)
	1Q20	(5)	(4)	(1)	21	10
	4Q19	(16)	(8)	(12)	255	218
	3Q19	(5)	(15)	(13)	18	(15)
	2Q19	(6)	(18)	(14)	23	(16)
	1Q19	(5)	(21)	(17)	33	(10)
Total profit or loss after tax from discontinued operations	4Q20	-	-	-	48	48
	3Q20	-	-	-	-	-
	2Q20	-	-	-	1	1
	1Q20	-	-	-	-	-
	4Q19	-	-	-	11	11
	3Q19	-	-	-	-	-
	2Q19	-	-	-	2	2
	1Q19	-	-	-	1	1
PROFIT (LOSS) FOR THE PERIOD	**4Q20**	**(32)**	**(10)**	**(27)**	**6**	**(63)**
	3Q20	**13**	**44**	**40**	**15**	**114**
	2Q20	**34**	**39**	**19**	**(72)**	**20**
	1Q20	**(65)**	**16**	**6**	**(13)**	**(56)**
	4Q19	**47**	**30**	**28**	**119**	**225**
	3Q19	**24**	**53**	**38**	**44**	**159**
	2Q19	**42**	**64**	**45**	**51**	**203**
	1Q19	**(17)**	**66**	**53**	**21**	**122**
Non-controlling interests	4Q20	6	-	-	-	6
	3Q20	-	-	-	-	-
	2Q20	1	-	-	-	1
	1Q20	-	-	-	-	-
	4Q19	(3)	-	-	-	(3)
	3Q19	(3)	-	-	-	(3)
	2Q19	(2)	-	-	-	(2)
	1Q19	(3)	-	-	-	(3)
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**4Q20**	**(26)**	**(11)**	**(27)**	**6**	**(57)**
	3Q20	**14**	**44**	**40**	**15**	**114**
	2Q20	**35**	**39**	**19**	**(72)**	**20**
	1Q20	**(66)**	**16**	**6**	**(13)**	**(56)**
	4Q19	**45**	**30**	**28**	**119**	**222**
	3Q19	**21**	**53**	**38**	**44**	**156**
	2Q19	**40**	**64**	**45**	**51**	**201**
	1Q19	**(20)**	**65**	**53**	**21**	**119**

1) Quarterly figures are based on recast data mainly considering a shift of FactorBank from Unternehmerbank to CIB division.

D – Segment reporting

		PRIVATKUNDEN-BANK	UNTERNEHMER-BANK	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	AUSTRIA GROUP (RECAST)1)
Risk-weighted assets (RWA) (avg.)	**4Q20**	**8,255**	**9,321**	**9,953**	**5,048**	**32,577**
	3Q20	**8,664**	**9,828**	**10,311**	**5,447**	**34,250**
	2Q20	**8,690**	**9,855**	**10,195**	**5,646**	**34,387**
	1Q20	**8,681**	**9,469**	**9,873**	**5,704**	**33,728**
	4Q19	**8,778**	**9,602**	**9,946**	**5,544**	**33,869**
	3Q19	**8,844**	**9,601**	**10,090**	**5,480**	**34,015**
	2Q19	**8,907**	**9,367**	**10,186**	**5,694**	**34,154**
	1Q19	**8,912**	**9,399**	**10,192**	**5,941**	**34,444**
Loans to customers (eop)	**4Q20**	**19,352**	**23,969**	**17,340**	**202**	**60,863**
	3Q20	**19,050**	**24,865**	**18,464**	**608**	**62,987**
	2Q20	**18,925**	**25,234**	**19,255**	**351**	**63,766**
	1Q20	**19,007**	**25,642**	**19,280**	**368**	**64,297**
	4Q19	**18,791**	**25,701**	**18,383**	**384**	**63,258**
	3Q19	**18,825**	**25,530**	**18,045**	**384**	**62,784**
	2Q19	**18,490**	**25,443**	**18,532**	**447**	**62,912**
	1Q19	**18,374**	**25,302**	**18,216**	**599**	**62,490**
Deposits from customers (eop)	**4Q20**	**35,056**	**17,205**	**9,106**	**(199)**	**61,167**
	3Q20	**33,590**	**15,486**	**8,895**	**(81)**	**57,890**
	2Q20	**33,137**	**16,270**	**8,491**	**433**	**58,331**
	1Q20	**32,405**	**15,908**	**8,653**	**(97)**	**56,870**
	4Q19	**33,198**	**15,303**	**8,340**	**(111)**	**56,730**
	3Q19	**32,550**	**14,859**	**7,519**	**(88)**	**54,839**
	2Q19	**32,861**	**14,683**	**7,435**	**(30)**	**54,949**
	1Q19	**32,676**	**14,931**	**8,292**	**(131)**	**55,768**
Cost/income ratio in %	4Q20	87.1	35.3	40.7	n.m.	64.8
	3Q20	87.5	38.2	38.9	n.m.	61.8
	2Q20	90.6	41.8	40.1	n.m.	70.2
	1Q20	82.6	45.1	42.8	n.m.	68.2
	4Q19	76.3	33.3	41.5	n.m.	56.8
	3Q19	82.4	37.2	44.8	n.m.	59.0
	2Q19	81.6	35.6	41.2	n.m.	55.0
	1Q19	88.5	43.4	45.3	n.m.	66.8

1) Quarterly figures are based on recast data mainly considering a shift of FactorBank from Unternehmerbank to CIB division.
n.a. = not available
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 Group in line with the existing Group structure. In this context, Bank Austria supports UniCredit Group'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 five 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 and Reputational Risk and Internal Validation areas, they also report directly to the CRO. The Finance unit reports to the Chief Financial Officer (CFO) 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 essentially 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 Group. 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.

E – Risk report

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 of these bodies are reported directly to the full Management Board of the bank: the Risk Committee (RICO), which holds meetings on a monthly basis, is responsible for cross-divisional risk management issues arising between sales units and overall bank management; moreover, it provides overviews of the results of the credit portfolio model, the IRB and IFRS-9 models while also preparing reports on economic capital (Pillar 2). 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 once a month. 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.

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 Group-wide ILAAP, and in close 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. The unexpected losses are calculated with a confidence level of 99.9% for all risk types. 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)
- Reputational risk
- 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)

E – Risk report

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 is concentrated in Austria and a few other European countries. 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.

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 about 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 (“Risk-Appetite-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 once a month, 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. Reverse stress tests attempt to find out what circumstances could cause the bank's failure. 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.

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 €62.3 billion (before deduction of impairment losses), approximately two-thirds are attributable to the Corporate Customers and Corporate & Investment Banking segments. The remaining third is attributable to loans and receivables from private customers. Within this Retail segment, it is worth mentioning from a risk perspective that the proportion of CHF loans as risk carriers has been declining steadily for years and is currently around 22% (previous year: 26%).

General information on the following presentations: The tables shown in this chapter with the designation "banking 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. Preparations for the local PD model changes were advanced in 2020 to the extent that all new PD models are expected to be deployed in 2021 (for details see: current status of the application of the internal ratings-based approach (IRB approach) to credit risk in Bank Austria).

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).

E – Risk report

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 consists of application scoring, which is based on proven and recognised mathematical-statistical methods, and behavioural scoring, which takes account, among other things, of account deposits and customer payment behaviour and results in customer scoring that is updated monthly. 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. The focus of the 2020 IRB validation was on the initial validation of the material model change for the LGD model, the ongoing validation of the PD, EAD, and LGD models, and quarterly model monitoring. All model assumptions are based on long-term statistical averages of historical defaults and losses, taking into account current risk-relevant information. 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) for credit risk at 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). Following the EBA's new guidelines, material model change requests for all local PD models as well as for the new default definition were submitted back in 2019, and the corresponding material on-site reviews by the European Central Bank (ECB) have been carried out in the last two years. The application for the local LGD model was submitted to the ECB at the beginning of 2021, so now only the application for the local EAD model is still pending. The adjustments for the new default definition will go into production in January 2021 (see details below). The related calibration changes to the IRB models are also expected to be deployed in 2021 following supervisory approval. Implementation of the advanced IRB approach has been established as a Group-wide programme. Therefore, UniCredit Group is responsible for overall planner, Group-wide issues and decisions and specifically for the development of Group-wide models, such as for countries, banks and multinational companies. The local IRB models are modelled locally in accordance with Group-wide specifications.

Group standards have for the most part already been prepared and adopted by UniCredit Group 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 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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With regard to the changes in the new definition of default, the following aspects should be emphasized. For the most part, the Bank's previous practices were already in line with the new EBA rules. The area that had to be adjusted concerns the changes in the “Past Due” calculation logic. This has been adapted to reflect the new thresholds. In relative terms, it is now 1% (previously 2.5%); in absolute terms, the old de minimis threshold was always €250; the new values are €100 for the retail segment and €500 for the corporate segment. Furthermore, it is no longer possible to offset different credit lines of the same customer. The result of this change was determined by retroactively simulating the “Past Due” calculation (2013-2018) and then running the old and new calculation logic in parallel. In the sample accounting, which already anticipates the official changeover, additional defaults were identified and subsequently used for the recalibration of the credit risk models. As of the end of 2020, the amount in the sample accounting was also identified which would have been classified as non-performing if the new calculation logic had already been applied in 2020. The magnitude of the additional “defaults” is less than 2% of the non-performing loans. These will be classified as non-performing for regulatory purposes in January 2021 when the new calculation logic is applied. For IFRS 9 purposes, this change has already been anticipated and all the impairments have been increased to the corresponding level (the difference was only €7 million). The indirect impact from the TTC (Through-the-cycle) recalibration of the PD and LGD IRB models has been brought forward accordingly for IFRS 9. The impact on PIT (point-in-time) PDs was taken directly into account by recalibrating the IFRS 9 models. The respective changes follow the requirements of the UniCredit Group and were approved by the boards and committees of Bank Austria, in particular RICO and the Management Board.

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 (Stage 1) and loans with valuation allowances based on lifetime expected loss (Stage 2). Non-performing loans form Stage 3 (see also Item "Process for creating loan loss provisions")

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 an exposure of less than €2 million, on the basis of statistical methods; for details, see “A.5.3.3 Measurement of expected credit losses”.
- **"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 an exposure of less than €2 million, on the basis of statistical methods. For details, see “A.5.3.3 Measurement of expected credit losses”.
- **“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.

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 (in the case of distressed restructuring, the period of good conduct is 12 months). Credit exposures with retail scoring are assigned the rating 7 - after this period until a behavioral scoring is determined. All other credit commitments are automatically fixed at unrated until a new rating.

Impairment of financial instruments

Bank Austria’s impairment model is described in Part A.5.3.3. of the Annual Report. The three-stage concept with the valuation allowance allocated to each stage is presented there, as is the depreciation model that the Bank uses.

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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	120	1,015	26	791	94,223	96,175
2. Financial assets at fair value through other comprehensive income	-	-	-	-	12,797	12,797
3. Financial assets designated at fair value	-	-	-	-	117	117
4. Other financial assets mandatorily at fair value	-	3	-	1	995	998
5. Financial instruments classified as held for sale	5	-	-	29	27	63
Total 31.12.2020	**125**	**1,018**	**26**	**821**	**108,160**	**110,151**
Total 31.12.2019	**135**	**867**	**38**	**1,579**	**90,758**	**93,377**

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)

(€ million)

PORTFOLIOS/QUALITY	NON-PERFORMING ASSETS				PERFORMING ASSETS			TOTAL (NET EXPOSURE)
	OVERALL WRITE-DOWNS	TOTAL WRITEDOWNS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS	OVERALL WRITE-DOWNS	TOTAL WRITEDOWNS	NET EXPOSURE	
1. Financial assets at amortised cost	2,167	1,006	1,161	86	95,429	414	95,014	96,175
2. Financial assets at fair value through other comprehensive income	-	-	-	-	12,798	1	12,797	12,797
3. Financial assets designated at fair value	-	-	-	-	X	X	117	117
4. Other financial assets mandatorily at fair value	3	-	3	-	X	X	996	998
5. Financial instruments classified as held for sale	23	17	6	-	57	1	57	63
Total 31.12.2020	**2,192**	**1,023**	**1,169**	**86**	**108,284**	**416**	**108,981**	**110,151**
Total 31.12.2019	**2,096**	**1,056**	**1,040**	**39**	**91,484**	**337**	**92,337**	**93,377**

A.1.1 Regulatory consolidation - Breakdown of financial assets by past-due buckets (carrying value)

(€ million)

PORTFOLIOS/RISK STAGES	STAGE 1			STAGE 2			STAGE 3		
	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS
1. Financial assets at amortised cost	167	1	-	39	22	1	11	11	166
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3. Financial instruments classified as held for sale	26	-	-	-	1	-	-	-	6
Total 31.12.2020	**193**	**1**	**-**	**39**	**23**	**1**	**11**	**11**	**172**
Total 31.12.2019	**607**	**2**	**1**	**155**	**44**	**1**	**16**	**23**	**195**

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A.1.2 Bank Group - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions 2020

(€ 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)	**50**	**1**	**4**	**7**	**47**	**282**	**-**	**-**	**2**	**280**
Increases in acquired or originated financial assets	21	-	-	-	21	22	-	-	-	22
Reversals different from write-offs	(8)	-	-	(1)	(7)	(24)	-	-	(1)	(23)
Net losses/recoveries on credit impairment	(1)	-	-	-	(1)	70	-	-	6	64
Contractual changes without cancellation	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	-	-
Other changes	4	-	(3)	1	-	-	-	-	-	(1)
Closing balance (gross amount)	**65**	**1**	**1**	**6**	**60**	**349**	**-**	**-**	**8**	**342**
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)	**1,041**	**-**	**14**	**584**	**469**	**3**	**11**	**17**	**157**	**1,577**
Increases in acquired or originated financial assets	68	-	-	60	8	-	3	6	56	176
Reversals different from write-offs	(9)	-	-	(2)	(7)	-	(2)	(2)	(60)	(105)
Net losses/recoveries on credit impairment	188	-	4	229	(37)	(1)	1	7	41	309
Contractual changes without cancellation	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-
Write-off	(276)	-	-	(202)	(73)	(1)	-	-	-	(276)
Other changes	(6)	-	-	-	(6)	1	-	-	(9)	(14)
Closing balance (gross amount)	**1,007**	**-**	**17**	**669**	**352**	**2**	**14**	**28**	**185**	**1,667**
Recoveries from financial assets subject to write-off	4	-	-	1	2	-	-	-	-	4
Write-off are recognised directly in profit or loss	(18)	-	-	(4)	(14)	-	-	-	-	(18)

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A.1.2 Bank Group - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions 2019

(€ 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)	**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)

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A.1.3 Bank Group - Financial assets, loan commitments and financial guarantees given: transfers between risk stages (gross values and nominal values)

(€ million)

PORTFOLIOS/RISK STAGES	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	
	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	4,572	1,031	242	75	387	21
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	2,046	779	53	9	32	4
Total 31.12.2020	**6,618**	**1,810**	**295**	**84**	**418**	**24**
Total 31.12.2019	**4,529**	**2,220**	**208**	**84**	**252**	**14**

The table above shows the migrations at 12-month intervals. The class membership of customers at the beginning and end of the year is compared. Looking at this over the course of a year, we would see that the migration from Stage 1 to Stage 3 shown in the table is not direct, but that about 80% of it occurs via Stage 2.

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 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. If a forbearance measure is granted for a transaction classified as “performing”, this has the effect that this transaction is assigned to Stage 2 in any case.

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 leads to a non-performing classification, a minimum retention period of 1 year in the non-performing portfolio must be observed – from the time of the renewed classification as performing, a probation period of 2 years applies again. 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. See also the information in Part A 5.3.3. – Impairment of financial instruments (“purchased or originated credit-impaired financial assets”, POCI).

Further information on the impact of the EBA guidelines on moratoria on the identification of forbearance measures or on the associated handling of Unlikely-to-Pay (UTP) can be found in the chapter on credit risk strategy, with particular reference to the changed conditions resulting from COVID-19.

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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	2	-	2	-	-	-	2	-	2
Financial corporations	-	-	-	49	29	20	49	29	20
Non-financial corporations	456	7	449	487	224	263	943	231	712
Households	282	7	275	114	34	80	396	42	355
TOTAL 31.12.2020	**740**	**14**	**726**	**650**	**287**	**363**	**1,390**	**302**	**1,089**
TOTAL 31.12.2019	**282**	**5**	**277**	**458**	**216**	**242**	**742**	**221**	**520**

A.1.4 Regulatory consolidation - On- and off-balance sheet credit exposures with banks: gross and net values

(€ million)

	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	-	-	-	-
of which: forborne exposures	*X*	-	-	-	-
e) Other performing exposures	X	36,670	2	36,668	1
of which: forborne exposures	*X*	-	-	-	-
Total (A)	**-**	**36,670**	**2**	**36,668**	**1**
B. Off-balance sheet credit exposures					
a) Non-performing	-	X	-	-	-
b) Performing	X	2,874	-	2,874	-
Total (B)	**-**	**2,874**	**-**	**2,874**	**-**
Total (A+B) 31.12.2020	**-**	**39,544**	**2**	**39,543**	**1**
Total (A+B) 31.12.2019	**-**	**21,292**	**3**	**21,289**	**1**

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A.1.5 Regulatory consolidation - On- and off-balance sheet credit exposures with customers: gross and net values

(€ million)

EXPOSURE TYPES/AMOUNTS	GROSS EXPOSURE NON-PERFORMING	GROSS EXPOSURE PERFORMING	OVERALL WRITE-DOWNS AND PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS
A. On-balance sheet credit exposures					
a) Bad exposures	625	X	500	125	85
of which: forborne exposures	*80*	*X*	*43*	*38*	*1*
b) Unlikely to pay	1,531	X	513	1,018	-
of which: forborne exposures	*568*	*X*	*244*	*324*	-
c) Non-performing past due	37	X	11	26	-
of which: forborne exposures	*1*	*X*	-	*1*	-
d) Performing past due	X	827	6	821	-
of which: forborne exposures	*X*	*6*	*1*	*6*	-
e) Other performing exposures	X	71,900	408	71,492	-
of which: forborne exposures	*X*	*735*	*14*	*721*	-
Total (A)	**2,192**	**72,727**	**1,437**	**73,483**	**86**
B. Off-balance sheet credit exposures					
a) Non-performing	431	X	185	246	-
b) Performing	X	38,470	42	38,428	-
Total (B)	**431**	**38,470**	**227**	**38,674**	**-**
Total (A+B) 31.12.2020	**2,623**	**111,197**	**1,664**	**112,156**	**86**
Total (A+B) 31.12.2019	**2,467**	**113,925**	**1,575**	**114,817**	**39**

A.1.7 Bank Group - On-balance sheet credit exposures with customers: changes in gross non-performing exposures

(€ million)

SOURCES/CATEGORIES	CHANGES IN 2020		
	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST DUE
A. Opening balance (gross amount)	**876**	**1,173**	**47**
of which sold non-cancelled exposures	*4*	*2*	*1*
B. Increases	**152**	**822**	**30**
B.1 Transfer from performing loans	73	725	24
B.2 Transfer from acquired or originated impaired financial assets	-	-	-
of which: business combinations	-	-	-
B.3 Transfer from other non-performing exposures	57	32	2
B.4 Contractual changes with no cancellations	-	-	-
B.5 Other increases	21	65	4
of which: business combinations - mergers	-	-	-
C. Decreases	**403**	**464**	**40**
C.1 Transfers to performing loans	7	110	23
C.2 Write-offs	257	29	-
C.3 Collections	92	255	8
C.4 Sale proceeds	5	-	-
C.5 Losses on disposals	2	-	-
C.6 Transfers to other non-performing exposures	27	56	8
C.7 Contractual changes with no cancellations	-	-	-
C.8 Other decreases	13	15	1
of which: business combinations	-	-	-
D. Closing balance (gross amount)	**625**	**1,531**	**37**
of which sold non-cancelled exposures	*3*	*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 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.1.7b Bank Group - On-balance sheet exposures with customers: changes by credit quality in gross forborne exposures

(€ million)

SOURCES/QUALITY	CHANGES IN 2020		CHANGES IN 2019	
	FORBORNE EXPOSURES: NON-PERFORMING	FORBORNE EXPOSURES: PERFORMING	FORBORNE EXPOSURES: NON-PERFORMING	FORBORNE EXPOSURES: PERFORMING
A. Opening balance (gross amount)	**458**	**282**	**522**	**275**
of which sold non-cancelled exposures	*1*	*-*	*1*	*-*
B. Increases	**340**	**690**	**138**	**230**
B.1 Transfers from performing non-forborne exposures	198	549	96	155
B.2 Transfers from performing forborne exposures	63	X	16	X
B.3 Transfers from non-performing forborne exposures	X	13	X	38
of which: business combinations	*X*	-	*X*	-
B.4 Other increases	79	128	27	37
of which: business combinations - mergers	-	-	-	-
C. Reductions	**149**	**231**	**202**	**224**
C.1 Transfers to performing non-forborne exposures	X	53	X	76
C.2 Transfers to performing forborne exposures	13	X	38	X
C.3 Transfers to non-performing forborne exposures	X	63	X	16
C.4 Write-offs	33	-	18	-
C.5 Collections	99	102	116	125
C.6 Sale proceeds	1	-	1	-
C.7 Losses from disposal	-	-	-	-
C.8 Other reductions	3	13	30	7
of which: business combinations	-	-	-	-
D. Closing balance (gross amount)	**649**	**741**	**458**	**282**
of which sold non-cancelled exposures	*1*	*1*	**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 2020					
	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)	**741**	**67**	**307**	**149**	**8**	**-**
of which sold non-cancelled exposures	*2*	-	*1*	-	-	-
B. Increases	**88**	**16**	**309**	**123**	**10**	**-**
B.1 Write-downs of acquired or originated impaired financial assets	-	X	-	X	-	X
of which: business combinations	-	-	-	-	-	-
B.2. Other write-downs	55	8	282	114	9	-
B.3 Losses on disposal	2	-	-	-	-	-
B.4 Transfers from other categories of non-performing exposures	20	8	24	3	-	-
B.5 Contractual changes with no cancellations	-	X	-	X	-	X
B.6 Other increases	11	-	3	7	1	-
of which: business combinations - mergers	-	-	-	-	-	-
C. Reductions	**329**	**40**	**104**	**28**	**8**	**-**
C.1 Write-backs from valuation	2	-	3	-	-	-
C.2. Write-backs from collections	32	7	41	15	4	-
C.3 Gains from disposals	-	-	-	-	-	-
C.4 Write-offs	257	29	29	4	-	-
C.5 Transfers to other categories of non-performing exposures	23	3	19	8	2	-
C.6 Contractual changes with no cancellations	-	X	-	X	-	X
C.7 Other decreases	15	1	12	1	-	-
of which: business combinations	-	-	-	-	-	-
D. Closing balance (gross amount)	**500**	**43**	**513**	**244**	**11**	**-**
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 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.2.1 Bank Group - Breakdown of financial assets, loan commitments and financial guarantees given by external rating classes (gross amounts)

(€ million)

	AMOUNT AS AT 31.12.2020							
	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	3,756	1,145	3,855	388	67	-	67,276	76,487
- Stage 2	134	60	149	64	61	7	18,465	18,939
- Stage 3	-	11	-	-	21	29	2,103	2,164
B. Financial assets at fair value through other comprehensive income								
- Stage 1	9,415	1,740	1,641	-	-	-	2	12,798
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
C. Financial instruments classified as held for sale								
- Stage 1	-	-	-	-	-	-	54	54
- Stage 2	-	-	-	-	-	-	3	3
- Stage 3	-	-	-	-	-	-	23	23
Total (A+ B + C)	**13,304**	**2,956**	**5,645**	**452**	**149**	**36**	**87,926**	**110,469**
of which: acquired or originated impaired financial assets	-	-	-	-	-	-	*19*	*19*
D. Loan commitments and financial guarantees given								
- Stage 1	94	697	1,862	270	24	10	20,998	23,954
- Stage 2	77	124	293	4	1	1	13,692	14,191
- Stage 3	-	-	-	-	-	-	431	431
Total (D)	**171**	**820**	**2,155**	**275**	**24**	**11**	**35,121**	**38,576**
Total (A + B + C + D)	**13,475**	**3,776**	**7,800**	**726**	**173**	**47**	**123,047**	**149,044**

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 volume and assets without external rating. A large share of Bank Austria customers, due to the size of the companies, does not have an external rating and is rated only internally.

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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	NO 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								
- Stage 1	-	-	-	-	-	-	598	598
- Stage 2	-	-	-	-	-	-	5	5
- Stage 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.
*) Column contains both non-performing volumes and assets without external rating. A large share of Bank Austria customers, due to the size of the companies, does not have an external rating and is rated only internally.

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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 31.12.2020										
	INTERNAL RATING CLASSES										
EXPOSURES	1	2	3	4	5	6	7	8	9	NO RATING *)	TOTAL
A. Financial assets at amortised cost											
- Stage 1	28,805	5,778	12,505	17,984	6,074	3,281	998	293	52	718	76,487
- Stage 2	1	1,037	1,977	5,226	5,264	2,865	1,384	720	248	215	18,939
- Stage 3	-	-	-	-	-	-	-	-	-	2,164	2,164
B. Financial assets at fair value through other comprehensive income											
- Stage 1	6,320	3,095	1,740	1,641	-	-	-	-	-	2	12,798
- Stage 2	-	-	-	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-	-	-	-
C. Financial instruments classified as held for sale											
- Stage 1	-	-	-	-	-	-	-	-	-	54	54
- Stage 2	-	-	-	-	-	-	-	-	-	3	3
- Stage 3	-	-	-	-	-	-	-	-	-	23	23
Total (A + B + C)	**35,126**	**9,910**	**16,222**	**24,851**	**11,338**	**6,146**	**2,383**	**1,014**	**300**	**3,178**	**110,469**
of which: acquired or originated impaired financial assets	-	-	-	-	-	-	-	-	-	*19*	*19*
D. Loan commitments and financial guarantees given											
- Stage 1	24	2,388	9,225	9,578	1,766	629	220	69	5	51	23,954
- Stage 2	8	1,843	3,555	5,609	1,891	794	355	111	23	2	14,191
- Stage 3	-	-	-	-	-	-	-	-	3	428	431
Total (D)	**32**	**4,231**	**12,779**	**15,186**	**3,658**	**1,422**	**575**	**181**	**31**	**481**	**38,576**
TOTAL (A + B + C + D)	**35,159**	**14,141**	**29,001**	**40,038**	**14,996**	**7,568**	**2,957**	**1,194**	**331**	**3,659**	**149,044**

*) Includes both non-performing volumes and assets without external rating.

The change in the consolidation method regarding a subsidiary in credit card business (card complete was reclassified form "held for sale" to "held for use") leads to a significant increase of the unrated performing portfolio as compared to the previous year.

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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)

EXPOSURES	AMOUNT AS AT 31.12.2019										
	INTERNAL RATING CLASSES									NO RATING *)	TOTAL
	1	2	3	4	5	6	7	8	9		
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											
- Stage 1	-	-	-	-	-	-	-	-	-	598	598
- Stage 2	-	-	-	-	-	-	-	-	-	5	5
- Stage 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 both non-performing volumes and assets without external rating.

The internal rating distribution shown above follows the UniCredit Group rating master scale set out below and takes into account the Probability of Default (PD) ranges shown 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):

UniCredit Masterscale

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	

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Within Bank Austria, default probabilities are grouped according to the Bank Austria rating scale shown below.
This Bank Austria Master Scale is authoritative for risk management topics.

Bank Austria Master Scale

BANK AUSTRIA MASTER SCALE				
RATING CLASS	RATING NOTCHES	PD*) IN % MINIMUM	PD*) IN % AVERAGE	PD*) IN % MAXIMUM
1	1+	0.00%	0.00%	0.00%
	1	0.00%	0.00%	0.00%
	1-	0.00%	0.00%	0.00%
2	2+	0.05%	0.06%	0.07%
	2	0.07%	0.08%	0.09%
	2-	0.09%	0.10%	0.12%
3	3+	0.12%	0.14%	0.16%
	3	0.16%	0.19%	0.22%
	3-	0.22%	0.26%	0.31%
4	4+	0.31%	0.36%	0.42%
	4	0.42%	0.49%	0.57%
	4-	0.57%	0.66%	0.77%
5	5+	0.77%	0.90%	1.06%
	5	1.06%	1.23%	1.44%
	5-	1.44%	1.68%	1.96%
6	6+	1.96%	2.29%	2.67%
	6	2.67%	3.12%	3.64%
	6-	3.64%	4.25%	4.96%
7	7+	4.96%	5.80%	6.77%
	7	6.77%	7.90%	9.22%
	7-	9.22%	10.77%	12.57%
8	8+	12.57%	14.67%	17.13%
	8	17.13%	20.00%	100.00%
	8-	100.00%	100.00%	100.00%
9	9	100.00%	100.00%	100.00%
10	10	100.00%	100.00%	100.00%

*) PD = Probability of Default

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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 standardize 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. Specifically, these relate to eligibility for recognition as collateral, valuation and monitoring rules and ensure the stable value, legal enforceability and timely realisation of collateral in accordance with local law.

Local collateral management was analyzed 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 the regulatory capital requirement 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.
The main types of collateral accepted in support of loans granted by Bank Austria include real estate (both residential and commercial), guarantees and tangible financial collateral (including cash deposits, bonds, stock and investment fund units). 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 recognized 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.

A.3.1 Regulatory consolidation - Secured on-balance and off-balance sheet credit exposures with banks

(€ million)

	AMOUNT AS AT 31.12.2020					
			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]	236	236	-	-	-	-
of which non-performing	-	-	-	-	-	-
1.2 Partially secured [1]	114	114	-	-	-	-
of which non-performing	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures						
2.1 Totally secured [1]	16	16	-	-	-	15
of which non-performing	-	-	-	-	-	-
2.2 Partially secured [1]	7	7	-	-	-	-
of which non-performing	-	-	-	-	-	-

1) Reclassifications from Partially secured to Totally secured as compared to 2019 were carried out due to improvements in data quality with regard to mortgages.

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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	-	-	-	-	-	-

continued: A.3.1 Bank Group - Secured on-balance and off-balance sheet credit exposures with banks

(€ million)

	AMOUNT AS AT 31.12.2020									
	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]	-	-	-	-	-	235	-	-	1	**236**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**
1.2 Partially secured [1]	-	-	-	-	-	87	1	-	-	**88**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**
2. Secured off-balance sheet credit exposures										
2.1 Totally secured [1]	-	-	-	-	-	-	1	-	-	**16**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**
2.2 Partially secured [1]	-	-	-	-	-	-	-	-	-	**-**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**

[1] Reclassifications from Partially secured to Totally secured as compared to 2019 were carried out due to improvements in data quality with regard to mortgages.

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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 31.12.2019									
	GUARANTEES									
	CREDIT DERIVATIVES					SIGNATURE LOANS (LOANS GUARANTEES)				TOTAL (1)+(2)
		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	
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	-	-	-	-	-	-	-	-	-	**-**

A.3.2 Bank Group - Secured on-balance and off-balance sheet credit exposures with customers

(€ million)

	AMOUNT AS AT 31.12.2020					
			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)]	20,400	20,015	14,638	48	326	958
of which non-performing	*857*	*513*	*245*	*1*	*2*	*51*
1.2 Partially secured [1)]	27,173	26,451	6,112	13	301	1,297
of which non-performing	*903*	*512*	*131*	-	*5*	*33*
2. Secured off-balance sheet credit exposures						
2.1 Totally secured [1)]	2,059	2,021	771	18	86	323
of which non-performing	*96*	*59*	*41*	-	-	*16*
2.2 Partially secured [1)]	14,119	13,977	124	-	25	1,327
of which non-performing	*293*	*168*	*4*	-	-	*17*

[1)] Reclassifications from Partially secured to Totally secured as compared to 2019 were carried out due to improvements in data quality with regard to mortgages.

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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 31.12.2020									
	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)]	-	-	-	-	-	2,318	239	-	867	**19,393**
of which non-performing	-	-	-	-	-	*168*	*5*	-	*11*	***482***
1.2 Partially secured [1)]	-	-	-	-	-	3,490	116	59	122	**11,509**
of which non-performing	-	-	-	-	-	*81*	*8*	-	*23*	***282***
2. Secured off-balance sheet credit exposures										
2.1 Totally secured [1)]	-	-	-	-	-	173	80	-	557	**2,008**
of which non-performing	-	-	-	-	-	*1*	*1*	-	-	***59***
2.2 Partially secured [1)]	-	-	-	-	-	478	22	-	60	**2,036**
of which non-performing	-	-	-	-	-	*12*	-	-	-	***33***

1) Reclassifications from Partially secured to Totally secured as compared to 2019 were carried out due to improvements in data quality with regard to mortgages.

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***

Assessment of the potential loss due to COVID-19

Adjustment of the expected development of the economic environment (baseline scenario):

As a result of COVID-19, the development of the impairment losses for expected credit losses (expected credit loss – ECL) in the first half of 2020 was dominated by the expected deterioration of the macroeconomic environment. According to the IRFS, this outlook represents an essential input variable for the calculation logic of expected credit losses. At the end of the first quarter, the bank had already decided to significantly correct the macro outlook, which means that, for example, the expected development of Austrian gross domestic product was not included in the calculation of the impairment losses with the previously assumed growth of +1%, but rather with a decline of 9.1%. The adjusted macroeconomic factors are translated into changes in credit risk parameters by the Group's macro dependency model ("Satellite Model"). As a result, at the end of March, the credit risk parameters used to calculate the expected credit risk losses – probability of default (PD) and loss in the event of default (LGD) significantly deteriorated. In addition to the immediate impact of the deterioration in credit risk parameters (PD, LGD), the deterioration in default probabilities also leads to a higher proportion of the non-default loan portfolio having moved from Stage 1 to Stage 2. The expected credit loss for these transactions is therefore no longer calculated on the basis of an expected 12-month loss; for Stage 2 transactions, the expected and thus higher loss is used over the entire term of the transaction.

Adjustment of basic scenario and alternative scenarios:

In addition to the adjustment of the basic scenario, which already took place at the end of the first quarter, the two alternative scenarios relevant for IFRS 9 were also adjusted at the end of the second quarter. This also increased the weight of the negative scenario at the expense of the weight of the baseline and positive scenario. The scenario adjustments relevant for the year-end are made in the fourth quarter – again with a stronger weighting of the negative scenario (see also A 5.3.3 – Consideration of forward-looking information).

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Deterioration of IRB PDs and LGDs:

PDs that are calibrated "through-the-cycle – TTC" form the starting point for calculating the expected credit losses. For IFRS 9 purposes, these PDs are being recalibrated in an even more time-based ("point-in-time – PIT") and forward-looking ("FL") manner to reflect the current situation and the expectations of future economic development. The adjustment of the macro view mentioned above is an essential component for this. This is all the more relevant because in 2020, we did not observe any significant deterioration of the loan portfolio at the portfolio level according to the TTC regulatory credit risk parameters (PD and LGD). Due to the plethora of government measures that have, among other things, reduced the insolvency rate, the deterioration in credit risk quality did not occur at the speed as expected based on the experience in other crisis years. Accordingly, our macro models calibrated against the past would have expected a more rapid portfolio deterioration. This discrepancy in the slow deterioration of credit risk parameters compared to the deterioration of 2020 macro parameters had to be taken into account when calculating macro effects in order to adequately estimate the deterioration of the portfolio still ahead.

Introduction of additional Stage 2 triggers:

In the Privatkundenbank business area, all customer transactions for which customers had applied for a COVID-related deferral were assigned to Stage 2, provided that the respective customers were not assigned to rating classes 1 to 4 (maximum probability of default of 0.77%). For the business areas of Unternehmerbank and Corporate & Investment Banking, so-called high-risk sectors were identified that were particularly affected by the COVID crisis. These include the following sectors: Airlines, Transportation, Travel Industry, Tourism, Oil & Gas, Gaming, Automotive Supply Industry, Textile Industry. The transactions of these customers were also assigned to Stage 2 if the customers were not attributable to the above-mentioned rating classes. This added COVID-specific triggers in Q4 2020 to the existing qualitative Stage 2 triggers (30-day delay, Forbearance, Watch3).

Overall picture of the development of expected credit losses

The above aspects,

- adjustment of basis and alternative scenarios,
- ongoing development of the credit risk parameters of the internal models,
- as well as secondary effects based on the stage change from 1 to 2 (including the additional qualitative Stage 2 triggers,

taken together, resulted in 2020 in an increase in impairments for performing loans (Stages 1 and 2) of approximately one quarter compared to year-end 2019. Much of this increase was already visible by the end of the first quarter as a result of the import of the basic scenario adjustment. The IFRS 9 requirement to show significantly higher impairment losses in Stages 1 and 2 even before an expected increase in the non-performing credit portfolio was clearly met in the first half of the year. At the end of 2019, the impairment charges for loans in Stages 1 and 2 were €328 million, increasing to around €421 million as of June 2020 and decreasing slightly to €411 million as at year-end.

The change/reduction in impairments for loans in in Stage 3 played a subordinate role in the first half of the year. The government support measures in particular probably had a positive effect here. Provisions for Stage 3 loans, which amounted to €1,038 million at year-end 2019, fell to €899 million in the first half of 2020. In the second half of the year, the inflow into the non-performing portfolio was then much more visible, including a few larger risk positions, resulting in a level of €1,002 million at year-end.

The Stage 3 impairments, which were partly delayed by government support measures, are thus supplemented by impairments in Stages 1 & 2 adjusted in line with the changed macro outlook, which in total thus also represent a significant part of the overall change in credit risk impairments in 2020 (see also item "Development of credit risk costs" below).

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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	-	-	2	-	2	-	-	55	211	70	287
of which: forborne exposures	-	-	-	-	-	-	-	*17*	*21*	*20*	*21*
A.2 Unlikely to pay	158	9	64	31	34	-	-	623	412	207	58
of which: forborne exposures	-	-	*49*	*20*	*29*	-	-	*246*	*202*	*59*	*13*
A.3 Non-performing past-due	-	-	-	-	-	-	-	5	5	21	6
of which: forborne exposures	-	-	-	-	-	-	-	-	-	*1*	-
A.4 Performing exposures	18,272	4	2,979	2,959	20	16	-	32,471	82	18,603	315
of which: forborne exposures	-	-	-	-	-	-	-	*2*	-	*3*	-
Total (A)	**18,430**	**13**	**3,046**	**2,990**	**56**	**16**	**-**	**33,154**	**710**	**18,901**	**665**
B. Off-balance sheet credit exposures											
B.1 Non-performing exposures	-	-	4	-	3	-	-	236	181	9	1
B.2 Performing exposures	2,555	-	6,145	6,142	3	48	-	24,497	25	5,233	15
Total (B)	**2,555**	**-**	**6,148**	**6,143**	**6**	**48**	**-**	**24,733**	**205**	**5,242**	**16**
Total (A + B) 31.12.2020	**20,985**	**13**	**9,194**	**9,132**	**62**	**64**	**-**	**57,888**	**915**	**24,143**	**681**
Total (A + B) 31.12.2019	**22,498**	**10**	**10,339**	**10,265**	**74**	**48**	**-**	**57,857**	**825**	**24,189**	**673**

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	-	-	-	125	494	-	4	-	-	-	-
A.2 Unlikely to pay	5	3	3	830	484	49	23	-	-	136	3
A.3 Non-performing past-due	-	-	-	26	7	-	4	-	-	-	-
A.4 Performing exposures	1,493	1,493	1	67,551	408	454	1	1,464	1	1,351	4
Total (A)	**1,499**	**1,496**	**3**	**68,532**	**1,392**	**503**	**32**	**1,464**	**1**	**1,487**	**7**
B. Off-balance sheet credit exposures											
B.1 Non-performing exposures	2	1	1	243	178	2	7	-	-	-	-
B.2 Performing exposures	131	131	-	37,302	40	439	-	470	-	85	1
Total (B)	**133**	**132**	**1**	**37,545**	**218**	**441**	**7**	**470**	**-**	**85**	**1**
Total (A+B) 31.12.2020	**1,632**	**1,628**	**4**	**106,077**	**1,611**	**944**	**39**	**1,934**	**1**	**1,572**	**8**
Total (A+B) 31.12.2019	**2,030**	**2,026**	**4**	**107,959**	**1,542**	**985**	**20**	**2,342**	**2**	**1,500**	**3**

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B.3 Bank Group - Distribution of on-balance and off-balance sheet credit exposures with banks by geographic area

(€ million)

	ITALY			OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
EXPOSURES/GEOGRAPHIC AREAS	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	85	85	-	36,027	2	41	-	358	-	154	-
Total (A)	**85**	**85**	**-**	**36,027**	**2**	**41**	**-**	**358**	**-**	**154**	**-**
B. Off-balance sheet credit exposures											
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	157	157	-	2,509	-	6	-	158	-	44	-
Total (B)	**157**	**157**	**-**	**2,509**	**-**	**6**	**-**	**158**	**-**	**44**	**-**
Total (A+B) 31.12.2020		**242**	**-**	**38,536**	**2**	**47**	**-**	**517**	**-**	**198**	**-**
Total (A+B) 31.12.2019	**700**	**700**	**-**	**19,754**	**3**	**46**	**-**	**659**	**-**	**123**	**-**

Development of credit risk costs[1]

As was to be expected based on the economic environment, 2020 shows a significant increase in credit risk costs to €398.2 million (2019: €34.7 million). While this increase mainly affected the performing portfolio in the first half of the year as a result of the COVID-19 induced parameter adjustments, expenses accelerated towards the end of the year, mainly for non-performing loans.
In the 2020 results, Stage 1 and Stage 2 risk costs are reflected at €95.6 million (2019: surplus of €4.6 million). The Privatkunden segment accounts for by far the largest share of this increase. Stage 3 valuation allowances reached €302.6 million in 2020.
(2019: €39.3 million). With only a small contribution from the Privatkunden segment, the Unternehmerbank and Corporate & Investment Banking segments are the main contributors to this, in roughly equal proportions.

Further details on the segments:
The cost of risk in the Unternehmerbank segment increased to €171.9 million (2019: €54.5 million), €149.6 million of which was attributable to non-performing loans (2019: €40.0 million). Risk provisions for Corporate & Investment Banking amounted to €153.6 million (2019: surplus €6.1 million) with a share of €137.9 million for non-performing loans. In the Privatkundenbank segment, the cost of risk reached €78.0 million (after a surplus of €5.3 million in 2019), of which €16.5 million were attributable to non-performing loans. The Corporate Center segment continued to make a positive contribution of €5.3 million in 2020, following a surplus in 2019 (€8.4 million).

Non-performing loans

Bank Austria's lending volume fell from €64.6 billion (end of 2019) to €62.3 billion in the 2020 financial year (before deduction of risk provisions amounting to €1.4 billion). The non-performing volume increased moderately in the same period from €2.1 billion to €2.2 billion. The reason for this increase was the classification of a few larger positions as non-performing in Corporate & Investment Banking towards the end of the year. In the Unternehmerbank segment, the non-performing volume increased moderately, while it actually decreased in the Privatkundenbank segment. Influenced also by the decline in total volume, the share of non-performing loans increased from 3.2% to 3.5%.

In the non-performing portfolio, the level of allowances covered around 46.5% of the defaulted volume at the end of 2020 (2019: 50.4%). This year-on-year decline compared with 2019 affected all segments and resulted from write-downs of allowances on older cases and, in some cases, highly collateralised new NPL additions. In the Corporate & Investment segment, an increase in this ratio was most recently recorded again in the fourth quarter.

[1] The figures given in this chapter and in the following chapter on non-performing loans refer to the figures stated in the segment reporting (Part D of the Risk Report)

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COVID-19-induced moratoria and credit guarantees

In order to mitigate the economic impact of COVID-19 measures in the form of short-term operational or liquidity problems, Bank Austria granted its clients credit moratoria as well as loans secured with state guarantees.

The statutory credit moratoria (COVID-19 JuBG) are based on the "Guidelines on statutory moratoria and moratoria without legal form for loan payments against the background of the COVID-19 crisis" and the corresponding supplements ("EBA/GL/2020/02", "EBA/GL/2020/08", "EBA/GL/2020/15"). They concern the deferral of claims (repayment of capital and payment of interest due between 1 April 2020 and 31 January 2021) and apply to credit agreements with consumers and micro-enterprises concluded before 15 March 2020, provided that the resulting payment bottlenecks are due to the COVID-19 pandemic.

Furthermore, EBA-compliant "private credit moratoria" (moratoria without legal form) were granted. This was based on the agreement drawn up in September 2020 between a significant proportion of Austrian banks and the notification by the EBA. The focus was on customers who were not covered by the scope of application of the statutory credit moratoria, which essentially applies to corporates.
In addition to the EBA-compliant moratoria, there are also moratoria and facilitations that were granted independently of the statutory regulations.

Under the legal context, loans secured with state guarantees were granted in order to secure customer liquidity, whereby up to 100% of the loan is secured according to the specifications, depending on the guarantee scheme.

The following two tables show details of the moratoria provided by the Bank Austria Group in 2020 with a volume of €1.4 billion – of which the deferral had not yet been terminated for only €0.1 billion as at the reporting date 31 December 2020 – and guarantee loans with a volume of €0.4 billion.

COVID-19 Moratoria

	NUMBER OF OBLIGORS	GROSS BOOK VALUE (€ MILLION)	NET BOOK VALUE (€ MILLION)
EBA-compliant Moratoria [1]	**7,604**	**1,224**	**1,193**
of which: Households	7,223	729	713
of which: Non-financial corporations	365	434	418
Non EBA-compliant Moratoria	**257**	**201**	**187**
of which: Households	155	13	12
of which: Non-financial corporations	99	188	174

[1] "of which" positions show the most important categories, the rest are governments and other financial institutions

COVID-19 Loans and advances subject to guarantees

	NUMBER OF OBLIGORS	GROSS BOOK VALUE (€ MILLION)	NET BOOK VALUE (€ MILLION)	PUBLIC GUARANTEE RECEIVED IN THE CONTEXT OF COVID-19 CRISIS (€ MILLION)
Newly originated loans and advances subject to public guarantee schemes	**1,063**	**368**	**361**	**290**
of which: Households	449	24	24	22
of which: Non-financial corporations	612	344	337	268

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Credit risk strategy with particular regard to the changed framework conditions resulting from COVID-19

By defining and continuously adapting uniform COVID guidelines, the UniCredit Group has ensured that the relevant regulatory requirements and accounting guidelines are interpreted and handled in a sufficiently uniform manner within the Group despite the diversity of the respective moratoria in Europe. The UniCredit guidelines set out in particular the forbearance, Unlikely-to-Pay, rating process and credit granting process with the respective interdependencies with deferrals and additional financing, including details of what is to be observed from the start of the granting of measures until after they expire.

With regard to forbearance, the EBA facilitations related to general moratoria, i.e. legal and sectorial moratoria, have been taken into account. This means that for the measures being subject to these facilitations, the test of whether a customer is in financial difficulty (Troubled Debt Tests – TDT) is targeted at the point in time before COVID-19, i.e. the end of February 2020, while for other measures, the point in time at which the respective measure is granted is used. The notch downgrades previously provided for in the respective rating models in connection with concessions to customers continued to be taken into account during COVID-19, which led to corresponding rating downgrades as a result of the measures. In order to support operations in granting the COVID measures, a set of criteria was also defined to provide guidance on the implementation of the TDT despite the higher number of concessions resulting from COVID-19 (e.g. the occurrence of certain warning signals, guidance on customer ratings, the use of a tool to assist in estimating the liquidity needs of corporate customers). The definition of the criteria was adapted to the respective segments and is therefore correspondingly more complex to handle in the Unternehmerbank and in the CIB area than in the Privatkundenbank. With regard to UTP, the specifications of the UniCredit Group were adopted; with regard to moratoria, a UTP review is not only to be performed in the event of a positive TDT test, but is also specifically triggered during or at the end of moratoria in accordance with regulatory requirements. Overall, the Group's requirements were complemented and supported by local technical and substantive initiatives, the Bank's management was involved in each case, decided on the respective rules and processes, and was informed of the respective developments in a timely manner through ongoing reports.

In terms of technology and processes, one key adjustment was to ensure that the COVID measures granted are stored centrally in the system that is also used for customer ratings, forbearance and default detection. This enables ongoing analysis as well as consistent intensified reporting in downstream steps. A special focus is placed on both deferred existing loans and COVID-induced new loans, which are often covered by government guarantee programmes. Another focus is placed on the ongoing monitoring and care of borrowers in the most affected industries, such as tourism, automotive or trade.

Regarding rating process, additional monthly monitoring has been introduced to ensure that the deferrals granted do not lead to paradoxical rating enhancements through the application of behavioral scoring models. In fact, no material effect was identified for Bank Austria rating models in this regard. Some of the local IRB models also provide for significant notch downgrades in connection with deferrals.

On the operational credit risk side, there has been close cross-divisional cooperation since the beginning of the crisis. With regard to the granting of COVID-19-induced measures, clear criteria have been defined. In the case of supplementary financing, efforts are being made to give priority to risk-minimizing government guarantee programmes. Beyond the issue of granting COVID measures, sales colleagues from the credit risk area are involved accordingly as a "first line of defense". There is joint proactive and recurring screening of loan portfolios with increased customer contact, appropriately coordinated across the board and accompanied by the ongoing adjustment of lending guidelines. The focus of the initiatives is deliberately on existing customers; the specifications for onboarding new customers are deliberately kept very conservative in this phase. In the Unternehmerbank, existing customers were already selected at the beginning of the crisis in order to proactively survey them regarding the expected business impact and related measures. In the Privatkundenbank, monthly analyses/reports were prepared on the entire small business portfolio with regard to developments in the liquidity situation and other anomalies. Furthermore, additional tools were developed in order to be able to map industry-specific expectations of customer-related liquidity and planning scenarios with regard to the economic impact. In Small Business, automatic *credit decision engines* were temporarily suspended as of April 2020 in order to be able to better take into account the special risks arising from COVID-19 when making individual credit decisions. To identify highly-affected customers at an early stage, industries have been classified into high, medium and low risk classes – depending on their respective specific COVID-19 exposure. This classification serves as a guideline for the distribution of risk appetite among the individual industries in the credit portfolio. In addition, specific warning signals were implemented for the early identification of potential risks, and monitoring activities were intensified as a result. To ensure the appropriate involvement of management, a weekly *push-up meeting* was set up at an early stage of the crisis, involving the key stakeholders in relation to the COVID-19 crisis and therefore covering the relevant topics in sufficient breadth. Specifically, with regard to the credit process, this committee ensured a coordinated approach to end-2-end processing, also to reduce operational risks and report to management the current status of all measures.

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The COVID-specific adjustments are complemented by measures generally aimed at limiting the increase in the non-performing portfolio, such as the ongoing evaluation of the sale of non-performing loans and the timely write-off of uncollectible receivables. The monitoring and control mechanisms (implementation of specific KPIs, optimised management reporting), risk processes (lending, monitoring including annual value verification of real estate collateral, early detection of problem loans, granting of sustainable forbearance measures, credit restructuring) and the general risk culture in sales are continuously developed.

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 realized, 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).

Credit risk stress testing

Credit risk stress tests are an essential component of Pillar 1 and Pillar 2 stress tests (which analyze 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 analyzed with regard to the respective loan portfolio. Results are reported in detail for relevant sub-portfolios, in particular the CHF portfolio in the Privatkundenbank.

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 unit completes the following tasks relevant to credit risk:
First, preparing and monitoring the risk-adequate pricing of loans. To ensure uniform pricing within the UniCredit Group, the risk-adjusted spread is calculated on the basis of multi-year default probabilities / PDs (depending on the term of the loan), added as a price component and monitored continuously. 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 unit is also responsible throughout Bank Austria for transactions to reduce credit risk and increase liquidity. The instruments available for these purposes include securitizations, CLNs and CDSs.

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Securitization transactions

Qualitative information
Bank Austria’s main objectives in its securitization transactions (whether traditional or synthetic) are the optimization 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, UniCredit Leasing (Austria) GmbH originated a traditional securitisation for funding purposes with auto and equipment receivables (“SUCCESS 2015”). Details of the transaction are set out in the following table.

The investments in third-party securitizations, i.e. structured credit products/ABS, were transferred to a separate portfolio whose management is aimed at maximizing future cash flows.

In line with the above management principles, risk monitoring and maximizing profit on securitisation transactions is achieved by:

- analyzing 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 securities;
- 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.

E – Risk report

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:	09.11.2015	
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 more senior risk transferred:	-	
Amount and Conditions of tranching:		
ISIN	XS1317727698	XS1317727938
Type of security	**Senior**	**Junior**
Class	A	B
Rating	AAA	-
Quotation	listed at Luxembourg Stock Exchange	not listed
Issue date	09.11.2015	09.11.2015
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	0 €	89,246,346 €
Security subscribers	European Investment Bank	UniCredit Leasing (Austria) GmbH

E – Risk report

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). 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 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 112% in 2020. 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 optimized 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 2020 stands at around 191.7% (2019: 132.7%).
Bank Austria AG as well as its individual institutions reported a comfortable liquidity position during the full year 2020, mainly due to lower credit demand and a significant increase in customer deposits as well as capital market activities.

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 analyzed 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 summarized 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 optimized and external funding is reduced to the necessary extent. The solid funding is based on a strong customer base, supplemented with capital market activities in a Pfandbrief (covered bond) 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 104% in each of these periods. The Net Stable Funding Ratio (NSFR) based on CRR2 must be held above this limit at the individual bank level. At the end of 2020, UniCredit Bank Austria AG a NSFR of 129% for the > 1-year segment (2019: 112%). 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 117% (2019: 118%) and 150% for the > 5-year segment (2019: 141%). 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.

For the purpose of short-term liquidity management, volume limit values have been implemented in Bank Austria at group level and at individual bank level for maturities 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 relevant subsidiary banks on a regular basis, using a standardized Group-wide instrument and standardized 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 behavior of non-banks. In addition to the existing set of scenarios, once a specific stress test was performed assuming a further increase in the drawing of credit lines against the backdrop of the current pandemic.

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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 different composition of the liquidity reserve compared to the previous year is mainly due to Bank Austria's participation in the ECB's TLTRO programme.

The following table shows the composition of **Bank Austria's liquidity reserve**:

(€ million)

COMPOSITION OF LIQUIDITY RESERVE (1)	31.12.2020	31.12.2019
Cash and balances with central banks	27,724	5,930
Level 1 assets	2,154	12,226
Level 2 assets	528	670
Other assets eligible as collateral for central bank borrowings	514	386
Liquidity reserve	**30,920**	**19,212**

1) The liquidity reserve contains only freely available assets; the minimum reserve obligation is not included; amounts are shown as fair value (incl. haircut).

A simulated name and market crisis with assumptions regarding the prolongation behavior 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 31.12.2020									
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	**34,211**	**269**	**2,069**	**1,685**	**3,528**	**2,407**	**4,001**	**24,037**	**37,868**	**13**
A.1 Government securities	-	-	-	25	62	6	1,131	7,048	3,634	-
A.2 Other debt securities	-	-	250	8	295	166	47	1,560	987	-
A.3 Units in investment funds	-	-	-	-	-	-	-	-	-	13
A.4 Loans	34,210	269	1,820	1,651	3,170	2,235	2,823	15,428	33,248	-
- Banks	28,964	136	1,035	302	1,131	971	668	188	590	-
- Customers	5,247	133	785	1,350	2,039	1,264	2,156	15,240	32,657	-
B. On-balance sheet liabilities	**58,696**	**325**	**1,123**	**650**	**3,500**	**1,528**	**1,960**	**23,310**	**9,822**	**148**
B.1. Deposits and current accounts	58,333	293	1,044	650	2,218	916	1,754	19,153	3,428	-
- Banks	4,154	124	396	426	43	139	112	18,163	3,109	-
- Customers	54,180	168	648	224	2,175	777	1,642	990	319	-
B.2 Debt securities	-	32	79	-	1,282	612	205	4,124	6,117	148
B.3 Other liabilities	363	-	-	-	-	-	-	32	277	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with capital swap										
- Long positions	-	10	11	110	47	15	146	146	129	-
- Short positions	-	10	11	110	47	15	146	146	129	-
C.2 Financial derivatives without capital swap										
- Long positions	19	103	1	43	116	134	889	3,655	3,824	-
- Short positions	19	103	1	43	116	134	889	3,655	3,824	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- Long positions	17,639	3	14	97	324	976	1,115	7,844	2,284	-
- Short positions	17,603	3	14	97	324	976	1,115	7,844	2,284	-
C.5 Financial guarantees given	54	-	-	7	19	76	54	172	245	-
C.6 Financial guarantees received	3,127	2	50	61	78	276	181	2,272	5,054	-
C.7 Credit derivatives with capital swap										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital swap										
- Long positions	-	-	-	-	-	-	-	50	10	-
- Short positions	-	-	-	-	-	-	-	50	10	-

E – Risk report

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	-

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 be successfully active in the benchmark format on the capital market during 2020. Furthermore, the funding base was significantly strengthened by the participation in the ECB's TLTRO III programme to the amount of €15.4 billion in the first half of the year. In addition, the bank issued bail-in eligible instruments in 2020 in order to comply with the "MREL requirements"; specifically, €1.5 billion senior non-preferred issues were placed with UniCredit S.p.A.

E – Risk report

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, analyzed by the independent risk management unit and compared with the risk limits set by the Management Board and the committees (including the Market Committee 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. The existing positions in Bank Austria are largely attributable to the banking book; trading book activities were primarily driven by XVA hedges. In addition to the trading book and banking book, which are relevant from a regulatory aspect, a new focus was placed on the accounting categories for internal management purposes and a distinction was made between PL (profit and loss, i.e. affecting the income statement) and OCI (other comprehensive income, i.e. affecting capital).
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. 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. Besides Value at Risk (VaR), other factors of equal importance are stress-oriented sensitivity and position limits. 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)[3] . A separate GML framework was established for XVA hedging activities.

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.

It is applied by Market & Liquidity Risk within Bank Austria and is being further developed in cooperation with UniCredit Group. 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.

[2] IRC (incremental risk charge) forms the migration and default risks for a defined period and a defined 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

E – Risk report

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[4] 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 month, 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 analyzes 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 centers 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). In 2020, as part of the AVA calculation, an increase of the aggregation factor from 50% to 66% was taken into account in the "Core Approach". The change of the aggregation factor was facilitated by the adapted Regulatory Technical Standard for "Prudent Valuation".

Market risk

The VaR for the trading book amounted to €0.6 million at year-end (year-end 2019: €0.6 million). The SVaR for the regulatory trading book was €1.1 million at the end of 2020 (year-end 2019: €0.9 million). Credit spread risk, FX 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.

[4] Internal Model for Market Risk according to Regulation (EU) No 575/2013 (CRR)

E – Risk report

As of 31 December 2020, 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, 2020 **)

(in €) Granular Market Limits Warning Level

		31.12.2020						ANNUAL AVERAGE 2020, MINIMUM/MAXIMUM		
		0 TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 3 YEARS	3 TO 10 YEARS	OVER 10 YEARS	TOTAL	MAXIMUM	MINIMUM	ABSOLUTE AVERAGE *)
Europe	EUR	(47,097)	(54,411)	143,745	2,211,784	1,247,617	3,501,639	3,501,639	503,510	1,665,528
	CHF	60,103	(7,820)	(50,094)	(681,319)	(538,247)	(1,217,377)	(980,645)	(1,458,730)	1,183,839
	GBP	(527)	206	(7,140)	(1,878)	-	(9,339)	3,646	(9,462)	5,552
New EU countries	BGN	(79)	(994)	(495)	-	-	(1,568)	(593)	(5,180)	1,790
	HUF	(283)	4	-	-	-	(279)	(52)	(2,173)	1,018
	PLN	894	211	(1,260)	-	-	(156)	22,435	(2,241)	2,497
	RON	(663)	(1,211)	(558)	-	-	(2,432)	(2,432)	(11,078)	8,477
Central and Eastern Europe, incl. Turkey	RUB	(109)	(7)	(4)	-	-	(120)	(1)	(2,048)	259
	TRY	(47)	(29)	46	-	-	(31)	20	(48)	18
Overseas – developed	USD	(14,739)	(3,859)	(7,617)	104,317	904	79,005	99,583	(1,546)	65,235
	JPY	2,701	(3,782)	6,309	(20,520)	(14,214)	(29,506)	(29,506)	(42,644)	35,675
Other countries	CNH	-	-	-	-	-	-	-	(1)	-
	BPV < 500	263	433	207	(128)	-	776	6,367	(4,759)	2,818
TOTAL		**418**	**(71,259)**	**83,139**	**1,612,257**	**696,059**	**2,320,614**	**2,320,614**	**(708,885)**	**675,323**

*) 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, 2019 **)

(in €) Granular Market Limits Warning Level

		31.12.2019						ANNUAL AVERAGE 2019, MINIMUM/MAXIMUM		
		0 TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 3 YEARS	3 TO 10 YEARS	OVER 10 YEARS	TOTAL	MAXIMUM	MINIMUM	ABSOLUTE AVERAGE *)
Europe	EUR	(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 – developed	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.

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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.

Credit spread basis-point values (CPVs) of Bank Austria in 2020 *)

(in €)

CPVs	SECTOR	31.12.2019	31.12.2020	MAXIMUM	MINIMUM	AVERAGE
Main sectors	ABS	(52.128)	(24.097)	(9.188)	(51.485)	(38.306)
	Financial	(656.730)	(772.591)	(717.001)	(791.691)	(746.518)
Corporates	Industrial	-	-	-	-	-
	Consumer non-cyclical	(2.921)	(1.664)	(1.664)	(2.831)	(2.267)
	Other	(23.719)	(18.365)	(18.365)	(99.281)	(27.343)
Government	Europe	(3.671.016)	(3.965.478)	(3.191.062)	(4.072.088)	(3.697.402)
	Other	(786.347)	(1.086.535)	(777.407)	(1.130.854)	(970.868)
TOTAL 2020		**(5.192.861)**	**(5.868.729)**	**(4.867.367)**	**(6.026.273)**	**(5.482.703)**

*) 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 2020 was on average between -€4.9 million and -€6.0 million

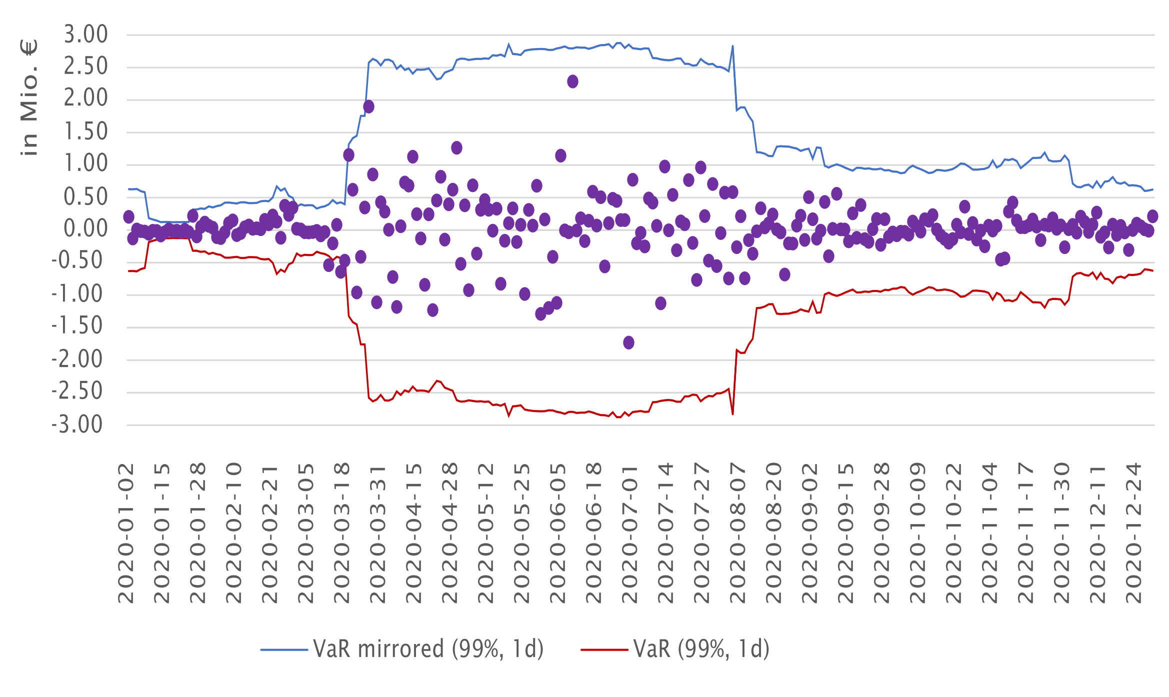
Overall, government bonds and treasury-near instruments continue to account for the largest part of the credit spread positions. The exposure in financials and corporates is very low by comparison.

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 2020, the number of backtesting excesses (negative change in value larger than model result) for Bank Austria in both P/L dimensions was equal to 0, thus the add-on factor for the VaR multiplier for the number of excesses is equal to 0. In 2020, COVID legislation was considered with respect to the determination of backtesting overruns. According to Article 500c of the CRR "Quick-Fix", backtesting breaches identified between 1 January 2020 and 31 December 2021 that are not due to model weakness but to increased volatility as a result of the pandemic, can be excluded from the calculation of the multiplier.

The chart below shows the hypothetical P/L backtesting time series for Bank Austria's regulatory trading book; the hypothetical P/L is based on hypothetical changes in the portfolio value assuming unchanged positions.

Backtesting time series for the regulatory trading book of Bank Austria, 2020



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 3.25 (based on 3 plus a 0.25 qualitative add-on; the current quantitative add-on is 0) in respect of the Value-at-Risk figures, which is used in determining the capital requirement for market risk. The Qualitative Addend was set uniformly across the Group at 0.25 in November 2020 in accordance with a horizontal analysis by the ECB UniCredit following TRIM.

As of 31 December 2020, the following capital requirements resulted for Bank Austria in connection with Value at Risk (VaR), stressed VaR (SVaR) and incremental risk charge (IRC):

- VaR: €9.3 million (€6.8 million year-end 2019)
- SVaR: €18.0 million (€8.6 million year-end 2019)
- IRC: €0.04 million (€0.01 million year-end 2019)

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 optimized.

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. In addition, prepayments were also taken into account for fixed loans in the Privatkunden sector by means of historical time series analyses.

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").

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The low and sustained negative interest rate level in the Group's main currencies had a negative impact on the interest margin. Taking into account the current pricing of loans, the simulation calculations show a 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.

At the end of 2020, a negative 2% interest-rate shock uses approximately 1.52% (2019: 5.23%) of the Group's chargeable equity. This means that the figure for Bank Austria is far below the outlier level of 20%. In addition, the rest – based on the worst of 6 prescribed EBA interest rate shocks – 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 Hedging derivatives: end-of-period notional amounts

(€ million)

	AMOUNTS AS AT 31.12.2020				AMOUNTS AS AT 31.12.2019			
	OVER THE COUNTER				OVER THE COUNTER			
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES		
UNDERLYING ACTIVITIES/TYPE OF DERIVATIVES	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	**19**	**87,954**	**-**	**-**	**-**	**90,343**	**-**	**-**
a) Options	-	2,286	-	-	-	2,315	-	-
b) Swap	19	85,668	-	-	-	88,028	-	-
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	**40**	**5,114**	**-**	**-**	**-**	**3,556**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	40	5,114	-	-	-	3,556	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**59**	**93,068**	**-**	**-**	**-**	**93,899**	**-**	**-**

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A.2 Hedging derivatives: positive and negative gross fair value - breakdown by product

(€ million)

TYPE OF DERIVATIVES	AMOUNT AS AT 31.12.2020				AMOUNT AS AT 31.12.2019				AMOUNT AS AT 31.12.2020	AMOUNT AS AT 31.12.2019
	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				
	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	-	63	-	-	-	38	-	-	-	-
b) Interest rate swap	-	1,750	-	-	-	1,711	-	-	-	-
c) Cross currency swap	-	152	-	-	-	45	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	29	-	-	-	23	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**1,994**	**-**	**-**	**-**	**1,817**	**-**	**-**	**-**	**-**
2. Negative fair value										
a) Options	-	68	-	-	-	53	-	-	-	-
b) Interest rate swap	-	1,844	-	-	-	1,703	-	-	-	-
c) Cross currency swap	-	38	-	-	-	40	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	26	-	-	-	22	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**1,976**	**-**	**-**	**-**	**1,819**	**-**	**-**	**-**	**-**

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A.3 OTC hedging derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

	AMOUNTS AS AT 31.12.2020			
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	19	87,566	-	389
- Positive fair value	-	1,962	-	4
- Negative fair value	-	1,856	-	95
2) Equity instruments and stock indexes				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
3) Gold and currencies				
- Notional amount	40	5,114	-	-
- Positive fair value	-	29	-	-
- Negative fair value	-	26	-	-
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 hedging derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

UNDERLYING ACTIVITIES	AMOUNTS AS AT 31.12.2019 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.4 OTC 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	31,871	27,231	28,872	87,974
A.2 Financial derivative contracts on equity securities and stock indexes	-	-	-	-
A.3 Financial derivative contracts on exchange rates and gold	5,150	4	-	5,154
A.4 Financial derivative contracts on other values	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31.12.2020	**37,021**	**27,234**	**28,872**	**93,127**
Total 31.12.2019	**31,405**	**31,385**	**31,109**	**93,899**

Micro hedging and macro hedging: breakdown by hedged item and risk type

(€ million)

	AMOUNT AS AT 31.12.2020	
	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	**5**	**-**
1.2.1 Interest rate	5	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. Liabilities		
2.1 Financial liabilities measured at amortised costs	**706**	**-**
2.1.1 Interest rate	706	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. Liabilities	**-**	**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) Portfolio - Assets	**X**	**748**
E) Portfolio - Liabilities	**X**	**477**

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 31.12.2019	
	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. Liabilities		
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. Liabilities	**-**	**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) Portfolio - Assets	**X**	**811**
E) Portfolio - Liabilities	**X**	**425**

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A.1 Trading financial derivatives: end-of-period notional amounts

(€ million)

UNDERLYING ACTIVITIES/TYPE OF DERIVATIVES	AMOUNTS AS AT 31.12.2020				AMOUNTS AS AT 31.12.2019			
	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	**-**	**31,037**	**3,963**	**-**	**-**	**28,813**	**4,065**	**-**
a) Options	-	2,915	516	-	-	3,155	368	-
b) Swap	-	28,054	3,447	-	-	25,658	3,697	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	68	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and stock indexes	**-**	**705**	**705**	**-**	**-**	**1,425**	**700**	**-**
a) Options	-	705	705	-	-	1,425	700	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Gold and currencies	**-**	**9,606**	**501**	**-**	**-**	**11,895**	**1,475**	**-**
a) Options	-	1,930	72	-	-	1,121	18	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	7,676	429	-	-	10,774	1,457	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**378**	**9**	**-**	**-**	**818**	**28**	**-**
5. Other	**-**	**79**	**82**	**-**	**-**	**142**	**82**	**-**
Total	**-**	**41,805**	**5,260**	**-**	**-**	**43,094**	**6,350**	**-**

A.2 Trading financial derivatives: positive and negative gross fair value - breakdown by product

(€ million)

TYPE OF DERIVATIVES	AMOUNTS AS AT 31.12.2020				AMOUNTS AS AT 31.12.2019			
	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	-	109	7	-	-	117	6	-
b) Interest rate swap	-	666	110	-	-	565	97	-
c) Cross currency swap	-	142	13	-	-	78	1	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	154	3	-	-	141	11	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**1,071**	**133**	**-**	**-**	**900**	**115**	**-**
2. Negative fair value								
a) Options	-	62	56	-	-	63	60	-
b) Interest rate swap	-	810	24	-	-	680	25	-
c) Cross currency swap	-	158	-	-	-	83	2	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	147	7	-	-	146	5	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**1,176**	**87**	**-**	**-**	**972**	**92**	**-**

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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 31.12.2020 CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
Contracts not included in netting agreement				
1) Debt securities and interest rate indexes				
- Notional amount	X	-	360	3,603
- Positive fair value	X	-	4	121
- Negative fair value	X	-	-	25
2) Equity instruments and stock indexes				
- Notional amount	X	-	85	620
- Positive fair value	X	-	-	3
- Negative fair value	X	-	3	51
3) Gold and currencies				
- Notional amount	X	46	49	405
- Positive fair value	X	-	-	4
- Negative fair value	X	-	-	7
4) Commodities				
- Notional amount	X	-	-	9
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	1
5) Other				
- Notional amount	X	1	-	81
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	1
Contracts included in netting agreement				
1) Debt securities and interest rate indexes				
- Notional amount	-	18,680	400	11,957
- Positive fair value	-	132	17	668
- Negative fair value	-	895	6	79
2) Equity instruments and stock indexes				
- Notional amount	-	705	-	-
- Positive fair value	-	54	-	-
- Negative fair value	-	3	-	-
3) Gold and currencies				
- Notional amount	-	5,085	653	3,868
- Positive fair value	-	116	3	56
- Negative fair value	-	63	11	95
4) Commodities				
- Notional amount	-	194	-	184
- Positive fair value	-	14	-	11
- Negative fair value	-	11	-	13
5) Other				
- Notional amount	-	79	-	-
- Positive fair value	-	1	-	-
- Negative fair value	-	-	-	-

A.3 OTC trading financial derivatives: notional amounts, positive and negative gross fair value by counterparty 2019

(€ 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	-	-	-	-

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	2,552	17,649	14,798	34,999
A.2 Financial derivative contracts on equity securities and stock indexes	23	1,164	224	1,411
A.3 Financial derivative contracts on exchange rates and hold	7,714	2,393	-	10,106
A.4 Financial derivative contracts on other values	376	11	-	387
A.5 Other financial derivatives	-	63	98	161
Total 31.12.2020	**10,665**	**21,280**	**15,121**	**47,065**
Total 31.12.2019	**16,542**	**16,324**	**16,578**	**49,444**

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 31.12.2020	**-**	**-**
Total 31.12.2019	**-**	**-**
2. Protection seller's contracts		
a) Credit default products	60	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total 31.12.2020	**60**	**-**
Total 31.12.2019	**69**	**-**

B.3 OTC trading credit derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

	AMOUNTS AS AT 31.12.2020			
	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	-	60	-	-
- 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 31.12.2019			
	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	-	-	-	-

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	-	50	10	60
2. Protection seller's contracts	-	-	-	-
Total 31.12.2020	**-**	**50**	**10**	**60**
Total 31.12.2019	**9**	**50**	**10**	**69**

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E.6 – Currency risk

Assets and liabilities in foreign currency 2020

(€ million)

ITEMS	31.12.2020					
	USD	GBP	YEN	CAD	CHF	OTHER
A. Financial assets	**2,946**	**499**	**800**	**43**	**6,502**	**747**
A.1 Debt securities	682	8	620	-	-	94
A.2 Equity securities	-	-	-	-	-	-
A.3 Loans to banks	228	6	5	2	1,910	402
A.4 Loans to customers	2,030	485	174	41	4,592	252
A.5 Other financial assets	6	-	-	-	-	-
B. Other assets	**1**	**-**	**-**	**-**	**-**	**-**
C. Financial liabilities	**3,535**	**483**	**94**	**65**	**104**	**518**
C.1 Deposits from banks	1,279	360	3	33	21	260
C.2 Deposits from customers	2,154	123	30	32	83	248
C.3 Debt securities in issue	102	-	61	-	-	10
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**2**	**-**	**-**	**-**	**2**	**-**

Assets and liabilities in foreign currency 2019

(€ 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**	**-**

CHF risk

As in previous years, the reduction of CHF loans continued in 2020. Loans and receivables with customers reduced by around a further €0.8 billion in consideration of the net volume (after impairments) and reduced from €5.4 billion to €4.6 billion. Approximately 2.4% thereof was classified as non-performing. The majority of the loans and receivables come from the segment Privatkundenbank, to which 91% of the CHF volume is allocated.

Other currency risks

Customer loans in other currencies (exclusive CHF) amounted to €3.0 billion as at 31 December 2020 (2019: €4.1 billion), a large part of which were loans in USD (primarily to customers in the Corporate & Investment Banking segment).

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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 standardized 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 products (some of them exotic) are taken into account with an add-on factor approach (depending on volatility and maturity).
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.

The counterparty risk model is constantly being improved. Since 2019, the basis for generating the scenarios for internal risk management has been changed over from historical fluctuations to market-implicit volatilities. The resulting material model change with regard to the calculation of capital adequacy has been submitted to the ECB and is expected to be applied for regulatory purposes as of 2021.

In preparation for the new Basel 4/CRR 2 regulations, a project was also initiated in 2020 to implement the new standard approach for counterparty credit risk (SA-CCR) in the bank’s internal risk systems in order to meet the legal requirements as of June 2021. The SA-CCR will be used for the calculation of regulatory capital requirements for those transactions that are not captured in the internal counterparty risk model by means of a Monte Carlo simulation (e.g. exchange derivatives or securities transactions).

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).

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Moreover, country risk is calculated and reported separately for external and internal country risk.

Line utilisation for trading business is available in real time 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 2020, UniCredit Bank Austria AG implemented a new online trading platform (UCTrader/ExCEED) which enables our customers to conclude derivatives transactions in real time. In the course of the project, the relevant risk checks were implemented enabling, for example, an online real-time review and compliance with pre-settlement and settlement risk limits.

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 and, since 2020, also a clearing member of the LCH SA clearing institution in Paris. Furthermore, UniCredit Bank Austria AG clears repurchase agreements at EUREX Clearing AG, the central counterparty.

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: €1,877 million (previous year: €2,455 million)

The total exposure at the end of 2020 can also be split into the following sectors:

Exposure by sector

(€ million)

SECTOR	2020	2019
Industry and trade	855	775
Financial services sector	297	594
Real estate	473	402
Energy	77	262
Public sector	51	41
Central Clearing Counterparts (CCP)	123	381
TOTAL	**1,877**	**2,455**

Exposure by rating class

(€ million)

RATING CLASS	2020	2019
1	278	293
2	226	1,478
3	729	202
4	345	231
5	144	135
6	123	99
7	13	9
8	2	3
9	18	6
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)

	31.12.2020			31.12.2019		
COUNTRY/PORTFOLIO	NOMINAL VALUE	BOOK VALUE	FAIR VALUE	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
Austria	**4,076**	**4,447**	**4,452**	**4,972**	**5,435**	**5,439**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	60	82	82	60	77	77
Fair value through other comprehensive income	3,975	4,324	4,324	4,819	5,264	5,264
Financial assets at amortised cost	41	41	46	93	94	98
Designated at fair value through profit or loss	-	-	-	-	-	-
Spain	**3,172**	**3,424**	**3,434**	**3,862**	**4,213**	**4,214**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	2,369	2,582	2,582	3,854	4,205	4,205
Financial assets at amortised cost	803	842	852	8	8	9
Designated at fair value through profit or loss	-	-	-	-	-	-
Italy	**620**	**696**	**696**	**770**	**864**	**864**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	620	696	696	770	864	864
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-

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COUNTRY/PORTFOLIO	31.12.2020 NOMINAL VALUE	31.12.2020 BOOK VALUE	31.12.2020 FAIR VALUE	31.12.2019 NOMINAL VALUE	31.12.2019 BOOK VALUE	31.12.2019 FAIR VALUE
Luxembourg	**-**	**-**	**-**	**-**	**-**	**-**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	-	-	-	-	-	-
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Japan	**617**	**620**	**620**	**640**	**645**	**645**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	617	620	620	640	645	645
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Poland	**385**	**423**	**423**	**434**	**481**	**481**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	349	386	386	434	481	481
Financial assets at amortised cost	36	36	37	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
France	**147**	**164**	**164**	**-**	**-**	**-**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	41	40	40	-	-	-
Financial assets at amortised cost	6	6	6	-	-	-
Designated at fair value through profit or loss	100	117	117	-	-	-

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COUNTRY/PORTFOLIO	31.12.2020 NOMINAL VALUE	31.12.2020 BOOK VALUE	31.12.2020 FAIR VALUE	31.12.2019 NOMINAL VALUE	31.12.2019 BOOK VALUE	31.12.2019 FAIR VALUE
Romania	**233**	**261**	**261**	**165**	**182**	**182**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	233	261	261	165	182	182
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Belgium	**169**	**187**	**187**	**115**	**124**	**124**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	169	187	187	115	124	124
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Other Countries	**1,695**	**1,685**	**1,687**	**1,359**	**1,319**	**1,319**
Held for trading (Net exposures)	115	-	-	115	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	1,484	1,588	1,588	1,243	1,319	1,319
Financial assets at amortised cost	96	97	99	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
TOTAL	**11,114**	**11,906**	**11,924**	**12,317**	**13,262**	**13,267**

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Breakdown of sovereign debt securities by portfolio

(€ million)

	31.12.2020					
	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	-	82	10,685	1,022	117	11,906
Total portfolio of debt securities	-	94	12,797	2,211	117	15,220
% Portfolio	96.74%	86.92%	83.49%	46.23%	99.91%	78.23%
	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
d% Portfolio	100.00%	86.06%	88.17%	9.23%	0.00%	82.70%

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

Breakdown of sovereign loans by country

(€ million)

COUNTRY	31.12.2020	31.12.2019
Austria	5,313	5,947
Indonesia	155	174
Gabun	104	118
Angola	85	95
Ghana	86	91
Laos	90	105
Philippines	62	73
Vietnam	66	69
Sri Lanka	91	87
Honduras	51	56
Bosnia and Herzegovina	19	22
Serbia	-	-
Other	401	389
TOTAL SOVEREIGN LOANS	**6,523**	**7,225**

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 the 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. Bank Austria is a large subsidiary pursuant to Article 13 of the CRR and, for the 2020 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), liquidity coverage requirements (Article 451a 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 About Us/Investors /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 optimized, 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-signature principle, and a large number of monitoring and control processes as well as staff training programmes have been implemented among other measures. Raising awareness of operational risks plays a particularly important role and is supported by a variety of measures such as "tone from the top" mailings from the Management Board, training courses for managers and mandatory online training.

UniCredit Bank Austria AG has built up a decentralized operational risk management framework in the form of OpRisk representatives (so-called Decentralized OpRisk & RepRisk Managers" (DORRM) for all relevant company divisions – in addition to central operational risk management. The central OpRisk & RepRisk function of UniCredit Bank Austria AG was assigned directly to the Chief Risk Officer as a staff position in 2018. In 2020, to strengthen the "first line of defense" in sales, the Business Operational Excellence department was established. As in UniCredit Bank Austria AG, there are also responsible OpRisk managers or contact persons in all relevant subsidiaries of the UniCredit Bank Austria AG Group.

While the main task of central risk management is to define the methods used and to perform risk measurement and analysis, decentralized risk managers are responsible for taking measures to reduce, prevent, or take out insurance against risks. The central OpRisk Management is responsible for monitoring the adequacy of risk handling measures as part of the "2nd level controls".

Activities in 2020 focused on:
- Risk assessment of emergency process changes made as a result of the COVID-19 pandemic. Participation in a task force established for this purpose.
- Integrating the OpRisk & RepRisk strategy issues of 2020 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-minimizing 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 of OpRisk exposure using key figures that are part of the Risk Appetite Framework (ELOR – Expected Loss on Budget Revenues; ICT Risk Metric).

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- Carrying out and expanding the annual OpRisk ICT assessment process for critical business processes at UniCredit Bank Austria AG; implementation of 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.
- Raising awareness of OpRisk topics through various training courses for different target groups and by adapting the 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.
- Conducting focus analyses on various OpRisk-relevant topics, also triggered by relevant external OpRisk incidents, e.g.: Internal Fraud, External Fraud in the credit business (also in the context of COVID-19 moratoria), document filing process.
- Performing a Risk & Control Self-Assessment (RCSA) for relevant company processes of UniCredit Bank Austria AG, as well as an OpRisk survey of all directly reporting subsidiaries.
- Increased focus on a unified approach to managing subsidiaries.
- Implementation of ICT Project Risk Assessments for all new ICT projects.
- Implementation of standardized OpRisk Assessments for all relevant process changes initiated by the respective process owner.

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 decentralized 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. Together with other areas such as Identity & Communications, Compliance, Legal, Complaint Management, Customer Satisfaction & Stakeholder Insight etc., the central risk unit is responsible for managing the reputation of UniCredit Bank Austria AG.

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
- Report on RepRisk Assessments which were analyzed in the context of the new product process.
- Information on accepting new RepRisk policies
- Relevant reports on UniCredit Bank Austria AG
- RepRisk status of AMA subsidiaries
- Other issues affecting the reputation of the bank

In 2020, Reputation Risk-related activities focused on continued support to subsidiaries for further implementation and expansion of structures, RepRisk policies and training. In the past year, new RepRisk rulebooks were rolled out that govern how to deal with specific industry sectors. Another focus was on raising Reputational Risk Management awareness through training activities at UniCredit Bank Austria AG and its subsidiaries. Reporting in the Operational & Reputational Risk Committee was expanded to include some reputational risk topics, and further refinements are planned in this regard.

E – Risk report

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 behavior, 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 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.

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 uncovered in December 2008.

Civil law procedures in Austria

Investors in the Primeo and Herald Madoff Feeder Funds have filed numerous civil suits, 12 of which are still open, with interest amounting to €5.15 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 issued twenty-seven legally binding rulings with regard to the prospectus liability claims asserted in the proceedings. Regarding the proceedings concerning the Primeo Feeder funds, seventeen final decisions of the Austrian Supreme Court were taken in favor of UCBA. In two proceedings, the Supreme Court rejected UCBA's extraordinary appeal and therefore made the decision of the Court of Appeal, which had been issued in favor 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 favor of UCBA and three times in favor of the plaintiffs. In a prospectus liability case where investments were made in Primeo and Herald, the Supreme Court ruled in favor 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 favor of UCBA.

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

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

Criminal proceedings in Austria

The UCBA was accused in a criminal case in Austria of suspected violation of InvFG regulations, as well as allegations of fraud and infidelity in connection with the Madoff case. The prosecution case against UCBA and all accused persons was closed in November 2019. Private parties, on the other hand, have submitted requests for continuation; 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 for the liquidation of BLMIS as well as other actions against dozens of defendants, including HSBC, UniCredit S.p.A., UCBA and certain affiliates, to a United States Federal Court (the "HSBC Proceedings").

In the HSBC Proceedings, the SIPA Trustee filed civil claims and avoidance claims (also known as “clawback claims”) worth several billion US dollars. The civil claims were dismissed in 2011 and no further appeals are pending against this decision. In 2015, the SIPA Trustee dropped the avoidance claims against UniCredit S.p.A and the Alternative Investments Division of Pioneer (“PAI”) in the HSBC Proceedings, waiving the claims, as well as the avoidance claims against 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 appealed against the dismissal of the claims. In February 2019, the Court of Appeal annulled the decision of the Bankruptcy Court of 22 November 2016 and ruled that the SIPA trustee could recover the transfers of funds by BLMIS to BAWFM and other similar parties before their insolvency. BAWFM and other defendants requested a new hearing before the Court of Appeals by an "en banc" committee (then by all judges). The Court of Appeal rejected that request in April 2019. At the defendant's request, the Court of Appeal paused the proceedings so as to prevent the procedure continuing during the appeal process at the Supreme Court. BAWFM and the other defendants submitted a review on 30 August 2019. On 1 June 2020, the Supreme Court rejected this revision. The case was then referred back to the Bankruptcy Court for further proceedings. There is no substantial potential claim for damages. Certain current or former related persons named as defendants in the HSBC Proceedings may be granted rights to indemnification by UniCredit S.p.A. and its affiliates.

Possible ramifications

In addition to the aforementioned proceedings and investigations against UCBA, its affiliates and some of their employees and former employees in connection with the Madoff case, additional actions may be brought in connection with this case in the future in the United States, Austria or other countries. Such possible future actions could be brought against UCBA, its affiliates and their employees and former employees. The pending proceedings and possible future actions may 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 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, in fewer cases, also on flawed investment advice provided by the banks that sold the bonds to their customers. Investors have filed civil proceedings, including subpoenas for three class actions by the Federal Chamber of Labour (with claims amounting to some €20.26 million), in which UCBA is named as a defendant in addition to other banks. The significant cause of action is the prospectus liability. These civil proceedings are predominantly still pending at first instance. To date, no legally binding decisions have been issued by the Supreme Court against UCBA concerning prospectus liability. In addition to the aforementioned proceedings against UCBA, further actions against UCBA have been threatened in connection with Alpine bankruptcy, which could be brought in the future. Pending or future actions may negatively affect 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.

E.13.3 Proceedings from export financing

UCBA signed a credit agreement as a lender. With this loan agreement, the financing of three industrial machines was regulated under the cover of one guarantor. The financing of the purchase of the relevant machines was provided in two tranches according to the credit agreement. For the purchase of the relevant machines, the borrower concluded two separate purchase agreements with the exporter, whereby the purchase of one of the machines did not occur at the request of the borrower. Nor has the amount of credit in this respect been paid out.

The first tranche was paid out and the machines were also bought and installed; the borrower is in default with instalments. The UCBA has therefore terminated the loan agreement due to default in payment and has requested that the borrower 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. In this regard, the borrower has filed an arbitration claim with the Vienna International Arbitral Centre. The claims asserted appear to be insubstantial and there is an overwhelming opportunity to win the case on that basis. The arbitration hearing has already taken place and the arbitral award is expected in the near future.

In the current arbitration proceedings, UCBA has filed a counterclaim for the outstanding loan amount, the chances of success of which are estimated at over 90%.

The legal costs are difficult to estimate, and provisions have been set up at an appropriate level with regard to the arbitration action.

E.13.4 Valauret S.A.

In 2001, plaintiffs Valauret S. A. and Hughes de Lasteyrie du Saillant acquired shares in the French company Rhodia S. A. The plaintiffs allege that they suffered losses as a result of a decline in the Rhodia share price between 2002 and 2003.

In 2004, the plaintiffs lodged an action for damages against the Board of Directors, the auditors and Aventis S. A. (the supposed majority shareholder of Rhodia S. A.). They subsequently extended their claim to include other parties – a total of 14 defendants – including UniCredit Bank Austria AG as the legal successor of Creditanstalt AG, against which an action was filed towards the end of 2007. The plaintiffs claim that Creditanstalt AG was involved in the above-mentioned alleged fraudulent acts.

According to UniCredit Bank Austria AG, the allegation of Creditanstalt AG's involvement in fraudulent activity is wholly without foundation. The civil proceedings were suspended following the initiation of criminal proceedings in 2006, even before the action was extended to include UniCredit Bank Austria AG. In December 2008, the Commercial Court of Paris also suspended the civil proceedings against UniCredit Bank Austria AG.

In accordance with the principles described above, no provisions have been formed for these legal disputes.

E. 13.5 Matters in connection with financial sanctions

Subsequent to the April 2019 settlement with the U.S. and New York authorities, UniCredit S.p.A., UniCredit Bank AG and UCBA have implemented additional requirements and controls on which they regularly report to the authorities.

E. 13.6 Sustainability Risks

Due to significantly increased expectations of regulators and various stakeholders in connection with environmental, social and governance (ESG) factors, climate and environmental risks will be assessed successively for all customer segments as part of the credit application process in the future.
In addition, UniCredit Bank Austria AG also participates in the PACTA (Paris Agreement Capital Transition Assessment) climate compatibility test, which is conducted at national level. This is intended to provide an assessment of the extent to which the portfolio is in line with various climate scenarios according to the International Energy Agency (IEA). The analysis covers listed equities, corporate bonds and corporate loans, in particular climate-relevant sectors such as electricity, automotive, commercial vehicle, cement and steel production, oil, gas and coal production, and aviation and shipping.

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 legitimized 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 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 the course of the "262 Savings Law" project, the persons having process responsibility identified risks in relation to the financial reporting process and described them in detail using the method defined by UniCredit S.p.A. These risks are monitored on an ongoing basis and checked for up-to-dateness at least on a half-yearly basis. The focus is on those risks which are typically considered to be material.

To meet the "262 Savings Law" requirements, controls pursuant to the methodology used by UniCredit S.p.A. are required to be performed at least on a half-yearly basis (for full-year and half-year reporting). Such control evidence must be kept on file for 10 years by the person having process responsibility. Any controls that do not meet the relevant criteria are identified under this method and reported to management together with a proposal for a solution.

Controls

All controls are applied in the current business process to ensure that potential errors or deviations in financial reporting are prevented or detected and corrected. 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.

E – Risk report

The levels of hierarchy are designed so that an activity and the control of that activity is not performed by the same person (four-eye 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.

The Management Board of UniCredit Bank Austria AG receives the certifications of UniCredit Bank Austria AG and of the subsidiaries defined by UniCredit S.p.A. within the group of consolidated companies, in the form of a consolidated management report on a half-yearly basis, and provides UniCredit S.p.A. and the public with confirmation of the reliability and effectiveness of the internal control system pursuant to the “262 Savings Law” in the context of the financial statements for the first six months and the annual financial statements.

F – Additional disclosures

F – Additional disclosures

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
Members: Mag. Gregor HOFSTÄTTER-POBST, Dr Jürgen KULLNIGG (until 31 October 2020), Mauro MASCHIO, Tina POGACIC (from 1 March 2021), Mag. Wolfgang SCHILK (from 1 November 2020), Günter SCHUBERT, Mag. Susanne WENDLER

The following persons were members of the Supervisory Board of UniCredit Bank Austria AG in the reporting year:

Chairman: Gianfranco BISAGNI (from 1 January 2020)
Deputy Chairman: Ranieri De MARCHIS, MBA
Members: Dr Livia ALIBERTI AMIDANI, Dr Olivier Nessime KHAYAT, Dr Aurelio MACCARIO, Dr Eveline STEINBERGER-KERN, Dr Ernst THEIMER, Mag. (FH) Christine BUCHINGER, Mag. Adolf LEHNER, Mario PRAMENDORFER, MBA, Mag. Karin WISAK-GRADINGER

As at 31 December 2020, there were the following interlocking relationships with UniCredit S.p.A.:
- Four 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 2020

(€ million)

	PARENT COMPANY	UNCONSO-LIDATED SUBSIDIARIES	ASSOCIATES	JOINT VENTURES	KEY MANAGEMENT OF ENTITY OR ITS PARENT	OTHER RELATED PARTIES	TOTAL
Loans and advances	-	2,616	380	21	2	-	3,019
Equity instruments	-	-	824	-	-	-	825
Other receivables	12	2,300	30	-	-	-	2,342
TOTAL ASSETS	**12**	**4,917**	**1,235**	**21**	**2**	**-**	**6,186**
Deposits	452	1,000	8,496	1	21	-	9,969
Other financial liabilities	2,000	3,045	-	-	-	-	5,045
Other liabilities	14	9	-	-	-	-	23
TOTAL LIABILITIES	**2,466**	**4,054**	**8,496**	**1**	**21**	**-**	**15,038**
Guarantees issued by the group	222	757	1,294	1	-	-	2,274
Guarantees received by the group	149	93	-	-	-	-	241

F – Additional 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

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 €4.9 billion (2019: €5 billion):

Items in the statement of financial position

(€ million)

	31.12.2020	31.12.2019
Deposits from banks	129	170
Deposits from customers	346	369
Debt securities in issue	939	971
of which: subordinated	939	971
Other liabilities	38	*39*
Provisions for post-retirement benefit obligations	3,486	3,486
Total	**4,938**	**5,035**

In addition, the Municipality of Vienna guarantees for contingent liabilities, credit risks and negative fair values from derivatives with an amount of €172 million (2019: €175 million).

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 2020 financial year (excluding payments into pension funds) totalled €1,084,158.34 (comparable emoluments in the previous year totalled €1,443 thousand). of which €789,221.54 was fixed fees (2019: €1,089 thousand) and €294,936.80 of which was variable fees (2019: €353 thousand). In addition, variable remuneration was accrued in 2020 in the amount of €2,056,000.00 (subject to a malus) (2019: €2,332,000.00 (subject to a malus)), which can only be paid out in subsequent years in accordance with the same statutory compensation provisions.

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 2020 financial year amounted to €2,071,126.08 (2019: €1,832 thousand) and will be partly (2020: €1,870,213.43; 2019: €1,321 thousand) allocated to UniCredit Bank Austria AG. The members of the Management Board also received remuneration for activities not related to the BA Group but in the interests of the UniCredit Group.

F – Additional disclosures

Payments to former members of the Management Board and their surviving dependants (excluding payments into pension funds) totalled €8,159,809.10. (Of this total, €4,100,130.00 was paid to former Management Board members of Creditanstalt AG, which merged with Bank Austria in 2002, and their surviving dependants; €1,767,472.77 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 the previous year was €8,268 thousand. Emoluments paid to this group of persons for activities in subsidiaries amounted to € 797,856.88 (2019: €17 thousand).

Emoluments of members of the Supervisory Board in the 2020 financial year amounted to € 296,000.00 (2019: €294 thousand).

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 € 1,050,319.89 (2019: €1,059 thousand) and used credit lines which amounted to €38,535.53 (2019: €40 thousand). During the financial year, € 67,107.28 (2019: €51 thousand) was repaid.

Loans to members of the Supervisory Board amounted to €205,920.05 (2019: €904 thousand) and used credit lines were recorded at €55,965.12 (2019: €61 thousand) were reported. During the financial year, €45,794.28 (2019: €63 thousand) 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 from the Group employee post-employment benefit plans.

Information on the share capital and exercise of special rights

As at 31 December 2020, 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 2020, 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" is a syndicate agreement concluded between UniCredit S.p.A., the AVZ Stiftung and 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 "AVZ Stiftung" and the Municipality of Vienna.

F – Additional disclosures

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.

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” (“AVZ 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 (“AVZ 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.

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 which are represented through subscription rights for UniCredit shares.
- **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 that are 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).
- **Long Term Incentive 2017-2019** which offers qualified management personnel and important persons in the Group an incentive based 100% of 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.
- **Long Term Incentive 2020-2023** grants incentive awards in the form of unrestricted common shares subject to the achievement of certain performance conditions under the strategic plan 2020-2023.
  The programme will run over a four-year performance period that is consistent with UniCredit's strategic plan, and the latter provides for a potential award to be granted in 2024. The allocation is subject to a four-year deferral based on pre-conditions relating to profitability, capital requirements and liquidity, as well as a positive assessment of the risk position in accordance with the requirements of the Bank of Italy and the EBA. In addition, to further improve governance, the programme also includes rules regarding management compliance violations and the corresponding impact on compensation through the application of malus and clawback conditions.

F – Additional disclosures

Furthermore, it is noted that, in accordance with Banca d'Italia circular 285 (update VII of 23 October 2019), share-based remuneration paid with equity that is represented by postponed payments in UniCredit ordinary shares that 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 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 2020, as in the previous year, no new share options programmes were guaranteed. In 2020, as in the previous year, no new share options were issued to members of the Executive Board; no share options were exercised by the members of the Management Board.

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 2019" – shares

The programme is split into blocks, each of which may comprise three or four instalments of share-based remuneration over a period established in the rules of the programme.

	SHARES GRANTED GROUP EXECUTIVE INCENTIVE SYSTEM – BONUS POOL 2019				
	INSTALLMENT 2021	INSTALLMENT 2022	INSTALLMENT 2023	INSTALLMENT 2024	INSTALLMENT 2025
Date of bonus opportunity economic value granting	06. Feb. 2019	06. Feb. 2019	06. Feb. 2019	06. Feb. 2019	06. Feb. 2019
Date of board resolution (to determine number of shares)	05. Mar. 2020	05. Mar. 2020	05. Mar. 2020	05. Mar. 2020	05. Mar. 2020
Vesting period start-date	01. Jan. 2019	01. Jan. 2019	01. Jan. 2019	01. Jan. 2019	01. Jan. 2019
Vesting period end-date	31. Dec. 2019	31. Dec. 2020	31. Dec. 2021	31. Dec. 2022	31. Dec. 2023
UniCredit share market price (€)	12,984	12,984	12,984	12,984	12,984
Economic value of vesting conditions (€)	(1)	(1,235)	(1,852)	(2,494)	(3,455)
Performance shares' fair value per unit at the grant date (€) *)	**12,353**	**11,749**	**11,132**	**10,490**	**9,529**

*) 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 2020 (Bonus Pool)

The new Group Incentive System 2020 is based on a bonus pool approach geared towards the regulation requirements and market practices, which 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 defines 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, each of which may comprise three or four instalments of share-based remuneration over a period established in the rules of the programme.

Long Term Incentive 2020-2023

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, each of which may comprise one to five instalments of share-based remuneration over a period established in 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 2020	YEAR 2019
Costs / revenues	**(2,279)**	**(3,127)**
connected to equity-settled plans	(2,279)	(3,127)
connected to cash-settled plans	-	-
Debts for cash-settled plans	-	-

F.4 – Employees

In 2020 and 2019, the Bank Austria Group employed the following average numbers of staff (full-time equivalents):

Employees

	YEAR 2020 2)	YEAR 2019 2)
Salaried staff	5,261	5,336
Other employees	-	-
TOTAL 1)	**5,261**	**5,336**
of which: in Austria	5,201	5,261
of which: abroad	60	75

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 2020 financial year in the following categories:

Auditors’ fees

(€ thousand)

	YEAR 2020	YEAR 2019
Fees for the audit of the financial statements and the consolidated financial statements	**5,350**	**4,760**
Deloitte Network	4,150	3,420
Austrian Savings Bank Auditing Association	1,200	1,340
Other services involving the issuance of a report	**577**	**1,853**
Deloitte Network 1)	572	1,832
Austrian Savings Bank Auditing Association	5	21
Tax consulting services	**-**	**-**
Deloitte Network	-	-
Austrian Savings Bank Auditing Association	-	-
Other services	**1,111**	**1,075**
Deloitte Network	248	185
Austrian Savings Bank Auditing Association	863	890
TOTAL	**7,038**	**7,688**

1) The decrease in costs compared to previous year is due to fact that a Q1 review was not carried out.

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	905	1,613	(17)	(1)	5,162
Slovakia	-	(1)	3	(1)	-
Poland	1	3	(1)	-	31
Serbia	-	1	(1)	-	21
Other countries	-	-	(16)	(1)	1
TOTAL	**907**	**1,616**	**(32)**	**(2)**	**5,215**

F – Additional disclosures

F.7 – Effects of netting agreements on the statement of financial position

7.1 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 31.12.2020 (F=C-D-E)	NET AMOUNT 31.12.2019
1. Derivatives	3,066	-	3,066	2,141	287	639	508
2. Reverse repos	230	-	230	-	-	230	472
3. Securities lending	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
Total 31.12.2020	**3,296**	**-**	**3,296**	**2,141**	**287**	**869**	**X**
Total 31.12.2019	**3,189**	**-**	**3,189**	**1,940**	**269**	**X**	**980**

7.2 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 31.12.2020 (F=C-D-E)	NET AMOUNT 31.12.2019
1. Derivatives	3,153	-	3,153	2,141	774	238	159
2. Reverse repos	1,085	-	1,085	-	-	1,085	13
3. Securities lending	-	-	-	-	-	-	-
4. Others	12,568	-	12,568	-	-	12,568	12,393
Total 31.12.2020	**16,805**	**-**	**16,805**	**2,141**	**774**	**13,891**	**X**
Total 31.12.2019	**15,197**	**-**	**15,197**	**1,940**	**692**	**X**	**12,565**

The above table shows the potential netting of derivatives (recognised financial assets and liabilities) which are subject to an enforceable ISDA Master Netting Agreement and Cash Settlement Agreement, which cannot be offset in the statement of financial position and for which the entity currently has the right, legally enforceable, to offset the recognised amounts in case of insolvency or termination.

F – Additional disclosures

F.8 – Assets pledged as security

8.1 Assets used to guarantee own liabilities and commitments

(€ million)

PORTFOLIOS	AMOUNTS AS AT 31.12.2020	AMOUNTS AS AT 31.12.2019
1. Financial assets at fair value through profit or loss	729	-
2. Financial assets at fair value through other comprehensive income	8,091	3,537
3. Financial assets at amortised cost	29,817	29,982
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. In the case of genuine repurchase agreements, the transferred financial assets remain fully recognised in the balance sheet; in the case of non-genuine repurchase agreements, they are derecognised in full.

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.

9.1 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	**-**	**-**	**54**	**-**	**-**	**-**	**1,022**	**-**	**80**	**-**	**1,156**
Debt securities	-	-	54	-	-	-	1,022	-	-	-	1,076
Loans	-	-	-	-	-	-	-	-	80	-	80
Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Associated financial liabilities	**-**	**-**	**54**	**-**	**-**	**-**	**1,031**	**-**	**-**	**-**	**1,085**
Deposits from customers	-	-	-	-	-	-	-	-	-	-	-
Deposits from banks	-	-	54	-	-	-	1,031	-	-	-	-
Debt securities in issue	-	-	-	-	-	-	-	-	-	-	1,085
TOTAL 31.12.2020	**-**	**-**	**-**	**-**	**-**	**-**	**(9)**	**-**	**80**	**-**	**71**
TOTAL 31.12.2019	**-**	**-**	**-**	**-**	**-**	**-**	**113**	**-**	**77**	**-**	**190**

A = Financial assets sold and fully recognised.
B = Financial assets sold and partially recognised.

The carrying amounts are equal to the fair values.

F – Additional disclosures

F.10 – Subordinated assets/liabilities

(€ million)

	31.12.2020	31.12.2019
Financial assets held for trading	-	-
Financial assets designed at fair value	-	-
Financial assets mandatorily at fair value	12	12
Financial assets at fair value through other comprehensive income	-	-
Financial assets at amortised cost with banks	313	313
Financial assets at amortised cost with customers	23	23
Non-current assets and disposal groups classified as held for sale	-	-
Subordinated assets	**349**	**349**
Deposits from banks	-	-
Deposits from customers	90	90
Debt securities in issue	1,066	1,090
Liabilities included in disposal groups classified as held for sale	-	-
Subordinated liabilities	**1,156**	**1,180**

The total amount of expenses for subordinated liabilities in 2020 was €14 million (previous year: €15 million).

F – Additional disclosures

F.11 – Trust assets

(€ million)

	31.12.2020	31.12.2019
Loans and receivables with banks	-	-
Loans and receivables with customers	136	171
Equity securities and other variable-yield securities	-	-
Debt securities	-	-
Other assets	-	-
TRUST ASSETS	**136**	**171**
Deposits from banks	51	67
Deposits from customers	85	104
Debt securities in issue	-	-
Other liabilities	-	-
TRUST LIABILITIES	**136**	**171**

F.12 – Return on assets

Disclosure pursuant to Section 64 (1) 19 of the Austrian Banking Act

	YEAR 2020	YEAR 2019
Net profit in € million	15	710
Total assets in € million	118,510	101,663
Return on assets	0.01%	0.70%

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.

F – Additional disclosures

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
- Stress tests
  - regular stress tests on regulatory and internal capital adequacy are carried out twice a year
  - the results of the stress tests are used to determine the risk appetite and capitalisation targets

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.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.
The SRB for UniCredit Bank Austria Group is currently set at 2% and the surcharge for systemically important banks is 1%, with the higher of the two rates being applied.
According to CRD V, the two buffers (systemic risk buffer and the surcharge for systemically important banks) will have to be applied cumulatively in future. The authorities may also impose a sectoral risk buffer.

F – Additional disclosures

F.13.4 – Development of equity at Bank Austria Group

In 2020, the total capital ratio increased from 21.3% to 22.3% compared to the previous year. Regulatory capital decreased by €115 million year-on-year to €7,029 million and risk-weighted assets decreased by €2,029 million to €31,464 million. Bank Austria continues to have a sound capital base to meet the capital requirements pursuant to Art. 92 of the CRR in conjunction with Art. 129 et seqq. of CRD IV (capital requirements, Pillar I).

Consolidated capital resources

(€ million)

	31.12.2020	31.12.2019
Paid-in capital instruments (excl. own instruments of Common Equity Tier 1)	1,681	1,681
Reserves (incl. profit) and minority interests	6,654	6,725
Adjustments to Common Equity Tier 1	(2,011)	(2,067)
Transitional adjustments to Common Equity Tier 1 1)	-	-
Common Equity Tier 1 (CET1)	**6,324**	**6,338**
Additional Tier 1 capital and qualifying Additional Tier 1 instruments issued by subsidiaries	3	2
Adjustments to Additional Tier 1	-	-
Transitional adjustments to Additional Tier 1 1)	-	-
Additional Tier 1 (AT1)	**3**	**2**
Tier 1 capital (T1=CET1+AT1)	**6,327**	**6,340**
Tier 2 capital and qualifying Tier 2 instruments issued by subsidiaries	627	712
Adjustments to Tier 2 capital	74	92
Transitional adjustments to Tier 2 capital 1)	-	-
Tier 2 capital (T2)	**702**	**803**
Total regulatory capital (TC=T1+T2)	**7,029**	**7,144**

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

Total risk exposure amount

(€ million)

	31.12.2020	31.12.2019
a) Credit risk pursuant to standardised approach	6,380	7,468
b) Credit risk pursuant to internal ratings-based (IRB) approach 1) 2)	21,526	22,565
c) Other (securitisation and contribution to default fund of a central counterparty [CCP]) 2)	56	45
Credit risk	27,962	30,078
Settlement risk	-	-
Position, foreign exchange and commodity risk	348	205
Operational risk 1)	3,110	3,164
Risk positions for credit value adjustments (CVA)	44	46
TOTAL RWAs	**31,464**	**33,493**

1) Including RWA add-on in the amount of €500 million (until fulfilment of the conditions relating to changes in the EAD model)
2) Due to the new securitisation framework, effective from Q1 20, STA and IRB are disclosed separately. The comparative figures as at 31 December 2019 have been adjusted accordingly.

Key performance indicators

	31.12.2020	31.12.2019
Common Equity Tier 1 ratio 1)	20.1%	18.9%
Tier 1 ratio 1)	20.1%	18.9%
Total capital ratio 1)	22.3%	21.3%

1) Based on all risks.

The calculation of consolidated regulatory capital and consolidated regulatory capital requirements as at 31 December 2020 is based, in conformity with the CRR, on International Financial Reporting Standards (IFRS).

F – Additional disclosures

F.14 – Trading book

Information pursuant to Section 64(1)(15) of the Austrian Banking Act

(€ million)

	31.12.2020	31.12.2019
Securities (carrying amount)	-	-
Money market instruments	-	-
Derivatives (notional amount)	44,134	46,539

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, 19 February 2021

Robert Zadrazil
CEO
Chief Executive Officer
(Chairperson)

Gregor Hofstätter-Pobst
CFO Finance

Mauro Maschio
Privatkundenbank

Wolfgang Schilk
CRO Risk Management

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 2020, 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 2020, and of its consolidated financial performance and 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 2020, loans and advances (financial assets at amortized cost, which include loans to customers and credit institutions) after impairments amounted to EUR 96,175 mn. For these assets loan loss provisions of EUR 1,420 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.
The considered parameters are estimated based on regulatory requirements and, where necessary, 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.

Report of the Auditors

- 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 credit losses are estimated using statistical methods and taking into consideration information about segments, exposure, cash flows from redemptions and collateral, ratings and the length of the default period.
- Expected credit losses on loans that have not defaulted are calculated by using modelbased 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, a significant increase in credit risk was identified for these portfolios which were thus transferred to stage 2.

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.

The uncertainties inherent in the determination of expected credit losses were exacerbated by the outbreak of the COVID-19 pandemic. Due to necessary adaptions in estimation methods and processes, the importance of management judgement has further increased.

In order to contain the negative economic impact of the COVID-19 pandemic, numerous countries have set up a wide variety of relief measures (moratoria, deferral options, support programs, hardship funds, adaptation of insolvency law, etc.). While these relief measures are intended to reduce the negative economic impact of the COVID-19 pandemic, they also make it difficult to identify a potential deterioration in the loan portfolio and, thus, result in lower default and loss rates in the short term.

Therefore, UniCredit Bank Austria AG has made various adjustments regarding the forecast of the economic environment. In order to include forward-looking information in the estimation of credit risk parameters, the base scenario and alternative scenarios (negative and positive scenario) as well as their weighting were adapted. In doing so, the weight of the negative scenario was increased, while the weights of the base and positive scenarios were decreased. Furthermore, an additional trigger for a transfer to stage 2 was implemented due to the expected, but not yet observable impacts of the COVID-19 pandemic. For further details please refer to the notes of the consolidated financial statements (chapter E.2).

For the above-mentioned reasons, 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 scenarios and their weightings (taking into consideration the COVID-19 pandemic) as well as the estimated cash flows.

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 and validation results and stability. Furthermore, we critically examined the analyses performed by UniCredit Bank Austria AG regarding the detection of significant increases in credit risk.

Report of the Auditors

We examined the adequacy as well as the adjustments of credit risk parameters and models in the light of the COVDI-19 pandemic. In doing so, we particularly assessed the management approach used to take into account biases in available data due to various public and private relief measures (e.g. lower default rates due to moratoria).

In the course of the COVID-19 pandemic, management introduced adjustments to the approach of identifying a significant increase in credit risk of financial instruments. We critically assessed these adjustments.

We analyzed management's approach in dealing with the increased uncertainty in determining macroeconomic forecasts and alternative scenarios due to the COVID-19 pandemic. Moreover, we assessed the probability of occurrence of the alternative scenarios and benchmarked the macroeconomic forecasts with forecasts of external sources of information.

- **Recognition and Valuation of Deferred Tax Assets**
  (see Notes to the Consolidated Financial Statements, A.6.5 and C.10)

Description and Issue

In the consolidated financial statements, UniCredit Bank Austria AG recognized deferred tax assets in the amount of EUR 629 mn after netting with deferred tax liabilities where applicable. Of those deferred tax assets as per 31 December 2020 EUR 213 mn result from tax loss carryforwards, thereof EUR 210 mn from UniCredit Bank Austria AG.

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 future 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, which were exacerbated due to the COVID-19 pandemic, 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 multi-year plan 2020 - 2023 which was updated in Q4 2020 due to the COVID-19 pandemic. 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.

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.

- **Measurement of Associates**
  (see Notes to the Consolidated Financial Statements, A5.4, B.16 and C.7)

Description and Issue

The investments in Bank für Tirol und Vorarlberg AG (BTV AG), BKS Bank AG and Oberbank AG are shown in the balance sheet item "investments in associates and joint ventures" and are accounted for using the equity method. The carrying amount as of 31 December 2020 amounted to EUR 1.831 mn.

According to IAS 36, an impairment test has to be performed for these investments once a year or upon occurrence of certain indicator events. The negative economic impact of the COVID-19 pandemic is a strong indication that one or more of the impairment indicators under IAS 36 has been triggered.

Report of the Auditors

As first step to check the recoverability, the book value was compared to the proportional market capitalization. As of 31 December 2020, the book value of the listed company Oberbank AG was lower than its fair value less costs to sell.

As of 31 December 2020, the book values of the listed companies BKS Bank AG and BTV AG were well above the respective market capitalization.

To test the recoverability of the associates, value-in-use calculations are carried out on the basis of the forecasts submitted by the respective companies. The forecasts take into account the scenarios which are presented in detail in the notes to the consolidated financial statements. Based on the value-in-use calculations, impairments amounting to EUR 110 mn were recorded for BKS Bank AG and BTV AG.

Also, in the area of associates, the uncertainties inherent to the estimation were additionally exacerbated by the outbreak of the COVID-19 pandemic. The necessary adjustments increased the importance of management judgement.

Minor changes in the assumptions or the discount rate used for the estimation can lead to significant changes in the result of the estimation.

Because of the sensitivity of the estimation and the high degree of management judgement, we identified the measurement of the above-mentioned associates as a key audit matter.

Our Response

We analyzed the processes used to check the recoverability of associates, we verified the individual elements of the calculation and evaluated the effectivity of the identified key controls.

The adequacy of the value-in-use calculation and the discount rate were reviewed based on the requirements of IAS 36 and current capital market data. The mathematical accuracy of the calculations was evaluated with the help of internal valuation specialists.

We critically assessed the assumptions used and back tested the annual forecasts with the respective annual results. The figures and scenarios used were discussed with management and responsible staff members taking into consideration the uncertainties in the market caused by the COVID-19 pandemic. Furthermore, the plausibility of the figures and scenarios was checked using external forecasts.

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.

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.

Report of the Auditors

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.

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.

Report of the Auditors

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 Austrian Commercial Code, 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.

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.

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 Auditing Board of the Savings Bank Auditing Association (Prüfungsstelle des Sparkassen-Prüfungsverbands) 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 8 April 2019, 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 2020. In accordance with the above, the chairman of the Supervisory Board of Bank Austria engaged Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, by letter dated 23 April 2019 as additional auditor. Furthermore, by resolution of Bank Austria's annual general shareholders' meeting on 8 April 2020, 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 8 April 2020.

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 Wolfgang Wurm on behalf of Deloitte Audit Wirtschaftsprüfungs GmbH.

Consolidated Financial Statements 2020
UniCredit Bank Austria AG, Vienna

Vienna, 19 February 2021

Austrian Savings Bank Auditing Association
Auditing Board

Herwig Hierzer
Certified Public Accountant

Reinhard Gregorich
Auditor

Deloitte Audit Wirtschaftsprüfungs GmbH

Wolfgang Wurm
Certified Public Accountant

Gottfried Spitzer
Certified Public 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

During the reporting period, the Supervisory Board fully performed its duties and obligations as defined by law and in the Articles of Association and Rules of Procedure, 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 has set up four committees.

Because of the Covid-19 pandemic, and as a consequence of the accompanying government restrictions, it was not possible to hold Supervisory Board meetings in the physical presence of its members. In line with the COVID-19 regulation regarding company law (*Gesellschaftsrechtliche COVID-19 Verordnung*), the quarterly meetings were held virtually.

The Supervisory Board was involved in all decisions of fundamental importance and passed resolutions on matters within its competence after in-depth analysis. On three occasions, decisions were taken by circular vote. In addition, there were also continuous exchanges between the Chairman of the Supervisory Board and the Chairman of the Management Board concerning the main developments.

Focus of the Supervisory Board's activity

In the 2020 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, 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. Outside of meetings, the Supervisory Board continually also received reports on measures in connection with the Covid-19 pandemic as well as the liquidity and capital situation.

One focal point of its activities related to the set of measures taken in connection with the unconsolidated financial statements and consolidated financial statements 2019, including the audit reports as well as the proposals for profit distribution, and the selection of the auditors and the group auditors for the 2021 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 (*Prokura*). Whenever applicable, reports were given on adaptions of the Austrian corporate tax group. The risk strategy for 2020 as well as an update of the Risk Appetite Setting, the Capital Adequacy Statement, 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) were also presented to the Supervisory Board.

Discussions were held in connection with the status reports on the projects *Puls* and *Team 23* as well as on operational risk culture and Nominal Threshold issues. Moreover, an overview was given on card complete, an associated company.

The legal updates covered the pending litigation concerning 3-Banken as well as developments in the Madoff case, and the proceedings in connection with the ASVG transfer of bank employees to the state pension scheme. Moreover, a new process on the issue of related parties was presented.

In the framework of the OFAC Compliance Program, the Supervisory Board received training on financial sanctions and was informed about the services provided by an independent consultant.

The Supervisory Board extended the mandate of one Management Board member and appointed one new Management Board member. The Supervisory Board adopted amendments to the Internal Rules of Procedure for the Management Board and agreed to changes in the allocation of responsibilities and rules governing representation within the Management Board. The scope of activities also covered information about the use of advance approvals for loans to executive managers in 2019 pursuant to the Section 28 (1) and (4) of the Austrian Banking Act (BWG) as well as the advance approvals for 2021.

Supervisory Board resolutions related to the Funding Plafond for 2021 and the carry forward of the 2020 budget of Bank Austria AG until the first meeting of the Supervisory Board in 2021.

The Supervisory Board received information on an ongoing basis about the main issues under discussion as well as the results of meetings held by its Committees. The strategic priorities of ECB, EBA and FMA in 2020, the SREP results 2019, adaptations with regard to CRR II / CRD V and an overview of the EBA guidelines on credit lending and monitoring were the topics of the Fit & Proper training sessions for the Supervisory Board.

Report of the Supervisory Board

Committee activities

The **Credit/Risk Committee** held four meetings and passed thirty-six 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 subjects of discussions, which also covered aspects of the Covid-19 crisis and the accompanying moratoria, processes and loan provisions.

In addition, reports were presented about market and liquidity risk, operating risk, reputational risk as well as ICAAP. Resolutions were taken on the 2020 risk strategy and the Capital Adequacy Statement. Moreover, an update was presented concerning the Risk Appetite Setting. The Committee was informed promptly about the Commerzialbank Mattersburg issue.

In addition to receiving information on individual risk exposures, the Committee was also informed regularly on regulatory capital as well as funding and liquidity management, including 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 also covered the 2020 Recovery Plan and the large exposures pursuant to Section 28b of the Austrian Banking Act (BWG).

The **Audit Committee** held four meetings, which were regularly attended by representatives of the auditing firms. The Committee dealt in detail with the unconsolidated financial statements and the consolidated financial statements 2019 as well as the audit reports, and it 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 2020 accounts.

Compliance informed the Committee about its focal areas of activities at regular intervals. Moreover, the report on activities for the entire year 2019 and the annual reports for 2019 on Securities Compliance and Anti Financial Crime were presented. The Committee also dealt with the 2020 Compliance Plan. Internal Audit presented its annual report for 2019 to the Committee, as well as detailed quarterly reports. In addition, the 2020 Audit Plan, including its reviews, were adopted. Internal Audit also reported on self-assessment and customer satisfaction. The activities of the Committee also covered the Governance Monitoring Report, the report for the year 2019 on complaints management as well as the evaluation of the ICS management in 2019. Moreover, the Committee monitored the financial reporting process, paying 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 regulatory bodies were discussed comprehensively. Detailed information was also provided on the inspections as well as the action plans focusing on IT risk, IT security, credit lending processes, underwriting standards and delegations as well as cyber security in card complete. The Committee received information about the 2019 SREP decision and the optimization plan as well as the ECB's supervisory review plan for 2020.

Further activities of the Committee related to a recommendation to the Supervisory Board on the election of the auditors for the unconsolidated financial statements and the consolidated financial statements for the 2021 financial year. It also engaged in the selection procedure for the 2022 audit, dealt with the Management Letter by the auditors, approved amendments to the Engagement Letter for limited reviews of the quarterly results obtained for Q1, Q2 and Q3 of 2020 as well as the Engagement Letter for 2021. Moreover, the Audit Committee approved additional auditing services concerning the Global Mobile Leadership development project, the agreed investigations in connection with credit claims and training on regulatory issues. Moreover, UniCredit Leasing Austria submitted non-audit services in connection with the disclosure of annual accounts and the drafting of interim balance sheets and asked the Committee for their approval.

The **Strategic and Nomination Committee** held one meeting and passed two resolutions by written circular vote, which related to the evaluation of the Fit & Properness of a new appointment of a Management Board member and the extension of the mandate of one Management Board member. The Committee also undertook the Fit & Proper re-evaluation for 2020 of the Management Board and the Supervisory Board, dealt with gender balance at the Bank, and reviewed the course pursued by the Management Board in selecting senior managers. In addition, the Committee passed resolutions on succession planning with regard to the Chairman of the Supervisory Board and its Committees.

The **Remuneration Committee** held one meeting, where it received the report of the Risk Committee as well as an update of the regulatory framework on compensation. The Committee approved the Group Bonus Pools for 2019 as well as possible bonus payments at the subsidiary companies. The Committee also dealt with the Group Compensation Policy 2020 as well as the outlook on activities in 2020.

Report of the Supervisory Board

Supervisory Board and Management Board changes

Gianfranco Bisagni was elected to the Supervisory Board, with 01 January 2020 as the effective date. With the same date he became Chairman of the Supervisory Board, in line with a Supervisory Board resolution.

On 02 March 2020, the Supervisory Board resolved to extend the Management Board mandate of Robert Zadrazil with responsibility for the CEO division until 30 September 2023.

Mag. Wolfgang Schilk was appointed as a new Management Board member with risk management responsibility, with 01 November 2020 as the effective date. Dr. Jürgen Kullnigg resigned as Management Board member as at 31 October 2020.

The detailed list of Supervisory Board members and Supervisory Board Committee members as well as of the Management Board during the 2020 financial year can be found in the relevant section on officers of the company.

Audit of the unconsolidated financial statements and the consolidated financial statements

The accounting records, the 2020 unconsolidated 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 unconsolidated financial statements and the management report as presented by the Management Board, and it approves the 2020 unconsolidated financial statements of UniCredit Bank Austria AG, which are thereby adopted pursuant to Section 96 (4) of the Austrian Joint Stock Companies Act.

The 2020 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 2020, and of the results of the Group's operations and its cash flows for the financial year beginning on 1 January 2020 and ending on 31 December 2020, 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.

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 2021

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, 19 February 2021

The Management Board

Robert Zadrazil
CEO
Chief Executive Officer
(Chairperson)

Gregor Hofstätter-Pobst
CFO Finance

Mauro Maschio
Privatkundenbank

Wolfgang Schilk
CRO Risk Management

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 2023

Members

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 until 31 October 2020

Mauro Maschio, born 1969
Privatkundenbank
From 01 January 2019, end of the current term of office: 31 December 2021

Tina Pogacic, born 1986
COO Chief Operating Officer
From 01 March 2021, end of the current term of office: 29 February 2024

Wolfgang Schilk, born 1967
CRO Risk Management
From 01 November 2020, end of the current term of office: 31 October 2023

Günter Schubert, born 1968
Corporate & Investment Banking Division
From 01 September 2019, end of the current term of office: 31 August 2022

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)

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)

Ernst Theimer, born 1947
Chairperson of the Management Board
Privatstiftung zur Verwaltung von Anteilsrechten
(since 07 July 2010)

Supervisory Board and Management Board

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
Christoph Pesau
Federal Ministry of Finance

Deputy Commissioner
Ulrike Huemer
Magistrate’s Directorate of the City of Vienna

Nadine Wiedermann-Ondrej (from 01 October 2020)
Federal Ministry of Finance

State Commissioner for the Cover Fund
Alfred Katterl

Deputy State Commissioner for the Cover Fund
Christian Wenth

Trustee pursuant to the Austrian Mortgage Bank Act
Peter Part

Deputy Trustee pursuant to the Austrian Mortgage Bank Act
Thomas Schimetschek

Supervisory Board and Management Board

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)

Members:
Aurelio Maccario (since 09 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)

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)

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)

Members:
Gianfranco Bisagni (since 01 January 2020)

Delegated by the Employees' Council:
Adolf Lehner (since 02 May 2006)
Karin Wisak-Gradinger (since 01 December 2017)

Supervisory Board and Management Board

Vienna, 19 February 2021

The Management Board

Robert Zadrazil
CEO
Chief Executive Officer
(Chairperson)

Gregor Hofstätter-Pobst
CFO Finance

Mauro Maschio
Privatkundenbank

Wolfgang Schilk
CRO Risk Management

Günter Schubert
Corporate & Investment
Banking Division

Susanne Wendler
Unternehmerbank

Additional Information

Office Network

Office Network Austria

Head Office

1020 Vienna, Rothschildplatz 1
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 05-50444

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 05-50330

Premium Banking – Regional Offices

Vienna City
1010 Vienna, Fichtegasse 9
Tel.: 05 05 05-44001

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

Schoellerbank Aktiengesellschaft
1010 Vienna, Renngasse 3
Tel.: (+ 43 1) 534 71-0
www.schoellerbank.at

Bank Austria Finanzservice GmbH
1020 Vienna, Rothschildplatz 4
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

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

Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H.
1010 Vienna, Parkring 12a
Tel.: (+43 1) 515 30-0
www.oeht.at

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).

Investor Relations

Investor Relations, Ratings, Imprint, Notes

UniCredit Bank Austria AG / Corporate Relations

Rothschildplatz 1, 1020 Vienna, Austria	
Phone: +43 (0)5 05 05-57232	Fax: +43 (0)5 05 05-8957232
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Günther Stromenger, phone: +43 (0)5 05 05-57232	
Andreas Petzl, phone: +43 (0)5 05 05-54999	

Ratings

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

This Annual Report was prepared by UniCredit Bank Austria AG, Rothschildplatz 1, 1020 Vienna (media owner and producer).

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 (Vorsitzender), Gregor Hofstätter-Pobst, Wolfgang Schilk, Mauro Maschio, Tina Pogacic, Günter Schubert, Susanne Wendler.

Supervisory Board of the media owner:
Gianfranco Bisagni (Vorsitzender), Ranieri De Marchis (stellvertretender Vorsitzender), 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.

Disclaimer
This edition of our Annual Report is prepared for the convenience of our English-speaking readers. It is based on the German original, which is the authentic version and takes precedence in all legal respects.

Do the right thing!
for Diversity&Inclusion

UniCredit is committed to promoting a positive working environment that embraces our core values: Ethics & Respect.

TAKING ACTION AT THE 2020 D&I WEEK

More than 21,000 colleagues joined our 120 events in 15 countries. With 270 external speakers and 145 hours of workshops, coaching sessions and online discussions, we made sure everyone could join UniCredit's second annual Diversity & Inclusion Week.