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2021

Half-Yearly Financial Report

Banking that matters.

Bank Austria
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Content

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Bank Austria at a glance

Income statement figures

(€ million)

	1H21	1H20 RECAST	+/-
Net interest	424	460	-7.8%
Dividends and other income from equity investments	70	23	>100%
Net fees and commissions	336	324	3.8%
Net trading, hedging and fair value income/loss	81	15	>100%
Operating income	928	846	9.7%
Operating costs	(578)	(583)	-0.9%
Operating profit	350	262	33.5%
Net write-downs of loans and provisions for guarantees and commitments	(32)	(134)	-76.3%
Net operating profit	318	128	>100%
Profit (loss) before tax	251	(41)	n.m.
Net Profit attrib. to the owners of the parent company	219	(36)	n.m.
Cost/income ratio	62.3%	69.0%	-6.7 PP
Cost of risk	10 bp	42 bp	-32 bp

Volume figures

(€ million)

	30.06.2021	31.12.2020	+/-
Total assets	116,847	118,510	-1.4%
Loans and receivables with customers	61,002	60,863	+0.2%
Direct funding	70,700	73,783	-4.2%
Loan / direct funding ratio	86.3%	82.5%	+3.8 PP
Equity	8,567	8,360	2.5%
Risk-weighted assets (overall)	31,955	31,464	1.6%

Capital ratios

	30.06.2021	31.12.2020	+/-
Common Equity Tier 1 capital ratio	20.0%	20.1%	-0.1 PP
Tier 1 capital ratio	20.0%	20.1%	-0.1 PP
Total capital ratio	22.2%	22.3%	-0.1 PP
Leverage ratio	6.4%	6.2%	+0.2 PP

Staff

(Full-time equivalent)	30.06.2021	31.12.2020	+/-
Austria in Total	5,150	5,215	(65)

Offices

	30.06.2021	31.12.2020	+/-
BA AG - Privatkundenbank branches	122	122	-

Notes:
- Comparative figures for 2020 recast to reflect the current structure and methodology
- RWA are total regulatory risk-weighted assets
- Capital ratios based on all risks and pursuant to Basel 3 according to the current state of the transitional provisions
- n. m = not meaningful; PP = percentage point(s); bp = basis point(s)

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Economic environment – market developments

The global economy is starting to come out of the pandemic

Following the collapse of the global economy during the pandemic in 2020, the global economy is now on a path for growth again. The onset and strength of recovery vary from region to region, depending on the extent and timing of the course of the infection, the extent of the respective restrictive measures to contain the waves of the pandemic, and the dependence of regional economies on contact-intensive sectors and, above all, on the use of monetary and fiscal support measures to limit the economic consequences.

Starting with China and large parts of Asia and the US economy, the global economic situation has improved steadily since the beginning of 2021. A strong economic recovery also began in Europe following the lifting of economic restrictions in the spring, thanks to the breakthrough with the third wave of the pandemic and rising levels of vaccination among the population. While the US economy grew by more than 6 percent in the first half of 2021 thanks to an earlier start to the recovery, and with this figure already exceeding pre-crisis levels, the momentum in the euro zone fell by 5.7 percent. In mid-2021, the European economy still has a gap of about 3.5 percentage points compared with pre-crisis levels due to the fact that it also suffered a major collapse in the previous year.

The recovery accelerated global inflation in the first half of 2021, driven by rising commodity prices, higher transport costs, supply chain disruptions and bottlenecks, and a strong pent-up demand. This reflected the revival of the economy, which raised prices for consumer-related services which were often well below pre-pandemic levels, as well as the imbalance between supply and demand for certain products. As the effect of restarting the economy should disappear and supply should adapt, these effects are unlikely to have a lasting impact on inflation. Both the US Federal Bank and the European Central Bank have so far classified inflation growth as a temporary development, leaving the focus for their monetary policy unchanged in the first half of the year. Since then, the *Fed Funds Target Rate* has remained unchanged at a range between 0 to 0.25 percent after the 150 basis point cut to mid-2020, and the European Central Bank has kept the key rate at 0 percent and the deposit rate at minus 0.5 percent. Like the Fed, the ECB continued to pursue unconventional monetary policy measures in the first half of 2021 because of the pandemic. To maintain favourable financing conditions, the ECB continues to rely on liquidity measures under the longer-term refinancing operations (TLTRO-III) to support lending to small and medium-sized enterprises, as well as the securities purchase programme under which net purchases of €20 billion are made every month. In addition, the emergency bond buying programme (*PEPP: Pandemic Emergency Purchase Programme*) continued unchanged in the first half of 2021, with monthly purchases of around 80 billion euro. Rising inflation concerns led to a rise in nominal yields on longer-term US government bonds. The 10-year US Treasury note was at 1.4 percent in the middle of the year, down from 0.9 percent at the beginning of the year. Long-term yields also fell in Europe as a result. At the end of June 2021, the yield on the ten-year Austrian Federal bond was clearly higher at minus 0.25 percent than at the beginning of the year (-0.50 percent). At the same time, the increased economic optimism has supported the stock markets. The Dow Jones Index has risen by almost 13 percent so far over the course of the year. Most European stock exchanges performed even better, with the Vienna stock exchange index ATX increasing by more than 20 percent from the beginning of the year to the middle of 2021.

Economic situation and market developments in Austria

The improvement in the international environment led to a recovery of the export-dependent industrial sectors of the Austrian economy as early as the beginning of 2021. In addition, the construction industry has had a good start to the year thanks to strong order books, supported by public contracts and a rise in the demand for housing. However, the restrictions to contain the third wave of infection for many service industries caused a further decline in economic performance in the first quarter, resulting in a (technical) recession over the winter. With the easing of pandemic control measures in the spring, the retail, hospitality and many other service sectors abruptly switched to recovery mode and - supported by strong pent-up demand and high levels of accumulated consumer savings - made a strong contribution to the now broad-based restart of the Austrian economy. For the first half of 2021, this represents an increase of around 3 percent year-on-year. The recovery in Austria was accompanied by a noticeable improvement in the situation on the employment market - the unemployment rate fell from 9.5 percent at the turn of the year to just over 8 percent seasonally adjusted at the end of June - as well as an acceleration in inflation. Inflation rose from below 1 percent at the beginning of the year to almost 3 percent by mid-2021.

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The high level of momentum with home loans for households increased once again in the first half of 2021 and reached almost 9 percent in May year-on-year. Demand for corporate loans lost some momentum in the first half of the year, but the volume of loans continued to grow at almost 5 percent year-on-year. The volume of consumer loans in Austria continued to decline, albeit slightly less than in 2020. The growth in deposits by households and companies continues to be strong, although growth rates have declined somewhat.

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Business development in the first half of 2021

Condensed income statement of Bank Austria [1)]

(€ million)

	RECAST [2)]		CHANGE		RECONCILIATION		BANK AUSTRIA GROUP	
	1H21	1H20	+/- €	+/- %	1H21	1H20	1H21	1H20
Net interest	424	460	(36)	-7.8%	-	-	424	460
Dividends and other income from equity investments	70	23	47	>100%	-	-	70	23
Net fees and commissions	336	324	12	3.8%	-	4	336	328
Net trading, hedging and fair value income/loss	81	15	66	>100%	-	-	81	15
Net other expenses/income	17	24	(7)	-28.5%	-	-	17	24
Operating income	**928**	**846**	**82**	**9.7%**	**-**	**4**	**928**	**850**
Payroll costs	(290)	(303)	13	-4.4%	-	-	(290)	(303)
Other administrative expenses	(256)	(258)	2	-0.7%	-	(4)	(256)	(262)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(32)	(23)	(10)	41.9%	-	-	(32)	(23)
Operating costs	**(578)**	**(583)**	**5**	**-0.9%**	**-**	**(4)**	**(578)**	**(588)**
Operating profit	350	262	88	33.5%	-	-	350	262
Net write-downs of loans and provisions for guarantees and commitments	(32)	(134)	103	-76.3%	-	-	(32)	(134)
Net operating profit	**318**	**128**	**190**	**>100%**	**-**	**-**	**318**	**128**
Provisions for risks and charges	1	6	(5)	-89.4%	-	-	1	6
Systemic charges	(89)	(118)	30	-25.0%	-	-	(89)	(118)
Net income from investments	20	(56)	77	n.m.	-	-	20	(56)
Profit (loss) before tax	**251**	**(41)**	**291**	**n.m.**	**-**	**-**	**251**	**(41)**
Income tax for the period	(40)	4	(43)	n.m.	-	-	(40)	4
Total profit or loss after tax from discontinued operations	1	1	1	74.0%	-	-	1	1
Non-controlling interests	7	-	6	>100%	-	-	7	-
Net profit or loss [3)]	**219**	**(36)**	**255**	**n.m.**	**-**	**-**	**219**	**(36)**

n.m. = not meaningful
1) Condensed income statement of Bank Austria as presented in this table is a reclassified format corresponding to the format used for segment reporting
2) Recast to reflect the consolidation perimeter and business structure in 2021
3) Attributable to the owners of the parent company

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

***Segment reporting** covers three business segments: **Privatkundenbank**, **Unternehmerbank** and **Corporate & Investment Banking**. The **Privatkundenbank** comprises the responsibility for individuals (including premium banking clients), independent professionals and business customers (with annual turnover of up to €3 million) as well as wealth management. **Unternehmerbank** as used here is the sum of corporate customer business and leasing. The **Corporate & Investment Banking** business segment covers the customer segment of multinational and major international customers using capital market services and investment banking solutions, as well as FactorBank. 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 first half of 2021 continued to be heavily influenced by the **COVID-19 pandemic**, which erupted at the beginning of 2020, and which still had a significant impact on the overall environment – the economic conditions as well as the working conditions of Bank Austria's employees – although a clear improvement in the scenario was also revealed due to the start of the vaccination campaigns and the economic upturn that began in Austria and the world. Bank Austria's income statement was therefore significantly less impacted by the pandemic in the reporting period than in the previous year, particularly in the area of the cost of risk, as there was significantly less need for preventive measures in the first half of 2021 according to the risk provisions posted in 2020 pursuant to IFRS 9 in connection with the COVID-19 pandemic.*

Operating income reached €928 million in the first half of 2021, an increase of 10% compared to the previous year's figure of €846 million. While net interest continued to decline in the current interest rate and margin environment, other income items improved significantly in some cases compared with the difficult previous year.

Net interest remains the largest item among Bank Austria's operating income. At €424 million, it was 8% below the previous year's figure of €460 million, resulting from the pressure on margins in an environment of extremely low, partly negative interest rates.

The **Dividends and other income from equity investments** amounted to €70 million and was therefore significantly higher than the previous year's figure of €23 million; this item primarily includes pro rata results from significant equity investments such as the 3-Banken Group and Oesterreichische Kontrollbank. The increase mainly reflects the improved economic environment for these investments.

At €336 million, **net fees and commissions** increased by 4% compared to the previous year's figure, which was particularly affected by the COVID-19 pandemic. While net fees and commissions from asset management showed significant increases compared to the previous year, cash-related transaction business declined, which represents more than two-fifths of total commission surplus, partly due to corresponding declines in card business sales due to the lockdown.

Net trading, hedging and fair value income/loss performed very well with a contribution of €81 million and was several times higher than the previous year's figure. The client business contributed to this, as did positive results from bond sales, positive valuation effects and one-off effects associated with the repurchase of the 2 hybrid bonds.

The income statement item **net other expenses/income** includes items that are not attributable to the above-mentioned income items. In the first half of 2021, income amounted to €17 million (compared to €24 million in the previous year).

In an environment of limited opportunities currently for increasing earnings, Bank Austria continues to focus on highly restrictive cost management. **Operating costs** fell by 1% to €578 million in the first half of 2021 (previous year: €583 million). This was also influenced by a positive one-off effect on social capital, partially offset by the recovery of write-downs related to the reclassification of subsidiaries to "held in use".

Payroll costs amounted to €290 million and were therefore €13 million or 4% below the comparable value of the previous year, supported in addition by the aforementioned positive one-off effect concerning social capital. The moderate development is also reflected in a slight reduction in personnel capacities (FTEs).

Other administrative costs fell by 1% to €256 million, thereby showing the clear focus on cost management.

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The increase in **depreciation and amortisation** from €23 million to €32 million is entirely related to the reclassification of subsidiaries previously classified as "held for sale" (card complete/DC Bank) to "held in use".

The **operating profit** amounted to €350 million, i.e. 33% higher than in the previous year, due to the above-mentioned developments.

The **net write-downs of loans and provisions for guarantees and commitments** was affected by conflicting effects. Non-performing loans increased due to model adjustments, which are offset by reversals for foreign currency loans (mainly due to repayments) and for non-performing loans. In total, net write-downs of loans and provisions for guarantees and commitments of €32 million were reported in the first half of 2021 (of which Stage 1 and 2 and subsidiaries): €-42 million and stage 3: €10 million), after an expense of €134 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 low figure of 10 bp (42 bp in the previous year). The divisions have the following cost of risk: Privatkundenbank -16 bp (previous year: 48 bp), Unternehmerbank 21 bp (previous year: 32 bp) and CIB division 24 bp (previous year: 53 bp).

The operating result (**net operating profit**) reached €318 million in the first half of 2021, up 149% on the previous year's level of €128 million. The Austrian customer segments made the following contributions to operating performance: Privatkundenbank +€57 million (previous year: +€17 million), Unternehmerbank +€147 million (previous year: +€100 million) and CIB +€106 million (previous year: +€54 million).

Under **provisions for risks and charges** a total amount of +€1 million was stated for the first half of 2021 (previous year: +€6 million).

Systemic charges fell overall to €-89 million (€-118 million in the first half of 2020). Of the total amount, €88 million was allocated to the deposit guarantee fund and the resolution fund and €1 million to the bank levy (after €56 million in the previous year, which for the last time included a pro rata special payment of €46 million due to the new regulation of the Austrian bank levy in 2016). The costs of the deposit guarantee rose significantly compared to the previous year's figure, caused by increased contributions due to the insolvencies of Commerzialbank Mattersburg and Anglo Austrian AAB AG.

In the **net income from investments**, a yield of -€20 million (previous year: -€56 million) was reported. Significant items included were valuation and sales results of properties as well as the release of a value adjustment for DC Bank which is held in use. The previous year's expenses were mainly due to impairment losses on individual equity investments (3-Banken Group).

The above items result in a **profit before tax** €251 million. The significant increase of -€41 million compared with the previous year was mainly due to the high net write-downs of loans and provisions for guarantees and commitments in the previous year due to the COVID-19 pandemic, improved operating income and the impact from the previous year of impairment losses on individual equity investments.

Income tax for the period amounted to -€40 million (previous year: +€4 million), reflecting the improved earnings situation in the reporting period.

For **non-controlling interests** (minority interests), a value of +€7 million was recognised (previous year's figure: €0 million).

Overall, this results in a net profit **(Group Net Profit attributable to the owners of Bank Austria**) of €219 million for the first half of 2021, compared with -€36 million in the same period of the previous year.

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Financial position and capital resources

Bank Austria Group's balance sheet at 30/06/2021 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** is the largest item on the asset side by far with a proportion of more than 50%. Unternehmerbank and Corporate & Investment Banking accounted for around 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. Approximately 60% consists of deposits from Privatkundenbank and constitutes a solid refinancing basis for Bank Austria.

Major items in the statement of financial position

(€ million)

			CHANGE	
	30.06.2021	**31.12.2020**	**+/- € million**	**+/- %**
Assets				
Cash and cash balances	85	95	(10)	-10.1%
Financial assets held for trading	993	1,205	(212)	-17.6%
Loans and receivables with banks	32,222	33,989	(1,767)	-5.2%
Loans and receivables with customers	61,002	60,863	+139	+0.2%
Other financial assets	18,685	17,611	+1,074	+6.1%
Hedging instruments	1,971	2,742	(771)	-28.1%
Other assets	1,888	2,006	(117)	-5.9%
TOTAL ASSETS	**116,847**	**118,510**	**(1,663)**	**-1.4%**
Liabilities and equity				
Deposits from banks	29,465	26,972	+2,493	+9.2%
Deposits from customers	60,345	61,167	(822)	-1.3%
Debt securities in issue	10,294	12,554	(2,260)	-18.0%
Financial liabilities held for trading	1,033	1,264	(230)	-18.2%
Hedging instruments	1,771	2,453	(683)	-27.8%
Other liabilities	5,372	5,739	(366)	-6.4%
o/w pensions and other post-retirement benefit obligations	3,735	4,009	(274)	-6.8%
Equity	8,567	8,360	+206	+2.5%
TOTAL LIABILITIES AND EQUITY	**116,847**	**118,510**	**(1,663)**	**-1.4%**

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

Assets

(€ million)

	30.06.2021	31.12.2020
Cash and cash balances	85	95
Financial assets held for trading	993	1,205
Loans and receivables with banks	32,222	33,989
a) Financial assets at amortised cost	32,222	33,989
Loans and receivables with customers	61,002	60,863
a) Financial assets at amortised cost	60,188	59,958
b) Financial assets mandatorily at fair value	814	905
Other financial assets	18,685	17,611
a) Financial assets at amortised cost (banks)	1,092	854
b) Financial assets at amortised cost (customers)	2,107	1,374
c) Financial assets designated at fair value	122	117
d) Financial assets mandatorily at fair value	97	107
e) Financial assets at fair value through other comprehensive income	12,954	12,909
f) Investments in associates and joint ventures	2,313	2,250
Hedging instruments	1,971	2,742
a) Derivatives used for hedging	1,560	1,995
b) Fair value changes of the hedged items in portfolio hedge (+/-)	411	748
Other assets	1,888	2,006
a) Tangible assets	940	948
b) Intangible assets	6	5
c) Tax assets	611	634
d) Non-current assets and disposal groups classified as held for sale	2	81
e) Other assets	330	337
TOTAL ASSETS	**116,847**	**118,510**

Liabilities and equity

(€ million)

	30.06.2021	31.12.2020
Deposits from banks	29,465	26,972
Deposits from customers[1)]	60,345	61,167
Debt securities issued	10,294	12,554
Financial liabilities held for trading	1,033	1,264
Hedging instruments	1,771	2,453
a) Derivatives used for hedging	1,453	1,976
b) Fair value changes of the hedged items in portfolio hedge (+/-)	317	477
Other liabilities	5,372	5,739
a) Financial liabilities designated at fair value	62	61
b) Tax liabilities	50	43
c) Liabilities included in disposal groups classified as held for sale	11	40
d) Other liabilities	1,154	1,161
e) Provisions for risks and charges	4,096	4,432
of which pensions and other post-retirement benefit obligations	3,735	4,009
Shareholders' equity	8,567	8,360
a) Revaluation reserves	(1,774)	(1,763)
b) Other provisions	4,271	4,246
c) Share premium reserve	4,138	4,136
d) Share capital	1,681	1,681
e) Minority interests (+/-)	32	40
f) Net profit or loss	219	20
TOTAL LIABILITIES AND EQUITY	**116,847**	**118,510**

1) excluding lease liabilities

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Compared to 31 December 2020, there was a decrease in **total assets of** €1.7 billion (-1.4%) to €116.8 billion as at 30 June 2021.

Loans and receivables with banks reduced by €1.8 billion to €32.2 billion.

Loans and receivables with customers increased slightly by €0.1 billion to €61.0 billion, with Privatkundenbank and CIB in particular achieving volume increases. Gross non-performing loans were almost unchanged compared to year-end 2020 at €2.1 billion, with the gross NPL ratio falling slightly to 3.4%. The net value of the NPL ratio was 1.9% at the reporting date.

Deposits from banks showed a significant increase of €2.5 billion to €29.5 billion compared to year-end 2020, partly due to additional TLTRO funds raised.

Deposits from customers fell by €0.8 billion to €60.3 billion compared to the 2020 reporting date. The decline mainly affects deposits at Unternehmerbank, while deposits from private customers showed growth.

Debt securities in issue fell significantly (-€2.3 billion) to €10.3 billion. Among other things, 2 major Pfandbrief issues expired in the reporting period.

The excellent refinancing base from non-banks is documented by the consolidated item "**direct funding**" (deposits from customers + own issues + financial liabilities measured at fair value), which amounts to €70.7 billion as at 30 June 2021. This means that loans to non-banks are covered by deposits from non-banks and own issues to the extent of about 116%.

As of the end of June 2021, the **Total Financial Assets** (**TFA**, i.e. the sum of total financial assets held by customers) amounted to €101.4 billion, of which €27.3 billion of **Assets under Management** (**AuM**, fund and asset management products), €21.2 billion of **Assets under Custody** (**AuC**, direct capital market investments/safe-custody business) and €53.0 billion of **deposits from customers** (incl. deposits with building societies and balances with severance funds). The TFA refer to volumes for Privatkundenbank and Unternehmerbank (excl. Leasing), i.e. investments in CIB, Leasing and the Corporate Centre are not included in this key figure.

The **provisions for risks and charges** amounted to around €4.1 billion in the first half of 2021, which is down -€0.3 billion compared to the end of 2020. The largest item thereof is provisions for risks and charges for post-retirement benefit obligations, which amounted to €3.7 billion (31/12/2020: €4.0 billion). As at 30 June 2021, the discount rate for social capital was 0.95%, an increase of 0.3 percentage points compared to the 2020 year-end rate of 0.65%.

As at 30 June 2021, the reported **equity** amounts to €8.6 billion, an increase of €0.2 billion compared to year-end 2020, mainly due to the half-year profit of €219 million.

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) 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.

As of 28 June 2021, all regulatory provisions of Regulation (EU) 2019/876 (CRR II) apply and are reflected in the calculation of the own funds ratios as of 30 June 2021 in addition to the provisions that are already directly applicable when the Regulation comes into force on 27 June 2019, as well as the provisions of Regulation (EU) 2020/873 amending Regulation (EU) 575/2013 and (EU) 2019/876 due to certain adjustments as a result of the COVID-19 pandemic.

The provisions of the CRD V were transposed into Austrian law via the Austrian Banking Act (BWG, Bankwesengesetz) amendment of 28 May 2021.

Bank Austria Group calculates its consolidated regulatory capital and consolidated regulatory capital requirements on an IFRS basis. Bank Austria has been making use of the possibility of allocating the IFRS 9 credit risk effects over time since 1 January 2021.

The Bank Austria Group's **eligible own funds** amounted to **€7.1 billion** as at 30 June 2021 (an increase of €0.1 billion compared with 31 December 2020).

Common Equity Tier 1 capital (CET1) also increased slightly by €0.1 billion to €6.4 billion.

Compared to the end of 2020, the **risk-weighted assets (RWA)** increased from €31.5 billion to **€32.0 billion**. After an essentially unchanged first quarter of 2021, credit risk increased by €0.6 billion on balance in the second quarter of 2021, resulting from model changes and business development (€0.8 billion) and an RWA reduction of €0.2 billion due to the CRR II changes. Market risk decreased by €0.1 billion.

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

Capital ratios (based on all risks)

	30.06.2021	31.12.2020
Common Equity Tier 1 (CET1) capital ratio	20.0%	20.1%
Tier 1 capital ratio	20.0%	20.1%
Total capital ratio	22.2%	22.3%

The **leverage ratio** pursuant to the Delegated Regulation (EU) 2015/62, based on the current status of transitional arrangements, was 6.4% as at 30 June 2021.

Permanent establishments

There are no permanent establishments.

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Outlook

Macro-economic environment 2021

The upturn from the Asian region and the US economy covered large parts of the global economy in the first half of 2021. After the slump in global GDP of more than 3 per cent due to the pandemic in 2020, we expect global economic output to increase by 6.1 per cent in 2021 as a whole, although there are downside economic risks for the second half of the year due to the spread of new virus variants.

In some larger emerging markets, such as China, the recovery is now starting to slow down after the strong start following the pandemic. This is also helped by the slow withdrawal of monetary and fiscal support measures. Nevertheless, the Chinese economy will lead the global economic recovery with an increase of 8.5 per cent. In many developed economies, consumption is now relied upon heavily as a pillar of growth. The US economy is benefiting from this with above-average economic growth of over 6.5 percent, especially as an economic plan with additional spending of 2 to 3 trillion US dollars is expected to be rolled out soon. For the euro zone - after a somewhat delayed start to recovery - a 4.5 per cent increase in GDP in 2021 seems within reach.

Despite the strong economic recovery and rise in inflation, key interest rates in both the US and the euro zone are expected to remain at the current low levels in the second half of 2021. Both the US Federal Bank and the European Central Bank consider the rise in inflation, mainly caused by supply bottlenecks and the higher oil price, to be temporary and are thus likely to ride out the phase of higher inflation without responding via interest rates. However, the Fed is likely to announce in the next half of the year that the "*tapering*", i.e. the repurchase of the securities buying program, is expected to begin in January 2022. The future of the European emergency purchase programme *PEPP*, which will run at least until the end of March 2022, will also be decided in the second half of 2021. The further improving economic and market environment favours a continued recovery in risk sentiment, which should provide support for the euro exchange rate in the second half of the year. However, the upside potential is likely to be limited after an average of 1.20 in the first half of the year with a rise towards 1.22 US dollars for one euro at the end of 2021.

The outlook for Austria

Due to the general opening of the Austrian economy including all service sectors after the slowdown of the pandemic, the mood in all economic sectors has become optimistic. In fact, the current economic situation and the immediate outlook in Austria have never been assessed as positively as in the middle of 2021. The industry has even already compensated for the production slump during the pandemic and business expectations have increased to record levels. While the support from the international environment is beginning to weaken somewhat, the significantly improved development with orders from the domestic market is providing even more confidence. The recovery in construction is also continuing at an accelerated pace in view of full order books, which are also being filled by the public sector. The service sector has made a dynamic new start after the reopening of all sectors from mid-May, which has currently even lifted sentiment in this sector to a 3-year high. In addition, the improvement in consumer sentiment as a result of the ongoing easing in the labour market strengthens the further outlook for services in the coming months. The high level of optimism is reflected in the rise of the UniCredit Bank Austria economic indicator to a new record level of 5.9 points at the beginning of the second half of the year, which directly indicates a continuation of the strong recovery in recent months.

After the summer, however, the catch-up process for the Austrian economy will slow down in an environment that is likely to be once again characterized by higher infection rates. However, we assume that the recovery will prove to be sustainable, so that economic output in Austria, which is currently still around 3.5 percentage points below the pre-crisis level, should reach this level again as early as the end of 2021 thanks to full-year economic growth of 3.2 per cent. The peak of the inflation trend with values just above the 3 per cent mark is to be expected in late autumn, when the oil price differential compared to the previous year will also be at its highest. Inflation in Austria should subside again around the turn of the year 2021/22 - supported by the end of price-driving supply bottlenecks -, so the rise in inflation is to be classified as temporary, as essentially no wage-price spiral is to be expected. We assume an inflation rate of 2.4 per cent on average in 2021.

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The development of financing and deposits in the second half of 2021 continues to depend on the course of the pandemic and thus also on the economy. However, the trends of the first half of the year should continue, i.e. relatively strong demand for housing loans and a slight decrease in demand for corporate loans, as the high liquidity of the corporate sector is increasingly being used for investments. The recovery in weak consumer credit demand is also likely to continue and to lead eventually to a slight rise in consumer credit levels. The slight decline in momentum in deposit growth should also continue, although deposits will remain the most popular investment product in the second half of the year.

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 a 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.

One focus remains on growing and strengthening the customer base through more efficient and optimised products and services, while improving the customer experience as a key driver for all strategic initiatives. The central transformation goal "paperless bank" remains in focus and is being implemented as an important pillar of the comprehensive sustainability initiatives. Fully digitised processes are designed to deliver the best customer experience while reducing costs and operational risk. At the same time, the bank will focus on simplicity, fast processes and sustainability.

UniCredit Bank Austria 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 plugged-in Corporate & Investment Banking (CIB), it also offers SME clients access to global capital markets and best-in-class solutions.

With the announcement of the new CEO of UniCredit, Andrea Orcel, and the changes in UniCredit S.p.A.'s Group Executive Committee, a new strategic plan for the group is currently developed and is intended to be presented to the market in the fourth quarter 2021.

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
  - Further expand our position as one of the leading providers of sustainable account and investment products
  - Remain the leading multi-channel bank in Austria in combination with our state-of-the-art consulting centres and our pioneering digital channels
- **Unternehmerbank**:
  - Unternehmerbank defends its leading role in corporate banking on the Austrian market and also makes use of CIB's product capacities
  - In the current recovery phase, UniCredit Bank Austria is increasingly helping companies to take advantage of growth opportunities and plans to expand its lending volume in this area as a result of this
  - As a strategic partner and major lender to companies, UniCredit Bank Austria is launching a consultation campaign and is expanding its support capacities for this purpose

Management Report

- **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
  - Simplify and speed up processes and decision-making in order to devote the time saved to our core business: our customers and our stakeholders
  - 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 **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 from home. 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.
- All employees will continue to have the option of working from home in future: up to 40 percent of weekly working hours in central areas and up to 20 percent in the branches.
- 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.

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 (environmental, social & governance), which objectives they need to set and how we can support them on the path to sustainable financing.

Management Report

- 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" ("Proud of Vienna"), create funding solutions in cooperation with the public domain, which provide SMEs with equity for a limited period.

The recovery has started following the severe economic downturn caused by the pandemic. While the overall economy is expected to reach pre-crisis levels in the first quarter of 2022, domestic industry has already reached this level by mid-2021 according to estimates by economists at UniCredit Bank Austria. UniCredit Bank Austria is ready to support companies in this important phase so that they can take advantage of growth opportunities.

- UniCredit Bank Austria wants to strengthen the SME sector in particular by significantly strengthening the credit portfolio in the corporate banking sector.
- The recovery is here and interest rates are very favourable at the moment, which is a very good time for third-party financing.
- In addition to new loans, the expansion of existing credit lines will be simplified to help with the growing need for operating resources and an expansion in production.
- UniCredit Bank Austria will also support customers with future issues. Sustainability is a strategic issue and investments in sustainability and climate protection should be on the agenda of every medium-sized company. UniCredit Bank Austria offers companies comprehensive advice and analysis on sustainability criteria (**ESG criteria: Environment, Social & Governance**).

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.

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 providing the best possible service.

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

- For example, the digital conversations between consultants and private customers in the communication centre of our Internet banking *24You* and in mobile banking have increased by +220 percent in the last year, i.e. have more than tripled.

In 2020, we comprehensively revised our **MobileBanking app** and equipped it with additional features: The new, modern design offers an extremely intuitive and, above all, even more user-friendly app experience, making the UniCredit Bank Austria MobileBanking App one of the best-rated mobile banking apps in Austria. We are therefore establishing "Mobile" as an equivalent channel to *24You* with enhanced functionalities. To allow new customers to use our app immediately, they can open an account fully and digitally within 15 minutes using their smartphone.

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. For example, a credit agreement can be signed electronically and therefore in a completely paperless process by means of TAN signature or qualified electronic signature (QES). As a paperless solution, this also contributes to environmental protection.

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, 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 therefore a key initiative. Our new permanent end-to-end rooms will also help us to improve our processes across the company.

Management Report

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.

In 2020, 6 cases of impact financing with a total volume of €11.5 million were facilitated at very favourable interest rates. This enabled more than 17,300 beneficiaries to be indirectly supported by these institutions. Furthermore, UniCredit Bank Austria granted around 50 microloans with a total financing volume of €1.1 million in 2020. In the area of financial education, a pilot project with 200 pupils was implemented with the "*Money Matters*" financial education programme. 1,650 pupils from all over Austria took part in the "*Business Plan Competition*" and 40 young social entrepreneurs from Austria received support in the "*Finance for Social Change*" competition (increasing financial knowledge).

At least 4 cases of impact financing with a total volume of almost €40 million will be implemented in 2021, and micro-loans are planned with a total volume of around €3.7 million – a significant expansion for both areas. The "*Money Matters*" financial education programme, the innovative online platform for all pupils from the age of 14, will be rolled out throughout Austria, at least 25 financial education workshops will be held for socially disadvantaged groups, and the "*Geldwissen2Go*" web app will be expanded to include a "*gamification*" part, i.e. with incorporation of game-type elements, to increase the learning effect even further.

Management Report

Development of business segments

Privatkundenbank

(€ million)

	1H21	1H20 [1]	CHANGE +/- € million	CHANGE +/- %
Operating income	429	433	(4)	-0.9%
Operating costs	(387)	(371)	(17)	4.5%
Operating profit	41	62	(21)	-33.2%
Net write-downs of loans	15	(45)	61	n.m.
Net operating profit	57	17	40	>100%
Profit (loss) before tax	**30**	**(20)**	**50**	**n.m.**
Total Financial Assets [2]	70,217	64,073	6,144	9.6%
Loans to customers	19,785	18,925	860	4.5%
Deposits from customers	35,579	33,137	2,442	7.4%
Ø Risk-weighted assets (RWA) [3]	7,710	8,686	(975)	-11.2%
ROAC [4]	6.8%	-4.8%	+11.6 PP	n.m.

1) In segment reporting, the comparative figures for the previous year were recast to reflect the current structure and methodology (see section Segment Reporting in the Notes to the consolidated financial statements)
2) Total Financial Assets = sum of total financial assets held by customers, i.e. sum of deposits from customers (including deposits with building societies and balances with severance funds), of assets under management (AuM, i.e. fund and asset management products) and of assets under custody (AuC, i.e. direct capital market investments/safe-custody business)
3) Average risk-weighted assets (all risks) under Basel 3
4) Calculation of allocated capital based on 11.75% (1H21) and 12.5% (1H20) target CET1 ratio
n.m. = not meaningful
These comments also apply to the segment tables on the following pages.

Operating profit
Operating income was €4 million (-0.9%) below the previous year's figure, driven by a decline in net interest in the continuing low-interest environment. On the other hand, net fees and commissions increased by 2.3% due to a good performance in the securities business and despite declines in the card business due to the COVID-19 crisis due to the lockdowns. The increase in operating costs is mainly due to a special effect in depreciation and amortisation in connection with the reclassification of subsidiaries previously classified as "held for sale" (card complete/DC Bank) to "held for operational use". The decline in operating profit to €41 million (first half of 2020: €62 million) is mainly due to this special effect and the development of net interest.

Net write-downs of loans and provisions for guarantees and commitments
A positive balance of €15 million was achieved in the first half of 2021, in particular due to the release of loan loss provisions for foreign currency loans, while net write-downs of loans and provisions for guarantees and commitments of -€4 million resulted in the same period of the previous year due to the COVID-19 crisis and the resulting changes in default probabilities and loss ratios.

Profit (loss) before tax from continuing operations
Taking into account the developments outlined above and the non-operating expenses of -€27 million (almost exclusively systemic charges), Privatkundenbank's profit before tax in the first half of 2021 was +€30 million (+€50 million compared to the previous year's result of -€20 million)

Loans to customers/customer deposits
At €19.8 billion, the loan volume was +0.9 billion above the previous year's level. Customer deposits increased significantly by €2.4 billion to €35.6 billion, driven by growth in demand deposits.

At **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 **Premium Banking segment** currently serves more than 30,000 wealthy private clients with total assets of around €20 billion. In order to be able to offer our consulting services to a larger number of customers, we have reduced the entry threshold to an investment volume of €300,000. Around 220 employees support our customers at 31 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. Our customers can request advice either on-site in special business customer offices or remotely via video calls.

In addition, we have consistently expanded our digital offerings and services. This has enabled our customers to transact all essential products and services purely via digital channels, including in the light of the COVID-19 pandemic, without having to visit a branch. The possibility of **signing contracts via the secure TAN procedure** was extended to all major transactions, therefore also ensuring paperless end-to-end processing. With the introduction of **video legitimisation**, we have taken the next step in further simplifying our processes.

Another focus was the introduction of the new innovative **MobileBanking App**, which was initiated in the second quarter of 2020 and successfully completed by the end of January 2021. The design for the new MobileBanking App is now even 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. In the first half of 2021, we were also able to activate the "Stock Exchanges & Markets" function in the app, which also gives our customers an overview of current stock market events via the 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.
App Store ratings have continued to improve over the first half of the year, above the average ratings for financial apps.

The **Wealth Management** segment is concentrated in 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 "*Investieren statt Spekulieren*" ("Invest, don't speculate"). This traditional bank also supports its customers – who entrust it with around €12.6 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 highly awarded private bank for many years, but this also continues to underscore its expertise as a leading wealth manager in the country. With 9 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)

	1H21	1H20	CHANGE +/- € million	CHANGE +/- %
Operating income	274	239	34	14.3%
Operating costs	(101)	(99)	(3)	2.6%
Operating profit	172	141	32	22.6%
Net write-downs of loans	(25)	(41)	16	-39.5%
Net operating profit	147	100	48	48.1%
Profit (loss) before tax	**140**	**83**	**58**	**69.8%**
Total Financial Assets	31,249	27,712	3,537	12.8%
Loans to customers	23,450	25,234	(1,784)	-7.1%
Deposits from customers	15,686	16,270	(584)	-3.6%
Ø Risk-weighted assets (RWA)	8,686	9,662	(976)	-10.1%
ROAC	21.2%	10.7%	+10.5 PP	n.m.

Operating profit

In the first half of 2021, operating income improved from €239 million to €274 million (+€34 million compared to the previous year). Despite continuing difficulties in the interest rate environment, interest income was more or less maintained compared to the previous year. Net commission income increased by 6.8% compared to the same period of the previous year, including in the securities business and in payment transactions (cash management) among other segments. Net trading, hedging and fair value income/loss increased significantly, due to a strong derivatives business with clients as well as positive valuation effects.

Operating costs increased by €2 million to €101 million. Staff costs continued to decline, and strict cost management remains in place. In total, an operating profit of €172 million (+22.6% compared to the previous year) was achieved.

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

Net write-downs of loans and provisions for guarantees and commitments were impacted by model adjustments, which led to increases in provisions for non-performing loans as well as through reversals for non-performing loans, and totalled -€25 million (previous year -€41 million).

Profit (loss) before tax from continuing operations

After taking into account the systemic charges and positive valuation effects on properties, Unternehmerbank's profit before tax in the first half of 2020 was €140 million, i.e. 69.8% above the previous year's figure of €83 million.

Loans to customers/customer deposits

At the end of the first six months of the year, the loan volume was €23.5 billion (30/06/2020: 25.2 billion), i.e. significantly below the previous year's figure, mainly due to declines in short-term loans; customer deposits, at €15.7 billion, were below the comparable figure for 2020 (€16.3 billion).

The first half of 2021 continued to be dominated by the **COVID-19 pandemic** for the Austrian economy, yet business developments in Unternehmerbank also made it crystal clear that the extent to which the individual sectors of the economy have been affected varies considerably. The restrictive measures implemented to contain the pandemic have kept some parts of the economy under pressure, including in particular tourism and gastronomy. However, support measures by the government have had an impact, and in the first half of the year the number of bankruptcies and firms in difficulty remained within narrow limits.
In the result for the period, Unternehmerbank saw very strong growth in the **payment transactions** business, which has more or less returned to pre-crisis levels. This is usually a good early indicator that the economy is reviving, which is also confirmed by the analyses and forecasts for the national economy. The related **loan business** showed little signs of momentum in the first half of the year, but the outlook for the second half of the year remains strong. The deposit business is based around an interest rate environment that remains highly negative, with a focus on **alternative investment options** for those funds that companies do not currently require in the short term.

Among commercial real estate clients, it became apparent that the **Austrian real estate industry** has weathered the COVID-19 crisis very well so far. Project activities are at a very high level, particularly in the Residential sub-segment; in the Retail segment, specialist market centres in particular have survived the crisis very well. Accordingly, the Real Estate business segment in Unternehmerbank also showed a very satisfactory result and a positive outlook for the rest of the year.

Management Report

Since the first quarter of 2021, the municipal loan business has returned to normal, following particularly high demand towards the end of last year. Among other things, this "boom" has ensured an excellent result in the first half of the year for the **Public Sector** business unit. At present, the number of calls for financing is once again at pre-crisis levels, although we are generally seeing a sharp increase in competition for public financing.

The **digitalisation** of services for corporate customers will continue to be given a very high priority in 2021. Video legitimisation is a new service that allows customers to add new authorised signatories to a corporate client business relationship from anywhere: all they need is an internet connection. This eliminates physical contacts and travel times completely. Further innovations are in preparation for the second half of the year, such as the "***Bank Austria Trade Club***" and an **online account opening tool** for corporate clients.

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, sustained strong profitability speak for themselves.

Management Report

Corporate & Investment Banking (CIB)

(€ million)

	1H21	1H20	CHANGE +/- € million	CHANGE +/- %
Operating income	214	187	26	14.0%
Operating costs	(84)	(83)	(2)	2.3%
Operating profit	129	105	24	23.3%
Net write-downs of loans	(23)	(50)	27	-54.4%
Net operating profit	106	54	52	95.2%
Profit (loss) before tax	**84**	**20**	**63**	**>100%**
Loans to customers	17,649	19,255	(1,606)	-8.3%
Deposits from customers	9,128	8,491	638	7.5%
Ø Risk-weighted assets (RWA)	10,662	10,034	628	6.3%
ROAC	10.6%	2.1%	+8.5 PP	n.m.

Operating profit

In the CIB segment, the operating profit in the first half of 2021 was €129 million, up 23.3% on the previous year's figure. Operating income increased by €26 million, or 14.0% to €214 million, with improvements in all major income statement items. Net interest income increased by 6.2%. The significant improvements in net trading, hedging and fair value income/loss was impacted by a very good performance in the derivatives business with customers, positive results from bond sales and positive valuation effects. At the same time, operating costs remained largely stable at €84 million, thanks to strict cost management.

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

After significant increases in loan loss provisions in the previous year (-€50 million) due to the COVID-19 crisis, there was a lower amount of net additions of -€23 million in the first half of 2021, partly due to model adjustments and changes in provisions for individual customers.

Profit (loss) before tax from continuing operations

In addition to the figures presented, the profit before tax mainly includes the systemic charges allocated to the CIB division and amounted to €84 million (previous year: €20 million).

Loans to customers/customer deposits

Compared to the first half of 2020, the loan volume fell by 8.3% to €17.6 billion. Customer deposits increased by 7.5% to €9.1 billion, primarily due to demand deposits.

UniCredit is one of the largest lenders in Europe. Since 2012, UniCredit has also been amongst the top four in Europe for syndicated financing and Euro bonds. In Austria, UniCredit Bank Austria is ranked first 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.

Bank Austria was named "Best Investment Bank" in Austria, as well as Best Global Trade Finance Bank for Customer Service, Best Sub-Custodian Bank 2021 and Best Foreign Exchange Provider.

In the first half of 2021, the CIB business segment successfully defended its leading market position among multinational companies as well as financial institutions and large real estate clients, thanks to its focus on intensive support services despite COVID-19. Even in these challenging times, we continue to be there for our multinational Austrian clients with our full commitment and dedication, finding customised financial solutions. 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 customers of Bank Austria's Commercial Banking and Wealth Management divisions and, through networking within the Group and due to the global platform available through this, provide the basis for the ongoing development of product know-how and services for our customers.

Consolidated Financial Statements in accordance with IFRSs

Notes

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

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

Consolidated Income Statement

Consolidated income statement

(€ million)

ITEMS	AS AT 30.06.2021	AS AT 30.06.2020
10. Interest income and similar revenues	633	640
of which: interest income calculated with the effective interest method	*449*	*535*
20. Interest expenses and similar charges	(209)	(179)
30. Net interest margin	**424**	**460**
40. Fees and commissions income	426	417
50. Fees and commissions expenses	(90)	(89)
60. Net fees and commissions	**336**	**328**
70. Dividend income and similar revenues	4	3
80. Net gains (losses) on trading	56	9
90. Net gains (losses) on hedge accounting	-	1
100. Gains (Losses) on disposal and repurchase of:	13	3
a) financial assets at amortised cost	5	-
b) financial assets at fair value through other comprehensive income	8	2
c) financial liabilities	-	1
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss:	12	(5)
a) financial assets/liabilities designated at fair value	(2)	(6)
b) other financial assets mandatorily at fair value	14	1
120. Operating income	**845**	**799**
130. Net losses/recoveries on credit impairment	(45)	(111)
a) financial assets at amortised cost	(45)	(111)
b) financial assets at fair value through other comprehensive income	-	-
140. Gains/Losses from contractual changes with no cancellations	-	-
150. Net profit from financial activities	**800**	**689**
160. Net premiums	-	-
170. Other net insurance income/expenses	-	-
180. Net profit from financial and insurance activities	**800**	**689**
190. Administrative expenses:	(628)	(677)
a) staff costs	(290)	(303)
b) other administrative expenses	(338)	(374)
200. Net provisions for risks and charges:	24	(25)
a) commitments and financial guarantees given	13	(24)
b) other net provisions	11	(1)
210. Net value adjustments/write-backs on property, plant and equipment	(40)	(43)
220. Net value adjustments/write-backs on intangible assets	(7)	(1)
230. Other operating expenses/income	26	45
240. Operating costs	**(625)**	**(700)**
250. Gains (Losses) of equity investments	66	(43)
260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	10	(1)
270. Goodwill impairment	-	-
280. Gains (Losses) on disposals of investments	-	14
290. Profit (Loss) before tax from continuing operations	**251**	**(41)**
300. Tax expenses (income) for the period from continuing operations	(40)	4
310. Profit (Loss) after tax from continuing operations	**211**	**(37)**
320. Profit (Loss) after tax from discontinued operations	1	1
330. Profit (Loss) for the period	**212**	**(36)**
340. Minority profit (loss) for the period	7	-
350. Profit (loss) for the period – attributable to the owners of Bank Austria	**219**	**(36)**

Consolidated Statement of Comprehensive Income

Consolidated statement of comprehensive income

(€ million)

ITEMS	AS AT 30.06.2021	AS AT 30.06.2020
PROFIT (LOSS) FOR THE PERIOD	**212**	**(36)**
Other comprehensive income after tax not reclassified to profit or loss	**119**	**2**
Equity instruments designated at fair value through other comprehensive income	7	3
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	1
Intangible assets	-	-
Defined-benefit plans	106	1
Non-current assets and disposal groups classified as held for sale	-	-
Portion of valuation reserves from investments valued at equity method	3	(3)
Other comprehensive income after tax reclassified to profit or loss	**(131)**	**(23)**
Foreign investments hedging	-	-
Foreign exchange differences	-	-
Cash flow hedging	(4)	1
Hedging instruments (non-designated items)	-	-
Financial assets (different from equity instruments) at fair value through other comprehensive income	(126)	(16)
Property, plant and equipment	-	-
Non-current assets and disposal groups classified as held for sale	-	-
Part of valuation reserves from investments valued at equity method	(2)	(8)
Total other comprehensive income after tax	**(12)**	**(21)**
COMPREHENSIVE INCOME	**200**	**(58)**
Minority consolidated comprehensive income	7	-
Parent Company's consolidated comprehensive income	**207**	**(58)**

Earnings per share (in €, basic and diluted)

(€)

POSITIONS	AS AT 30.06.2021	AS AT 30.06.2020 *)
Earnings per share from profit (loss) after taxes from continuing operations	0.89	(0.25)
Earnings per share from profit (loss) after taxes from discontinued operations	0.01	0.00

*) Last year's figures 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 on the basis of the average number of shares outstanding (231.2 million shares).

Consolidated Statement of Financial Position

Consolidated balance sheet

(€ million)

	AMOUNTS AS AT	
ASSETS	**30.06.2021**	**31.12.2020**
10. Cash and cash balances	85	95
20. Financial assets at fair value through profit or loss:	2,026	2,334
a) financial assets held for trading	993	1,205
b) financial assets designated at fair value	122	117
c) other financial assets mandatorily at fair value	910	1,011
30. Financial assets at fair value through other comprehensive income	12,954	12,909
40. Financial assets at amortised cost:	95,609	96,175
a) loans and advances to banks	33,314	34,843
b) loans and advances to customers	62,296	61,332
50. Hedging derivatives	1,560	1,995
60. Changes in fair value of portfolio hedged items (+/-)	411	748
70. Equity investments	2,313	2,250
80. Insurance reserves charged to reinsurers	-	-
90. Property, plant and equipment	940	948
100. Intangible assets	6	5
of which: goodwill	-	-
110. Tax assets:	611	634
a) current	13	5
b) deferred	598	629
120. Non-current assets and disposal groups classified as held for sale	2	81
130. Other assets	330	337
Total assets	**116,847**	**118,510**

Consolidated Statement of Financial Position

(€ million)

	AMOUNTS AS AT	
LIABILITIES AND SHAREHOLDERS' EQUITY	30.06.2021	31.12.2020
10. Financial liabilities at amortised cost:	100,431	101,023
a) deposits from banks	29,465	26,972
b) deposits from customers	60,672	61,497
c) debt securities in issue	10,294	12,554
20. Financial liabilities held for trading	1,033	1,264
30. Financial liabilities designated at fair value	62	61
40. Hedging derivatives	1,453	1,976
50. Value adjustment of hedged financial liabilities (+/-)	317	477
60. Tax liabilities:	50	43
a) current	45	38
b) deferred	5	5
70. Liabilities associated with assets classified as held for sale	11	40
80. Other liabilities	826	831
90. Provision for employee severance pay	-	-
100. Provisions for risks and charges:	4,096	4,432
a) commitments and guarantees given	213	227
b) post-retirement benefit obligations	3,735	4,009
c) other provisions for risks and charges	147	196
110. Technical reserves	-	-
120. Valuation reserves	(1,774)	(1,763)
130. Redeemable shares	-	-
140. Equity instruments	-	-
150. Reserves	4,271	4,246
160. Share premium	4,138	4,136
170. Share capital	1,681	1,681
180. Treasury shares (-)	-	-
190. Minority shareholders' equity (+/-)	32	40
200. Profit (Loss) for the period (+/-)	219	20
Total liabilities and shareholders' equity	**116,847**	**118,510**

Consolidated Statement of Changes in Equity

Statement of changes in Equity as at 30.06.2021

	BALANCE AS AT 31.12.2020	ALLOCATION OF PROFIT FROM PREVIOUS YEAR	
		RESERVES	DIVIDENDS
Issued capital:			
a) ordinary shares	1,681	-	-
b) other shares	-	-	-
Share premium	4,136	-	-
Reserves:			
a) other reserve	4,248	20	-
b) foreign currency reserve	(2)	-	-
Revaluation reserves:	(1,763)	-	-
a) Cashflow Hedge Reserve	21	-	-
b) Revaluation Reserve FA @FVTOCI	353	-	-
c) Revaluation Reserve associates and joint ventures	-	-	-
d) Revaluation reserve tangible assets	64	-	-
e) Pension and similar liabilities IAS 19	(2,201)	-	-
f) Revaluation reserve: non - current assets classified held-for-sale	-		
Net profit or loss for the period	20	(20)	-
Shareholders' Equity Group	**8,320**	**-**	**-**
Shareholders' Equity minorities	40	-	-
Total Shareholders' Equity	**8,360**	**-**	**-**

Consolidated Statement of Changes in Equity

(€ million)

CHANGES IN THE PERIOD					
	EQUITY				
CHANGES IN RESERVES	CHANGES IN SCOPE OF CONSOLIDATION	OTHER	TOTAL	COMPREHENSIVE INCOME	GROUP SHAREHOLDERS' EQUITY AS AT 30.06.2021
-	-	-	-	-	1,681
-	-	-	-	-	-
-	-	2	2	-	4,138
5	(1)	-	(1)		4,273
-	1	-	1	-	(1)
1	-	-	-	(12)	(1,774)
-	-	-	-	(4)	17
-	-	-	-	(119)	234
1	-		-	2	2
-	-	-	-	2	67
-	-	-	-	106	(2,095)
-		-	-	-	-
-	-	-	-	219	219
6	**-**	**2**	**2**	**207**	**8,535**
(7)	(1)	-	(1)	-	32
(1)	**(1)**	**2**	**1**	**207**	**8,567**

Consolidated Statement of Changes in Equity

Statement of changes in Equity as at 30.06.2020

	BALANCE AS AT 31.12.2019	ALLOCATION OF PROFIT FROM PREVIOUS YEAR	
		RESERVES	DIVIDENDS
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)**

Consolidated Statement of Changes in Equity

(€ million)

CHANGES IN THE PERIOD					
	SHAREHOLDERS' EQUITY TRANSACTIONS				
CHANGES IN RESERVES	CHANGES IN SCOPE OF CONSOLIDATION	OTHER	TOTAL	COMPREHENSIVE INCOME	GROUP SHAREHOLDERS' EQUITY AS AT 30.06.2020
-	-	-	-	-	1,681
-	-	-	-	-	-
-	-	1	1	-	4,137
(20)		- -	- -		4,239
-	-	-	-	-	(1)
-	-	-	-	(22)	(1,703)
-	-	-	-	1	25
-	-	-	-	(13)	298
-	-	-	-	(11)	5
(5)	-	-	-	1	63
-	-	-	-	1	(2,099)
5		-	-	-	5
-	-	-	-	(36)	(36)
(20)	**-**	**1**	**1**	**(58)**	**8,317**
-	(1)	-	(1)	-	45
(20)	**(1)**	**1**	**-**	**(58)**	**8,363**

Consolidated Statement of Cash Flows

(€ million)

	AS AT	
	30.06.2021	30.06.2020
A. OPERATING ACTIVITIES		
1. Non-cash items included in net profit and adjustments to reconcile net profit to cash flows from operating activities:	**301**	**227**
- profit (loss) of the period (+/-)	212	(36)
- gains/losses on financial assets held for trading and on other financial assets/liabilities at fair value through profit or loss (-/+)	(38)	8
- gains (losses) on hedge accounting (-/+)	-	(1)
- net losses/recoveries on impairments (+/-)	102	193
- net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-)	37	45
- net provisions for risks and charges (incl. personnel) and other expenses/income (+/-)	(93)	39
- unpaid duties, taxes and tax credits (+/-)	-	(6)
- impairments/write-backs after tax on discontinued operations (+/-)	-	-
-other adjustments (+/-)	43	(15)
2. Liquidity generated/absorbed by financial assets:	**568**	**(14,313)**
- financial assets held for trading	22	(190)
- financial assets designated at fair value	(12)	-
- other financial assets mandatorily at fair value	100	100
- financial assets at fair value through other comprehensive income	(203)	(225)
- financial assets at amortised cost *)	526	(13,648)
- other assets	135	(349)
3. Liquidity generated/absorbed by financial liabilities:	**(680)**	**13,929**
- financial liabilities at amortised cost *)	(393)	13,567
- financial liabilities held for trading	-	222
- financial liabilities designated at fair value	6	(48)
- other liabilities	(293)	189
Net liquidity generated/absorbed by operating activities	**188**	**(156)**
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by:	**47**	**73**
- sales of equity investments	-	-
- collected dividends on equity investments	30	20
- sales of property, plant and equipment	17	51
- sales of intangible assets	-	-
- sales of subsidiaries and business units (less cash disposed)	-	2
2. Liquidity absorbed by:	**(41)**	**(57)**
- purchases of equity investments	(12)	-
- purchases of property, plant and equipment	(29)	(56)
- purchases of intangible assets	(1)	-
- purchases of subsidiaries and business units (less cash acquired)	-	-
Net liquidity generated/absorbed by investment activities	**6**	**16**

*) In the 2020 financial year taking-up and placement of the volume taken within the framework of TLTRO III

Consolidated Statement of Cash Flows

(€ million)

	AS AT	
	30.06.2021	30.06.2020
C. FUNDING ACTIVITIES		
- issue/purchase of equity instruments	-	-
- dividend distribution to shareholders and non controlling interests	-	(45)
- sale/purchase of minority control	-	-
- Proceeds from issues of subordinated liabilities	-	-
- Payments for repayment of subordinated liabilities	(203)	-
Net liquidity generated/absorbed by funding activities	**(203)**	**(45)**
NET LIQUIDITY GENERATED/ABSORBED IN THE YEAR	**(10)**	**(185)**
CASH AND CASH EQUIVALENTS AT END OF PREVIOUS PERIOD	**95**	**270**
Cash flows from operating activities	188	(156)
Cash flows from investment activities	6	16
Cash flows from funding activities	(203)	(45)
Effects of changes in scope of consolidation	-	-
Effects of exchange rate changes	-	(1)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**85**	**83**
PAYMENTS FOR TAXES, INTEREST AND DIVIDENDS		
Income taxes received (+)/ paid (–) from operating activities	-	(2)
Interest received	633	640
Interest paid	(209)	(179)
Dividends received	30	20

Notes to the Consolidated Financial Statements

Basis for the preparation of the financial statements

The interim consolidated financial statements for the first half of 2021 (January 2021 to June 2021) include the financial statements of UniCredit Bank Austria AG and its subsidiaries and the Group's interests in associates and jointly controlled entities (collectively referred to as Bank Austria). The interim consolidated financial statements were prepared in Euro, the reporting currency of the Group.

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

The interim consolidated financial statements of Bank Austria for the first half of 2021 are unaudited and have not been reviewed by the auditors. It comprises the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement, the segment reporting and selected explanatory notes. The selected explanatory notes describe events and transactions that are relevant to understanding the changes in the financial position, the results of operations and the cash flows of the Group since the consolidated financial statements for the year ended 31 December 2019.

The interim consolidated financial statements do not contain all the information and data required for the consolidated financial statements for a financial year. The interim consolidated financial statements are to be read in conjunction with the audited consolidated financial statements of Bank Austria 2019, which were prepared using the same accounting principles.

In preparing financial statements in accordance with IFRS, estimates and assumptions by management are required for certain categories of assets and liabilities. These assumptions and estimates affect reported income and expense during the period, as well as the reported amounts of assets and liabilities, and contingent assets and contingent liabilities as of the balance sheet date. Actual results may differ from management's estimates and the reported results should not necessarily be considered as an indication of the full-year results to be expected.

Accounting and valuation methods

Compared to the consolidated financial statements of Bank Austria as at 31 December 2020, there were no significant changes to the accounting principles in the interim financial statements 2021 which resulted from the application of new or amended standards.

Application of amended and new IFRS or IAS

First-time application of amended and new financial reporting standards and accounting methods

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 (Leases). 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 B5.4.5 of IFRS 9 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.

Notes to the Consolidated Financial Statements

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 have been initiated in connection with the impact of the benchmark reform, including the findings and new market standards (European Working Group on risk free rates). In the first half of 2021, the reconciliation mechanism of the loan portfolio covered by the interest rate benchmark reform was defined, and corresponding contractual, technical and procedural changes were initiated. These will now be implemented step by step until January 2022 in accordance with the underlying schedule.

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 previous exemption from the application of IFRS 9 (Amendments to IFRS 4)" which had been published by the IASB 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.

New and amended financial reporting standards not yet adopted by the Group

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 from 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 amendments 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 Leases.

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

Amendment to IFRS 16 COVID-19-related rent concessions
The IASB has proposed a change to IFRS 16 Leases to facilitate the accounting of concessions, such as rent payment deferrals or lease price reductions, granted in direct connection with the outbreak of the coronavirus pandemic.

The amendment contained in the coronavirus pandemic-related rental 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.

Notes to the Consolidated Financial Statements

The main change from the draft is that the IASB had proposed to make the practical expedient available for lease payments due on or before June 30, 2021. However, after considering feedback on the draft, the IASB decided to extend the period for lease payments due on or before June 30, 2022. The amendment is effective for annual reporting periods beginning on or after April 1, 2021.

The lease concession relief provisions that reduce lease payments due on or before June 30, 2021, have already been endorsed by the EU. However, an EU endorsement is pending for the extension of the deadline to June 30, 2022.

The relief provisions are not applied by Bank Austria.

The following standards and amendments had not yet been adopted by the EU at the time of preparation of the interim consolidated financial statements:

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 temporary 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 current or non-current (Amendments to IAS 1 Presentation of Financial Statements)
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 from 1 January 2023 onwards. Premature application is permitted. Existing classifications are analysed as part of the new regulations as to whether reclassifications are required.

Amendments to IAS 1 Presentation of Financial Statements and to IAS 8 Accounting Policies
On 12 February 2021, the IASB published amendments to IAS 1 Presentation of Financial Statements and amendments to IAS 8 Accounting Policies. The amendments to IAS 1 concern the notes to the accounting and valuation policies and are substantiated by the supporting material IFRS Practice Statement 2 "Making Materiality Judgements", which has also been amended. The supporting IFRS Practice Statement 2 provides further guidance on the application of the concept of materiality to the disclosures on the accounting and valuation policies. The amendments to IAS 8 clearly set out the distinction between changes in accounting and valuation policies and changes in accounting estimates.

The amendments to IAS 1 and IAS 8 must be applied for financial years beginning on or after 1 January 2023. Earlier application is permitted, but this requires an EU endorsement. As soon as an enterprise applies the amendments to IAS 1, it may also apply the amendments to IFRS Practice Statement 2. Bank Austria does not expect these amendments to have any significant effect.

Amendments to IAS 12 Income Taxes
On 7 May 2021, the IASB published an amendment to IAS 12 Income Taxes. The amendment to IAS 12 narrows the scope of the initial recognition instance. If both deductible and taxable temporary differences that are equal in amount arise from a transaction, the initial recognition exemption shall no longer apply and deferred tax assets and liabilities must be recognised.

The amendments must be applied for annual financial years beginning on or after 1 January 2023. Earlier application is permitted. The amendments have no effect on Bank Austria.

Notes to the Consolidated Financial Statements

Other matters

"3-Banken" impairment test

As at 30 June 2021, the holdings of Bank Austria in Oberbank AG (Oberbank), Bank für Tirol und Vorarlberg Aktiengesellschaft (BTV) and BKS Bank AG (BKS), jointly known as the "3-Banken", underwent an impairment review.

With regard to Oberbank, the pro rata market capitalisation was higher than the carrying amount, which resulted in no impairment requirement.

For BTV and BKS, the pro rata market capitalisation was lower than the respective carrying amount. The required impairment test was carried out using a discounted cash flow valuation model. For this purpose, the expected cash flows were discounted at an appropriate cost of equity, which was calculated based on the long-term risk-free interest rate, the credit risk premium for Austria and an appropriate beta.

The basis for the impairment test as at 30 June 2021 was the business plan approved by BTV and BKS management at the end of 2020 and the published business performance for the first quarter of 2021.

The impairment test done in the first half of 2021 confirmed the valuation as at 31 December 2020.

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 and unpredictable changes, the results of future impairment tests may differ from those which were used for the interim financial statements as at 30 June 2021.

Tax loss carryforwards

Based on a tax forecast, tax loss carryforwards were capitalised as at 31 December 2019. The deferred tax amount of the capitalised losses as at 30 June 2021 was €182 million, which must be considered as being of value on the basis of the assumptions as at 30 June. It should be noted that assumptions have been made regarding the use of loss carryforwards which may 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 CEE segment which had been spun-off in 2016, appropriate factoring of the loss carryforwards was carried out on the basis of assumptions.

Targeted Longer-Term Refinancing Operations (TLTRO)

“Targeted Longer-Term Refinancing Operations” (TLTRO) is a monetary policy measure of the ECB which, in addition to the average interest rate of the deposit facility and the main refinancing operation, includes performance-based interest rate components when certain thresholds for cumulative net lending are reached (Special Interest Rate Periods). From Bank Austria's point of view, the terms of the TLTRO III program do not constitute below-market interest rate instruments. In line with the UniCredit Group approach, liabilities under the TLTRO program are therefore measured and recognized at amortized cost in accordance with IFRS 9.4.2.1 using the effective interest method.

In these long-term refinancing operations, if the borrowing bank reaches certain thresholds for cumulative net lending (CNL) to certain borrowers (loans to non-financial corporations, loans to households - excluding housing loans), it receives an additional interest rate advantage of 50 basis points - on top of the average interest rate of the deposit facility rate (DFR) or the main refinancing operation (MRO). The financial conditions contained in the TLTROs reflect, in particular, the ECB's monetary policy initiatives to reduce refinancing costs for banking institutions through the use of "non-conventional" instruments reflected in money market operations.

Notes to the Consolidated Financial Statements

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 - June 2021 upon reaching a certain threshold for cumulative net lending as of March 31, 2021, the Governing Council decided on December 10, 2020 (see Official Journal of the European Union Decision (EU) 2021/124 of the European Central Bank of January 29, 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 - June 2022, in addition to the average interest rate of the deposit facility or the main refinancing operation, provided that cumulative net lending to defined borrowers reaches a certain threshold as of December 31, 2021.

UniCredit Bank Austria AG has drawn down a total of €16.95 billion in central bank refinancing under TLTRO III (of which €15.4 billion in June 2020 and €1.55 billion in March 2021). In the first half of the year, interest income from the TLTRO programs of around €27.7 million (June 2020: €7.2 million) was recognized in net interest income.

The corresponding income is therefore included in the calculation of interest income on these refinancing instruments in accordance with IFRS 9. The introduced forward-looking, "performance-based" remuneration under the ECB TLTRO program is treated as a change in market parameters and therefore interest is calculated using the "effective interest method", which spreads interest income over the application period of the effective interest rate. UniCredit Bank Austria AG adjusted the effective interest rate to -0.83% in December 2020. This effective interest rate as well as the effective interest rate of -0.99% for the tranche taken up in March 2021 (see above) are decisive for the recognition of interest income in the first half of the year.

The assumption of target achievement, which is also monitored on an ongoing basis, was supported here both by the portfolio of loans extended to date and by the business development expected in the 2021 budget as well as by the current deal pipeline; the target as of March 31, 2021 was exceeded.

Notes to the Consolidated Financial Statements

Information on fair value

This section presents information on the fair value disclosures as required by IFRS 13.

The determination of the fair values for the various holdings of financial instruments in the interim consolidated financial statements was disclosed in detail as at 31 December 2020, and remains valid.

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

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

(€ million)

	AMOUNTS AS AT 30.06.2021			AMOUNTS AS AT 31.12.2020		
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	122	1,666	237	117	1,930	287
a) Financial assets held for trading	-	990	3	-	1,201	4
b) Financial assets designated at fair value	122	-	-	117	-	-
c) Financial assets mandatorily at fair value	-	676	234	-	728	283
2. Financial assets at fair value through other comprehensive income	10,642	2,220	92	10,988	1,832	89
3. Hedging derivatives	-	1,560	-	-	1,995	-
4. Property, plant and equipment	-	-	402	-	-	394
5. Intangible assets	-	-	-	-	-	-
Total	**10,765**	**5,446**	**731**	**11,105**	**5,756**	**769**
1. Financial liabilities held for trading	-	1,031	2	-	1,260	3
2. Financial liabilities designated at fair value	-	61	1	-	60	1
3. Hedging derivatives	-	1,453	-	-	1,976	-
Total	**-**	**2,545**	**3**	**-**	**3,297**	**4**

In the first half of 2021, there were no transfers between the fair value hierarchies of levels 1 and 2 for the holdings measured at fair value.

Assets valued at fair value: Sensitivity Analysis Fair Value Level 3

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): in the absence of active markets for the issuer's credit risk premium, approximate values are used.

Interest rates (IR): in the absence of liquid interest rate swap markets the term structure of the yield curve is proxied.

Equity (EQ): in the absence of active markets, approximate values are used.

The reasonable alternative estimate for the model input is disclosed in the column “Fair Value Movements”.

The sensitivity analysis for Bank Austria shows that the main level 3 positions are fair value loans, equity funds and stock options.

Notes to the Consolidated Financial Statements

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 as well as interest options being reported in the event of a 1% shift in underlying volatility
- 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[1)]
- for debt securities, the change in the risk premium by 1 basis point
- fund quotes: change in inventory value by 1%

1) The sensitivity in relation to the LGD of the CVA adjustment of counterparties, that are in default according to internal guidelines, amounts to € 0.3 million.

(€ million)

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	AS AT 30.06.2021 FAIR VALUE ASSETS LEVEL 3	RANGE OF FAIR VALUE FLUCTUATION WHEN APPLYING PLAUSIBLE ALTERNATIVE VALUATION ASSUMPTIONS	
1. Financial assets at fair value through profit or loss	237	+/-	0.6
a) Financial assets held for trading	3	+/-	0.3
b) Financial assets designated at fair value	-	+/-	-
c) Financial assets mandatorily at fair value	234	+/-	0.2
2. Financial assets at fair value through other comprehensive income	92	+/-	0.0
3. Hedging derivatives	-	+/-	-
4. Property, plant and equipment	402	+/-	-
5. Intangible assets	-	+/-	-
Total A	**731**	**+/-**	**0.6**
1. Financial liabilities held for trading	2	+/-	0.2
2. Financial liabilities designated at fair value	1	+/-	-
3. Hedging derivatives	-	+/-	-
Total B	**3**	**+/-**	**0.2**

Transfer between portfolios

Due to the unusual circumstances caused by the 2008 financial market crisis, ABS (asset-backed securities) were reclassified with effect of 1 July 2008, to the fair value determined on this reporting date from the trading portfolio to “Financial assets at amortized cost”.

As at 30 June 2021, an amount of €15 million (31 December 2020: €71 million) in financial assets at amortized cost is included under this heading.

Notes to the Consolidated Financial Statements

Consolidated companies and changes in consolidated companies of the Bank Austria Group for the first half of 2021

	CONSOLIDATED COMPANIES	COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD	TOTAL
Opening balance	**209**	**13**	**222**
Additions	**1**	**-**	**1**
Newly established companies	-	-	-
Acquired companies	1	-	1
Other changes	-	-	-
Changes in UniCredit Group	-	-	-
Disposals	**-13**	**-**	**-13**
Companies sold or liquidated	-1	-	-1
Mergers	-1	-	-1
Changes in UniCredit Group	-11	-	-11
CLOSING BALANCE	**197**	**13**	**210**

The number of Bank Austria companies declined from 222 to 210 in the first half of the year.

In the 2021 financial year, up to now the company UCLA Am Winterhafen 11 Immobilienleasing GmbH & Co OG was acquired.

The scope of consolidation decreased due to deconsolidations due to immateriality and due to the sale of the following companies:

- Immobilien Rating GmbH in Liquidation
- Human Resources Service and Development GmbH
- Real Invest Immobilien GmbH
- BAH-KAPPA Kft. "v.a."
- PRO WOHNBAU GmbH
- BA-CA FINANCE (CAYMAN) II LIMITED
- BA-CA FINANCE (CAYMAN) LIMITED
- ALPINE CAYMAN ISLANDS LTD.
- BA-CA Wien Mitte Holding GmbH
- Treuconsult Beteiligungsgesellschaft m.b.H.
- BA Alpine Holdings Inc.
- KSG Karten-Verrechnungs- und Servicegesellschaft m.b.H.
- DC elektronische Zahlungssysteme GmbH

Notes to the income statement

1.1 Interest income and similar revenues

(€ million)

ITEMS/TYPES	AS AT 30.06.2021 DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL	AS AT 30.06.2020 TOTAL
1. Financial assets at fair value through profit or loss	**1**	**21**	**122**	**143**	**142**
1.1 Financial assets held for trading	-	-	122	122	118
1.2 Financial assets designated at fair value	1	-	-	1	-
1.3 Other financial assets mandatorily at fair value	1	21	-	21	24
2. Financial assets at fair value through other comprehensive income	**57**	**-**	**X**	**57**	**70**
3. Financial assets at amortised cost	**(1)**	**393**	**X**	**392**	**465**
3.1 Loans and advances to banks	(1)	12	X	11	11
3.2 Loans and advances to customers	1	381	X	381	454
4. Hedging derivatives	**X**	**X**	**(62)**	**(62)**	**(65)**
5. Other assets	**X**	**X**	**6**	**6**	**7**
6. Financial liabilities	**X**	**X**	**X**	**97**	**21**
Total	**57**	**414**	**65**	**633**	**640**
of which: interest income on impaired financial assets	-	*20*	-	*20*	*18*
of which: interest income on financial lease	-	*25*	-	*25*	*29*

1.2 Interest expenses and similar charges

(€ million)

ITEMS/TYPES	AS AT 30.06.2021 DEBTS	SECURITIES	OTHER TRANSACTIONS	TOTAL	AS AT 30.06.2020 TOTAL
1. Financial liabilities at amortised cost	**(45)**	**(79)**	**X**	**(124)**	**(166)**
1.1 Deposits from central banks	-	X	X	-	-
1.2 Deposits from banks	(16)	X	X	(16)	(32)
1.3 Deposits from customers	(29)	X	X	(29)	(29)
1.4 Debt securities in issue	X	(79)	X	(79)	(105)
2. Financial liabilities held for trading	**-**	**-**	**(122)**	**(122)**	**(117)**
3. Financial liabilities designated at fair value	**-**	**-**	**-**	**-**	**-**
4. Other liabilities and funds	**X**	**X**	**-**	**-**	**-**
5. Hedging derivatives	**X**	**X**	**103**	**103**	**122**
6. Financial assets	**X**	**X**	**X**	**(66)**	**(18)**
Total	**(45)**	**(79)**	**(19)**	**(209)**	**(179)**
of which: interest expenses on lease liabilities	*(5)*	-	-	*(5)*	*(5)*

Notes to the income statement

2.1 Fees and commissions income

(€ million)

TYPE OF SERVICES/VALUES	AS AT 30.06.2021	AS AT 30.06.2020
a) Guarantees given	18	19
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services	201	180
1. Securities trading	-	-
2. Currency trading	1	1
3. Portfolio management	88	111
3.1 Individual	19	29
3.2 Collective	69	82
4. Custody and administration of securities	46	43
5. Custodian bank	-	-
6. Placement of securities	-	-
7. Reception and transmission of orders	10	12
8. Advisory services	14	4
8.1 Relating to investments	9	-
8.2 Relating to financial structure	5	4
9. Distribution of third party services	43	10
9.1 Portfolio management	30	1
9.1.1 Individual	-	-
9.1.2 Collective	30	1
9.2 Insurance products	11	7
9.3 Other products	2	2
d) Collection and payment services	40	39
e) Securitisation servicing	-	-
f) Factoring	1	1
g) Tax collection services	-	-
h) Management of multilateral trading facilities	-	-
i) Management of current accounts	65	64
j) Other services	101	113
k) Security lending	-	-
Total	**426**	**417**

2.2 Fees and commissions expenses

(€ million)

SERVICES/VALUES	AS AT 30.06.2021	AS AT 30.06.2020
a) Guarantees received	(1)	(1)
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services	(39)	(36)
1. Trading financial instruments	(1)	(1)
2. Currency trading	-	-
3. Portfolio management	(8)	(7)
3.1 Own portfolio	(2)	(2)
3.2 Third party portfolio	(7)	(6)
4. Custody and administration of securities	(17)	(16)
5. Placement of financial instruments	-	-
6. Off-site distribution of financial instruments, products and services	(13)	(12)
d) Collection and payment services	(49)	(49)
e) Other services	(2)	(2)
f) Security lending	-	-
Total	**(90)**	**(89)**

Notes to the income statement

3.1 Dividend income and similar revenues

(€ million)

ITEMS/REVENUES	AS AT 30.06.2021		AS AT 30.06.2020	
	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	-	3	-
D. Equity investments	-	-	-	-
Total	**4**	**-**	**3**	**-**

Total dividends and similar revenues	**4**	**3**

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

(€ 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	**-**	**1**	**-**	**-**	**1**
1.1 Debt securities	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-
1.3 Units in investment funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	1	-	-	1
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Deposits	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**15**
4. Derivatives	**39**	**-**	**-**	**-**	**40**
4.1 Financial derivatives	39	-	-	-	40
- On debt securities and interest rates	39	-	-	-	39
- 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 30.06.2021	**39**	**1**	**-**	**-**	**56**
Total 30.06.2020	**-**	**1**	**(4)**	**-**	**9**

Notes to the income statement

5.1 Fair value adjustments in hedge accounting

(€ million)

P&L COMPONENT/VALUES	AS AT 30.06.2021	AS AT 30.06.2020
A. Gains on		
A.1 Fair value hedging instruments	377	245
A.2 Hedged financial assets (in fair value hedge relationship)	-	120
A.3 Hedged financial liabilities (in fair value hedge relationship)	138	-
A.4 Cash-flow hedging derivatives	-	-
A.5 Assets and liabilities denominated in currency	-	-
Total gains on hedging activities (A)	**515**	**365**
B. Losses on		
B.1 Fair value hedging instruments	(338)	(362)
B.2 Hedged financial assets (in fair value hedge relationship)	(177)	-
B.3 Hedged financial liabilities (in fair value hedge relationship)	-	(1)
B.4 Cash-flow hedging derivatives	-	-
B.5 Assets and liabilities denominated in currency	-	-
Total losses on hedging activities (B)	**(515)**	**(364)**
C. Net hedging result (A – B)	**-**	**1**
of which: net gains (losses) of hedge accounting on net positions	-	-

6.1 Gains (Losses) on disposal/repurchase

(€ million)

	AS AT 30.06.2021			AS AT 30.06.2020		
ITEMS/P&L ITEMS	GAINS	LOSSES	NET PROFIT	GAINS	LOSSES	NET PROFIT
A. Financial assets						
1. Financial assets at amortised cost	5	-	5	-	-	-
1.1 Loans and advances to banks	-	-	-	-	-	-
1.2 Loans and advances to customers	5	-	5	-	-	-
2. Financial assets at fair value through other comprehensive income	10	(2)	8	3	-	2
2.1 Debt securities	10	(2)	8	3	-	2
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**15**	**(2)**	**13**	**3**	**-**	**2**
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			**13**			**3**

Notes to the income statement

7.1 Net gains (losses) on other financial assets/liabilities at fair value through profit or loss: a) financial assets/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	**-**	**-**	**(7)**	**-**	**(7)**
1.1 Debt securities	-	-	(7)	-	(7)
1.2 Loans	-	-	-	-	-
2. Financial liabilities	**52**	**-**	**(46)**	**-**	**6**
2.1 Debt securities	-	-	-	-	-
2.2 Deposits from banks	52	-	(46)	-	6
2.3 Deposits from customers	-	-	-	-	-
3. Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**-**
Total 30.06.2021	**52**	**-**	**(54)**	**-**	**(2)**
Total 30.06.2020	**44**	**-**	**(51)**	**-**	**(6)**

7.2 Net gains (losses) on other financial assets/liabilities at fair value through profit or loss: b) 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	**9**	**16**	**(10)**	**(1)**	**14**
1.1 Debt securities	-	11	(4)	-	6
1.2 Equity securities	-	-	-	-	-
1.3 Units in investment funds	-	5	(1)	-	4
1.4 Loans	8	-	(4)	(1)	3
2. Financial assets: exchange differences	**X**	**X**	**X**	**X**	**-**
Total 06.30.2021	**9**	**16**	**(10)**	**(1)**	**14**
Total 06.30.2020	**12**	**-**	**(10)**	**(2)**	**1**

Notes to the income statement

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

(€ million)

TRANSACTIONS/P&L ITEMS	AS AT 30.06.2021						AS AT 30.06.2020
	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)**	**-**	**-**	**1**	**-**	**-**	**1**
- Loans	-	-	-	1	-	-	1
- Debt securities	-	-	-	-	-	-	-
of which: acquired or originated impaired loans	-	-	-	-	-	-	-
B. Loans and advances to customers	**(172)**	**(4)**	**(79)**	**144**	**65**	**(46)**	**(111)**
- Loans	(171)	(4)	(79)	144	65	(45)	(111)
- Debt securities	(1)	-	-	-	-	(1)	-
of which: acquired or originated impaired loans	-	-	-	-	-	-	*(1)*
Total	**(173)**	**(4)**	**(79)**	**145**	**65**	**(45)**	**(111)**

9.1 Staff expenses

(€ million)

TYPE OF EXPENSES/VALUES	AS AT 30.06.2021	AS AT 30.06.2020
1) Employees	**(309)**	**(329)**
a) Wages and salaries	(230)	(228)
b) Social charges	(59)	(58)
c) Severance pay	-	-
d) Social security costs	-	-
e) Allocation to employee severance pay provision	-	-
f) Provision for retirements and similar provisions	(3)	(26)
- Defined contribution	-	-
- Defined benefit	(3)	(26)
g) Payments to external pension funds	(7)	(7)
- Defined contribution	(7)	(7)
- Defined benefit	(1)	(1)
h) Costs arising from share-based payments	(2)	(1)
i) Other employee benefits	(7)	(8)
2) Other staff	**(3)**	**(1)**
3) Directors and Statutory Auditors	**-**	**-**
4) Early retirement costs	**-**	**-**
5) Recoveries of payments for second employees to other companies	**28**	**31**
4) Early retirement costs	**(5)**	**(4)**
Total	**(290)**	**(303)**

Notes to the income statement

10.1 Other administrative expenses

(€ million)

TYPE OF EXPENSES/SECTORS	AS AT 30.06.2021	AS AT 30.06.2020
1) Indirect taxes and duties	**(1)**	**(57)**
1a. Settled	(1)	(57)
1b. Unsettled	-	-
2) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)	**(87)**	**(63)**
3) Guarantee fee for DTA conversion	**-**	**-**
4) Miscellaneous costs and expenses	**(250)**	**(255)**
a) Advertising marketing and communication	(12)	(13)
b) Expenses relating to credit risk	(2)	(2)
c) Indirect expenses relating to personnel	(3)	(3)
d) Information & Communication Technology expenses	(128)	(124)
Lease of ICT equipment and software	-	-
Software expenses: lease and maintenance	(6)	(5)
ICT communication systems	(3)	(3)
Services ICT in outsourcing	(115)	(111)
Financial information providers	(5)	(5)
e) Consulting and professional services	(14)	(14)
Consulting	(11)	(11)
Legal expenses	(3)	(3)
f) Real estate expenses	(18)	(21)
Rentals of premises	(1)	(2)
Utilities	(4)	(5)
Other real estate expenses	(13)	(14)
g) Operating costs	(73)	(78)
Surveillance and security services	(2)	(3)
Money counting services and transport	(3)	(3)
Printing and stationery	(2)	(2)
Postage and transport of documents	(9)	(9)
Administrative and logistic services	(50)	(54)
Insurance	(2)	(2)
Association dues and fees and contributions to the administrative expenses deposit guarantee funds	(5)	(5)
Other administrative expenses - other	(1)	(1)
Total (1+2+3+4)	**(338)**	**(374)**

Notes to the income statement

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

(€ million)

	PROVISIONS	REALLOCATION SURPLUS	TOTAL 30.06.2021	TOTAL 30.06.2020
Loan commitments	(31)	39	**7**	**(7)**
Financial guarantees given	(11)	16	**6**	**(17)**

12.1 Net provisions for risks and charges

(€ million)

	AS AT 30.06.2021			AS AT 30.06.2020
ASSETS/P&L ITEMS	PROVISIONS	REALLOCATION SURPLUS	TOTAL	TOTAL
1. Other provisions				
1.1 Legal disputes	(1)	1	1	3
1.2 Staff costs	-	-	-	-
1.3 Other	11	-	11	(4)
Total	**10**	**1**	**11**	**(1)**

13.1 Other operating expenses

(€ million)

TYPE OF EXPENSE/VALUES	AS AT 30.06.2021	AS AT 30.06.2020
Costs for operating leases	-	-
Non-deductible tax and other fiscal charges	-	-
Write-downs on leasehold improvements	(6)	(6)
Costs relating to the specific service of financial leasing	-	-
Other	(11)	(15)
Total of other operating expenses	**(17)**	**(21)**

13.2 Other operating income

(€ million)

TYPE OF REVENUE/VALUES	AS AT 30.06.2021	AS AT 30.06.2020
A) Recovery of costs	**-**	**-**
B) Other revenues	**43**	**66**
Revenues from administrative services	10	10
Revenues on rentals Real Estate investments (net of operating direct costs)	3	4
Revenues from operating leases	20	28
Recovery of miscellaneous costs paid in previous years	1	-
Revenues on financial leases activities	-	-
Other	8	24
Total of other operating income (A+B)	**43**	**66**

Notes to the income statement

14.1 Gains (Losses) of equity investments

(€ million)

	AS AT 30.06.2021	AS AT 30.06.2020
Joint Ventures	-	-
Associates	-	-
Income	**66**	**35**
Profits of associates	66	35
Gains on disposal	-	-
Write-backs	-	-
Other gains	-	-
Expense	**-**	(78)
Losses of associates	-	(15)
Impairment losses 1)	-	(63)
Losses on disposal	-	-
Other expenses	-	-
Net profit	66	(43)
TOTAL	**66**	**(43)**

1) In 2020, this item includes the adjustments regarding the valuation of Bank für Tirol und Vorarlberg Aktiengesellschaft (€-36 million) and of BKS Bank AG (€-27 million)

15.1 Gains and losses on disposal of investments

(€ million)

P&L-ITEMS/SECTORS	AS AT 30.06.2021	AS AT 30.06.2020
A. Property		
- Gains on disposal	3	9
- Losses on disposal	-	-
B. Other assets	-	-
- Gains on disposal	-	3
- Losses on disposal	-	-
C. Equity investments	-	-
- Gains on disposal	(3)	2
- Losses on disposal	-	-
Total	**-**	**14**

16.1 Profit (Loss) after tax from discontinued operations

(€ million)

P&L-ITEMS/SECTORS	AS AT 30.06.2021	AS AT 30.06.2020
1. Income	2	2
2. Expenses	(1)	(1)
3. Valuation of discontinued operations and related liabilities	-	-
4. Profit (Loss) on disposal	-	-
5. Tax	-	-
Profit (Loss) after tax from discontinued operations	**1**	**1**

Notes to the statement of financial position

1.1 Financial assets held for trading: breakdown by product

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 30.06.2021			AMOUNTS AS AT 31.12.2020		
	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	**-**	**990**	**3**	**-**	**1,201**	**3**
1.1 Trading	-	881	3	-	1,116	3
1.2 Linked to fair value option	-	109	-	-	85	-
1.3 Other	-	-	-	-	-	-
2. Credit derivatives	**-**	**-**	**1**	**-**	**-**	**-**
2.1 Trading	-	-	-	-	-	-
2.2 Linked to fair value option	-	-	1	-	-	-
2.3 Other	-	-	-	-	-	-
Total (B)	**-**	**990**	**3**	**-**	**1,201**	**4**
Total (A+B)	**-**	**990**	**3**	**-**	**1,201**	**4**
Total Level 1, Level 2 and Level 3			**993**			**1,205**

2.1 Financial assets at fair value through profit or loss: other financial assets mandatorily at fair value: breakdown by product

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 30.06.2021			AMOUNTS AS AT 31.12.2020		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**-**	**83**	**6**	**-**	**88**	**6**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	83	6	-	88	6
2. Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**
3. Units in investment funds	**-**	**1**	**6**	**-**	**6**	**7**
4. Loans	**-**	**592**	**222**	**-**	**634**	**270**
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	592	222	-	634	270
Total	**-**	**676**	**234**	**-**	**728**	**283**
Total Level 1, Level 2 and Level 3			**910**			**1,011**

Notes to the statement of financial position

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

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 30.06.2021 LEVEL 1	AMOUNTS AS AT 30.06.2021 LEVEL 2	AMOUNTS AS AT 30.06.2021 LEVEL 3	AMOUNTS AS AT 31.12.2020 LEVEL 1	AMOUNTS AS AT 31.12.2020 LEVEL 2	AMOUNTS AS AT 31.12.2020 LEVEL 3
1. Debt securities	**10,642**	**2,170**	**21**	**10,988**	**1,788**	**22**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other	10,642	2,170	21	10,988	1,788	22
2. Equity instruments	**-**	**50**	**71**	**-**	**45**	**67**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**10,642**	**2,220**	**92**	**10,988**	**1,832**	**89**
Total Level 1, Level 2 and Level 3			**12,954**			**12,909**

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 30.06.2021 BOOK VALUE STAGE 1 AND 2	AMOUNTS AS AT 30.06.2021 BOOK VALUE STAGE 3	AMOUNTS AS AT 30.06.2021 BOOK VALUE OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	AMOUNTS AS AT 30.06.2020 BOOK VALUE STAGE 1 AND 2	AMOUNTS AS AT 30.06.2020 BOOK VALUE STAGE 3	AMOUNTS AS AT 30.06.2020 BOOK VALUE OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS
A. Loans and advances to Central Banks	**26,172**	**-**	**-**	**28,232**	**-**	**-**
1. Time deposits	-	-	-	-	-	-
2. Compulsory reserves	26,055	-	-	28,055	-	-
3. Reverse repos	-	-	-	-	-	-
4. Other	117	-	-	177	-	-
B. Loans and advances to banks	**7,142**	**-**	**-**	**6,611**	**-**	**-**
1. Loans	6,050	-	-	5,756	-	-
1.1 Current accounts and demand deposits	668	-	-	673	-	-
1.2 Time deposits	4,516	-	-	4,011	-	-
1.3 Other loans	866	-	-	1,073	-	-
- Reverse repos	-	-	-	230	-	-
- Lease Loans	-	-	-	-	-	-
- Other	866	-	-	843	-	-
2. Debt securities	1,092	-	-	854	-	-
2.1 Structured	-	-	-	-	-	-
2.2 Other	1,092	-	-	854	-	-
Total	**33,314**	**-**	**-**	**34,843**	**-**	**-**

Notes to the statement of financial position

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 30.06.2021			AMOUNTS AS AT 30.06.2020		
	BOOK VALUE			BOOK VALUE		
	STAGE 1 AND 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	STAGE 1 AND 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS
1. Loans	**59,061**	**1,143**	**18**	**58,824**	**1,151**	**16**
1.1 Current accounts	5,237	145	-	5,269	148	1
1.2 Reverse repos	-	-	-	-	-	-
1.3 Mortgages	13,562	47	-	13,118	49	-
1.4 Credit cards and personal loans, including wage assignment	766	43	1	728	37	1
1.5 Lease loans	1,816	83	-	1,986	81	-
1.6 Factoring	1,793	5	-	1,870	6	-
1.7 Other loans	35,886	820	17	35,852	831	15
2. Debt securities	**2,091**	**-**	**-**	**1,347**	**9**	**-**
2.1 Structured securities	-	-	-	-	-	-
2.2 Other debt securities	2,091	-	-	1,347	9	-
Total	**61,152**	**1,143**	**18**	**60,171**	**1,161**	**16**

Notes to the statement of financial position

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

(€ million)

	AMOUNTS AS AT	
	30.06.2021	31.12.2020
A. Assets held for sale		
A.1 Financial assets	-	63
A.2 Equity investments	-	-
A.3 Property, plant and equipment	-	1
of which: obtained by the enforcement of collateral	-	-
A.4 Intangible assets	-	8
A.5 Other non-current assets	-	5
Total (A)	**-**	**77**
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	-	*77*
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	-	-
B.5 Property, plant and equipment	-	-
of which: obtained by the enforcement of collateral	-	-
B.6 Intangible assets	-	-
B.7 Other assets	2	5
Total (B)	**2**	**5**
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	*2*	*5*
C. Liabilities associated with assets classified as held for sale		
C.1 Deposits	-	4
C.2 Securities	-	-
C.3 Other liabilities	-	23
Total (C)	**-**	**27**
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	-	*27*
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	11	13
Total (D)	**11**	**13**
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	*11*	*13*

Notes to the statement of financial position

Discontinued operations

The total amount classified as discontinued operations relates to Immobilien Holding GmbH group (unsold assets of €1.9 million and liabilities of €11.1 million).

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 30.06.2021	AMOUNTS AS AT 31.12.2020
1. Deposits from central banks	**16,830**	**15,455**
2. Deposits from banks	**12,635**	**11,517**
2.1 Current accounts and demand deposits	1,472	1,519
2.2 Time deposits	7,926	8,607
2.3 Loans	1,731	1,086
2.3.1 Repos	1,706	1,085
2.3.2 Other	25	1
2.4 Liabilities relating to commitments to repurchase treasury shares	-	-
2.5 Lease deposits	-	-
2.6 Other deposits	1,506	306
Total	**29,465**	**26,972**

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

(€ million)

TYPE OF TRANSACTION/VALUES	AMOUNTS AS AT 30.06.2021	AMOUNTS AS AT 31.12.2020
1. Current accounts and demand deposits	54,904	54,055
2. Time deposits	5,389	7,056
3. Loans	9	11
3.1 Repos	-	-
3.2 Other	9	11
4. Liabilities relating to commitments to repurchase treasury shares	-	-
5. Lease liabilities	327	330
6. Other deposits	43	45
Total	**60,672**	**61,497**

Notes to the statement of financial position

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

(Mio €)

TYPE OF SECURITIES/VALUES	AMOUNTS AS AT 30.06.2021 BOOK VALUE	AMOUNTS AS AT 30.06.2020 BOOK VALUE
A. Debt securities		
1. Bonds	10,294	12,391
1.1 Structured	708	755
1.2 Other	9,586	11,636
2. Other securities	-	163
2.1 Structured	-	-
2.2 Other	-	163
Total	**10,294**	**12,554**

7.1 Financial liabilities held for trading: breakdown by product

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 30.06.2021					AMOUNTS AS AT 31.12.2020				
	NOMINAL VALUE	FAIR VALUE			FAIR VALUE	NOMINAL VALUE	FAIR VALUE			FAIR VALUE
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
A. Cash liabilities										
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives instruments										
1. Financial derivatives	X	-	1,031	2	X	X	-	1,260	3	X
1.1 Trading derivatives	X	-	902	2	X	X	-	1,149	3	X
1.2 Linked to fair value option	X	-	129	-	X	X	-	112	-	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**	**-**	**1,031**	**2**	**X**	**X**	**-**	**1,260**	**3**	**X**
Total (A+B)	**X**	**-**	**1,031**	**2**	**X**	**X**	**-**	**1,260**	**3**	**X**
Total Level 1, Level 2 and Level 3				**1,033**					**1,264**	

Notes to the statement of financial position

8.1 Financial liabilities designated at fair value: breakdown by product

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 30.06.2021					AMOUNTS AS AT 31.12.2020				
	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**	**-**	**61**	**-**	**61**	**60**	**-**	**60**	**-**	**60**
3.1 Structured	60	-	61	-	X	60	-	60	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
Total	**61**	**-**	**61**	**1**	**62**	**61**	**-**	**60**	**1**	**61**
Total Level 1, Level 2 and Level 3			**62**					**61**		

9.1 Provisions for risks and charges: breakdown

(€ million)

ITEMS/COMPONENTS	AMOUNTS AS AT 30.06.2021	AMOUNTS AS AT 31.12.2020
1. Provisions for credit risk on commitments and financial guarantees given	213	227
2. Provisions for other commitments and other guarantees given	-	-
3. Pensions and other post-retirement benefit obligations	3,735	4,009
4. Other provisions for risks and charges	147	196
4.1 Legal and tax disputes	70	81
4.2 Staff expenses	38	71
4.3 Other	40	44
Total	**4,096**	**4,432**

As part of the spin-off of the CEE Business in 2016, UniCredit S.p.A. provided a guarantee for the bank's pension obligations until 31 December 2028.

Segment reporting

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

(€ million)

	AS AT	
	30.06.2021	30.06.2020
Net interest	424	460
Dividends and other income from equity investments	*70*	*23*
Dividend income and similar revenue	4	3
Profit (loss) on equity investments – of which: Profits (losses) of joint ventures and associates	66	20
Net fees and commissions	336	328
Net trading, hedging and fair value income	81	15
Gains (losses) on financial assets and liabilities held for trading	*56*	*9*
Gains (losses) on disposals / repurchases on financial assets at amortized cost	*5*	-
Gains (losses) on disposals/repurchases on OCI financial assets	*8*	*2*
Gains (losses) on disposals/repurchases on deposits	-	*1*
Other operating expenses and earnings - Gold and Precious Metals Trading	-	*6*
Fair value adjustments in hedge accounting	-	*1*
Gains (losses) on financial liabilities designated at fair value through profit and loss	*(2)*	*(6)*
Gains (losses) on financial assets mandatorily at fair value through profit and loss	*14*	*1*
Net other expenses /income	17	24
Other net operating income	*26*	*45*
Impairment on tangible and intangible assets – other operating leases	*(15)*	*(21)*
Other operating expenses – amortization on leasehold improvements	*6*	*6*
Debit and credit card service	*1*	-
Other operating expenses and earnings - Gold and Precious Metals Trading	-	*(6)*
OPERATING INCOME	**928**	**850**
Payroll costs	(290)	(303)
Other administrative expenses	(256)	(262)
Administrative costs – other administrative expenses	*(338)*	*(374)*
Integration/restructuring costs	-	-
Debit and credit card service	*(1)*	-
Ex-ante contributions to resolution funds and deposit guarantee schemes and bank levies	*89*	*118*
Other operating expenses – amortization on leasehold improvements	*(6)*	*(6)*
Amortisation, depreciation and impairment losses on intangible and tangible assets	(32)	(23)
Impairment/Write-backs on property, plant and equipment	*(40)*	*(50)*
Impairment losses/Write-backs on property owned for investment	-	*6*
Impairment on tangible and intangible assets – other operating leases	*15*	*21*
Impairment/Write-backs on intangible assets	*(7)*	*(1)*
OPERATING COSTS	**(578)**	**(588)**
OPERATING PROFIT	**350**	**262**

Segment reporting

	AS AT	
	30.06.2021	30.06.2020
Net write-downs on loans and provisions for guarantees and commitments	(32)	(134)
Provisions for risks and charges reserves – Other commitments	*13*	*(24)*
Impairment losses/write-backs on impairment on loans	*(45)*	*(110)*
Modification gains or losses	-	-
NET OPERATING PROFIT	**318**	**128**
Provisions for risk and charges	1	6
Net provisions for risks and charges	*11*	*6*
Impairment/writebacks of IFRS5 non-current assets and disposal groups	*(11)*	-
Systemic charges	(89)	(118)
Ex-ante contributions to resolution funds and deposit guarantee schemes and bank levies	*(89)*	*(118)*
Integration/restructuring costs	-	-
Net income from investments	20	(56)
Profit (loss) on equity investments	66	(6)
Impairment/writebacks of IFRS5 non-current assets and disposal groups [1)]	*11*	*(43)*
Profits (losses) of associates – Profits (losses) of joint ventures and associates	*(66)*	*(20)*
Impairment/writebacks of right of use	-	-
Gains and losses on tangible and intangible assets	*10*	*(1)*
Gains (losses) on disposal of investment property	-	*14*
Financial assets at amortised cost – Impairment losses/writebacks on impairment on debt securities	*(1)*	-
PROFIT BEFORE TAX	**251**	**(41)**
Income tax for the period	(40)	4
Total profit or loss after tax from discontinued operations	1	1
PROFIT (LOSS) FOR THE PERIOD	**212**	**(36)**
Non-controlling interests	7	-
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**219**	**(36)**

1) This item includes the previous-year adjustment of the value of BTV (€-36 million) & BKS (€-27 million).

Segment reporting

Content of segment reporting

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

In order to ensure comparability of 2021 data with 2020, adjustments at segment level were required in the prior-year periods, mainly due to the change in accounting policy in card complete.

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 Bank Austria Real Invest Group.

Corporate & Investment Banking (CIB)

The Corporate & Investment Banking business segment covers the customer segment of multinational companies and large international customers using capital market services and investment banking solutions. Corporate & Investment Banking also serves financial institutions including banks, asset managers, institutional customers and insurance companies. The product lines offered by CIB to these customers are Financing & Advisory (classic and structured lending business and capital market advisory services), Global Transaction Banking (including payment transactions, trade finance, cash management) and within Markets & Corporate Treasury Sales the services relating to customer-driven trading activities. The product specialists also support commercial banking activities of the bank's other business segments.

Corporate Centre

In addition to current expenses relating to steering and administrative functions for the entire bank, the Corporate Centre comprises all equity interests that are not assigned to a business segment. Funding costs relating to consolidated subsidiaries are also assigned to the Corporate Centre. Also included are inter-segment eliminations and other items.

Segment reporting

Segment Reporting 1 - 6 2021 / 1 - 6 2020

(€ million)

		PRIVATKUNDEN-BANK	UNTERNEHMER-BANK	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST)[1]	RECASTING DIFFERENCES[2]	BANK AUSTRIA GROUP[2]
Net interest	1H21	194	158	143	(71)	424	-	424
	1H20	206	159	135	(41)	460	-	460
Dividends and other income from equity investments	1H21	1	14	-	55	70	-	70
	1H20	1	7	-	15	23	-	23
Net fees and commissions	1H21	225	66	42	3	336	-	336
	1H20	220	62	41	1	324	4	328
Net trading, hedging and fair value income/loss	1H21	7	29	28	17	81	-	81
	1H20	6	(1)	11	(2)	15	-	15
Net other expenses/income	1H21	3	7	-	8	17	-	17
	1H20	-	12	-	13	24	-	24
OPERATING INCOME	**1H21**	**429**	**274**	**214**	**12**	**928**	**-**	**928**
	1H20	**433**	**239**	**187**	**(14)**	**846**	**4**	**850**
OPERATING COSTS	**1H21**	**(387)**	**(101)**	**(84)**	**(5)**	**(578)**	**-**	**(578)**
	1H20	**(371)**	**(99)**	**(83)**	**(31)**	**(583)**	**(4)**	**(588)**
OPERATING PROFIT	**1H21**	**41**	**172**	**129**	**7**	**350**	**-**	**350**
	1H20	**62**	**141**	**105**	**(45)**	**262**	**-**	**262**
Net write-downs of loans and for guarantees and commitments	1H21	15	(25)	(23)	1	(32)	-	(32)
	1H20	(45)	(41)	(50)	2	(134)	-	(134)
NET OPERATING PROFIT	**1H21**	**57**	**147**	**106**	**8**	**318**	**-**	**318**
	1H20	**17**	**100**	**54**	**(43)**	**128**	**-**	**128**
Provisions for risk and charges	1H21	1	-	-	-	1	-	1
	1H20	-	5	1	-	6	-	6
Systemic charges	1H21	(37)	(17)	(22)	(13)	(89)	-	(89)
	1H20	(31)	(28)	(35)	(24)	(118)	-	(118)
Integration/restructuring costs	1H21	-	-	-	-	-	-	-
	1H20	-	-	-	-	-	-	-
Net income from investments	1H21	10	10	(1)	2	20	-	20
	1H20	(6)	6	-	(57)	(56)	-	(56)
PROFIT BEFORE TAX	**1H21**	**30**	**140**	**84**	**(3)**	**251**	**-**	**251**
	1H20	**(20)**	**83**	**20**	**(124)**	**(41)**	**-**	**(41)**
Income tax for the period	1H21	(7)	(32)	(21)	20	(40)	-	(40)
	1H20	(6)	(19)	(8)	37	4	-	4
Total profit or loss after tax from discontinued operations	1H21	-	-	-	1	1	-	1
	1H20	-	-	-	1	1	-	1
PROFIT (LOSS) FOR THE PERIOD	**1H21**	**23**	**109**	**63**	**18**	**212**	**-**	**212**
	1H20	**(25)**	**64**	**12**	**(87)**	**(36)**	**-**	**(36)**
Non-controlling interests	1H21	7	(1)	-	-	7	-	7
	1H20	1	-	-	-	-	-	-
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	**1H21**	**30**	**108**	**63**	**18**	**219**	**-**	**219**
	1H20	**(25)**	**63**	**12**	**(87)**	**(36)**	**-**	**(36)**
Risk-weighted assets (RWA) (avg.)	**1H21**	**7,710**	**8,686**	**10,662**	**4,456**	**31,514**	**-**	**31,514**
	1H20	**8,686**	**9,662**	**10,034**	**5,675**	**34,057**	**-**	**34,057**
Loans to customers (eop)	**1H21**	**19,785**	**23,450**	**17,649**	**117**	**61,002**	**-**	**61,002**
	1H20	**18,925**	**25,234**	**19,255**	**351**	**63,766**	**-**	**63,766**
Deposits from customers (eop)	**1H21**	**35,579**	**15,686**	**9,128**	**(49)**	**60,345**	**-**	**60,345**
	1H20	**33,137**	**16,270**	**8,491**	**433**	**58,331**	**-**	**58,331**
Cost/income ratio in %	1H21	90.4	37.0	39.5	n.m.	62.3	n.m.	62.3
	1H20	85.7	41.3	44.1	n.m.	69.0	0.0	69.1
ROAC (Return on Allocated Capital) in %	1H21	6.8	21.2	10.6	n.m.	12.2	n.m.	12.2
	1H20	-4.8	10.7	2.1	n.m.	-1.8	n.m.	-1.8

1) For segment reporting purposes, the comparative figures for 2020 have been recast to reflect the consolidation perimeter and the segment structure used in segment reporting for 2021.
2) The reconciliation to the accounting values is shown in the column "Recasting differences" which are mainly due to the change in accounting policy in card complete.
n.m. = not meaningful

Segment reporting

Segment reporting Q1 - Q2 2021 / Q1 - Q4 2020

(€ million)

		PRIVATKUNDEN-BANK	UNTERNEHMER-BANK	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST)[1]
Net interest	2Q21	96	78	75	(34)	215
	1Q21	98	79	68	(36)	209
	4Q20	106	85	73	(41)	223
	3Q20	101	78	75	(30)	223
	2Q20	100	79	71	(16)	233
	1Q20	107	80	64	(24)	227
Dividends and other income from equity investments	2Q21	-	7	-	29	36
	1Q21	1	7	-	25	34
	4Q20	-	5	-	30	36
	3Q20	-	8	-	35	44
	2Q20	-	4	-	(9)	(5)
	1Q20	1	3	-	24	28
Net fees and commissions	2Q21	109	33	20	1	164
	1Q21	116	33	22	2	172
	4Q20	116	34	22	(3)	169
	3Q20	106	32	20	3	160
	2Q20	99	30	20	(3)	146
	1Q20	121	32	20	5	178
Net trading, hedging and fair value income/loss	2Q21	3	7	12	7	30
	1Q21	4	22	16	10	51
	4Q20	1	13	9	1	24
	3Q20	2	8	10	1	21
	2Q20	4	3	4	5	16
	1Q20	2	(3)	7	(7)	(1)
Net other expenses/income	2Q21	-	3	-	3	7
	1Q21	2	4	-	5	10
	4Q20	1	4	-	2	8
	3Q20	1	6	-	5	12
	2Q20	-	7	-	9	15
	1Q20	-	5	-	4	9
OPERATING INCOME	**2Q21**	**209**	**128**	**108**	**7**	**452**
	1Q21	**220**	**145**	**106**	**5**	**476**
	4Q20	**225**	**141**	**104**	**(10)**	**461**
	3Q20	**209**	**132**	**105**	**13**	**459**
	2Q20	**202**	**123**	**96**	**(15)**	**405**
	1Q20	**231**	**116**	**92**	**2**	**441**
OPERATING COSTS	**2Q21**	**(195)**	**(52)**	**(44)**	**(7)**	**(298)**
	1Q21	**(192)**	**(49)**	**(41)**	**2**	**(280)**
	4Q20	**(194)**	**(47)**	**(42)**	**(14)**	**(298)**
	3Q20	**(182)**	**(48)**	**(41)**	**(13)**	**(283)**
	2Q20	**(182)**	**(49)**	**(41)**	**(12)**	**(284)**
	1Q20	**(189)**	**(50)**	**(42)**	**(19)**	**(300)**
OPERATING PROFIT	**2Q21**	**14**	**76**	**64**	**-**	**154**
	1Q21	**28**	**96**	**65**	**7**	**196**
	4Q20	**31**	**94**	**61**	**(24)**	**163**
	3Q20	**28**	**84**	**64**	**-**	**176**
	2Q20	**20**	**74**	**55**	**(28)**	**121**
	1Q20	**42**	**67**	**50**	**(17)**	**141**

Segment reporting

		PRIVATKUNDEN-BANK	UNTERNEHMER-BANK	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST)[1)]
Net write-downs of loans and provisions for guarantees and commitments	2Q21	(17)	(30)	(5)	-	(51)
	1Q21	32	5	(18)	-	19
	4Q20	(40)	(103)	(96)	2	(236)
	3Q20	7	(28)	(7)	1	(27)
	2Q20	23	(25)	(33)	2	(33)
	1Q20	(68)	(16)	(17)	-	(102)
NET OPERATING PROFIT	**2Q21**	**(3)**	**47**	**60**	**-**	**103**
	1Q21	**60**	**101**	**47**	**8**	**215**
	4Q20	**(9)**	**(9)**	**(34)**	**(21)**	**(74)**
	3Q20	**35**	**56**	**57**	**1**	**149**
	2Q20	**43**	**49**	**22**	**(25)**	**88**
	1Q20	**(26)**	**51**	**33**	**(18)**	**39**
Provisions for risk and charges	2Q21	1	-	-	-	1
	1Q21	-	-	-	-	-
	4Q20	(9)	2	-	2	(5)
	3Q20	-	1	-	-	-
	2Q20	-	4	-	-	4
	1Q20	-	1	1	-	2
Systemic charges	2Q21	-	-	-	-	(1)
	1Q21	(36)	(17)	(21)	(13)	(88)
	4Q20	(5)	(1)	(1)	(1)	(9)
	3Q20	(15)	(2)	(1)	(1)	(19)
	2Q20	(1)	(2)	(3)	(2)	(8)
	1Q20	(30)	(26)	(32)	(23)	(111)
Integration/restructuring costs	2Q21	-	-	-	-	-
	1Q21	-	-	-	-	-
	4Q20	-	-	-	1	1
	3Q20	-	-	-	-	-
	2Q20	-	-	-	-	-
	1Q20	-	-	-	-	-
Net income from investments	2Q21	9	10	(1)	3	21
	1Q21	-	-	-	(1)	(1)
	4Q20	-	-	-	(41)	(41)
	3Q20	(1)	8	-	(2)	5
	2Q20	(3)	6	-	(61)	(59)
	1Q20	(3)	1	-	5	3
PROFIT BEFORE TAX	**2Q21**	**6**	**56**	**58**	**3**	**124**
	1Q21	**24**	**84**	**25**	**(7)**	**126**
	4Q20	**(22)**	**(8)**	**(35)**	**(61)**	**(127)**
	3Q20	**19**	**63**	**55**	**(2)**	**136**
	2Q20	**39**	**56**	**19**	**(89)**	**25**
	1Q20	**(59)**	**26**	**2**	**(35)**	**(66)**
Income tax for the period	2Q21	(1)	(12)	(15)	12	(16)
	1Q21	(6)	(19)	(6)	8	(23)
	4Q20	(6)	3	9	9	15
	3Q20	(2)	(14)	(14)	8	(22)
	2Q20	(2)	(13)	(6)	15	(7)
	1Q20	(3)	(6)	(2)	22	10
Total profit or loss after tax from discontinued operations	2Q21	-	-	-	-	-
	1Q21	-	-	-	1	1
	4Q20	-	-	-	48	48
	3Q20	-	-	-	-	-
	2Q20	-	-	-	1	1
	1Q20	-	-	-	-	-

Segment reporting

		PRIVATKUNDEN-BANK	UNTERNEHMER-BANK	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST)[1]
PROFIT (LOSS) FOR THE PERIOD	**2Q21**	**5**	**44**	**44**	**15**	**108**
	1Q21	**18**	**65**	**19**	**2**	**104**
	4Q20	**(28)**	**(5)**	**(27)**	**(3)**	**(63)**
	3Q20	**17**	**49**	**41**	**6**	**114**
	2Q20	**37**	**43**	**13**	**(73)**	**20**
	1Q20	**(62)**	**20**	**-**	**(14)**	**(56)**
Non-controlling interests	2Q21	5	-	-	-	5
	1Q21	2	-	-	-	2
	4Q20	6	-	-	-	6
	3Q20	-	-	-	-	-
	2Q20	1	-	-	-	1
	1Q20	-	-	-	-	-
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**2Q21**	**10**	**44**	**44**	**15**	**113**
	1Q21	**20**	**65**	**19**	**2**	**106**
	4Q20	**(22)**	**(5)**	**(27)**	**(3)**	**(57)**
	3Q20	**17**	**49**	**41**	**6**	**114**
	2Q20	**38**	**43**	**13**	**(73)**	**20**
	1Q20	**(62)**	**20**	**-**	**(14)**	**(56)**
Risk-weighted assets (RWA) (avg.)	**2Q21**	**7,674**	**8,526**	**11,130**	**4,305**	**31,636**
	1Q21	**7,746**	**8,846**	**10,194**	**4,606**	**31,392**
	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**
Loans to customers (eop)	**2Q21**	**19,785**	**23,450**	**17,649**	**117**	**61,002**
	1Q21	**19,423**	**24,644**	**20,051**	**230**	**64,349**
	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**
Deposits from customers (eop)	**2Q21**	**35,579**	**15,686**	**9,128**	**(49)**	**60,345**
	1Q21	**34,527**	**16,568**	**9,695**	**(75)**	**60,715**
	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**
Cost/income ratio in %	2Q21	93.4	40.6	40.4	n.m.	65.9
	1Q21	87.4	33.9	38.6	n.m.	58.9
	4Q20	86.2	33.5	40.8	n.m.	64.7
	3Q20	86.7	36.3	38.8	n.m.	61.6
	2Q20	90.1	39.8	42.5	n.m.	70.0
	1Q20	81.8	42.8	45.7	n.m.	68.0
ROAC (Return on Allocated Capital) in %	2Q21	4.4	17.5	14.2	n.m.	12.5
	1Q21	9.3	24.8	6.7	n.m.	11.8
	4Q20	-9.0	-1.9	-9.3	n.m.	-5.9
	3Q20	6.7	16.3	13.9	n.m.	11.1
	2Q20	14.5	14.3	4.3	n.m.	2.0
	1Q20	-24.2	7.0	-0.1	n.m.	-5.6

1) Quarterly figures based on recast data which are mainly due to the change in accounting policy in card complete.
n.m. = not meaningful

Risk report

Credit risks

In order to make provision for the credit risks that have arisen as a result of COVID-19, but which only take effect after a delay, the performing portfolio was already subjected to anticipatory write-downs in 2020. However, in the first half of the year the inflow into the non-performing portfolio remained low due to the bank's internal COVID-19 related organisational and process measures and the recent good performance of the economy. With the cost of risk being generally encouragingly moderate, an increase in the default rate cannot be ruled out over the course of 2021 as a result of the expiry of government subsidies in individual sectors that have been particularly affected. Likewise, the traces of the lockdown left in the 2020 customer balance sheets may lead to a deterioration in rating and therefore to an increase in the need for provision in the performing sector.

The implementation of regulatory IRB models planned within the framework of the model road map over the course of 2021 and the expected increase in the loss estimate for the performing portfolio resulting from this had already been anticipated in part in the first half of the year.

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 by state guarantees.

In spite of a clear economic recovery, individual COVID-19-induced deferments and other relief measures agreed bilaterally are still being granted to individual customers.

The statutory credit moratoria (*COVID-19-Justiz-Begleitgesetz*), which were considerably more substantial in the previous year, and the "private credit moratoria" (moratoria without legal form), both based on the "Guidelines on statutory moratoria and moratoria without legal form for loan payments against the background of the COVID-19 crisis", had already expired in the first quarter of 2021.

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 majority of these guarantee schemes have been extended by lawmakers until 31/12/2021, i.e. corresponding loans can be granted until the end of 2021.

However, the individual COVID-induced deferrals and other relief measures and the guarantee loans do not have a material impact on the Bank Austria Group's risk profile due to the low volumes involved.

The two tables below show the details of the active moratoria provided by the Bank Austria Group at a volume of €0.1 billion and guarantee loans at a volume of €0.3 billion as of the reporting date of 30/06/2021 and comparative figures as of 31/12/2020.

COVID-19 Moratoria

	30.06.2021			31.12.2020 [2]		
	NUMBER OF OBLIGORS	GROSS BOOK VALUE (€ MILLION)	NET BOOK VALUE (€ MILLION)	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	-	-	-	365	434	418
Non EBA-compliant Moratoria	**311**	**131**	**95**	**257**	**201**	**187**
of which: Households	267	31	29	155	13	12
of which: Non-financial	43	95	64	99	188	174

1) "of which" positions show the major categories, the rest are governments and other financial institutions.
2) The table shows the moratoria that are still active, while the 2020 annual financial statements show all the moratoria granted in 2020, i.e. both active and expired.

Risk report

COVID-19 Loans and advances subject to guarantees

	30.06.2021				31.12.2020			
	NUMBER OF OBLIGORS	GROSS BOOK VALUE (€ MILLION)	NET BOOK VALUE (€ MILLION)	GUARANTEE RECEIVED (€ MILLION)	NUMBER OF OBLIGORS	GROSS BOOK VALUE (€ MILLION)	NET BOOK VALUE (€ MILLION)	GUARANTEE RECEIVED (€ MILLION) *)
Newly originated loans and advances subject to public guarantee schemes	**1,066**	**346**	**335**	**278**	**1,063**	**368**	**361**	**290**
of which: Households	451	21	21	20	449	24	24	22
of which: Non-financial corporations	613	325	314	258	612	344	337	268

*) Public guarantee received in the context of COVID-19 crisis.

Assessment of the potential loss due to COVID-19

Adjustment of the expected development of the economic environment (adaptation of the basic scenario and alternative scenarios)

The scenarios were adjusted in the first half of 2021 (in line with the six month cycle as planned in principle) to the current expected economic development. In addition to the adjustment of the basic scenario, the two alternative scenarios relevant for IFRS 9 purposes were also adjusted. As noted in the 2020 Annual Report, the deterioration in credit risk quality in the first half of 2021 is not at the rate expected from the experience of other crisis years as a result of the plethora of government measures implemented. In general, the macro models of Bank Austria had anticipated a faster portfolio deterioration in 2020 and are now predicting a significant improvement in the portfolio as a result of the better outlook. In order to ensure that this relative improvement does not lead to a significant reduction in value adjustments at too early a stage, and instead takes into account the more sluggish development of the portfolio quality, this discrepancy was again taken into account in the calculation of the macro effects. This means that the reversals of impairment losses in the first half of the year, which are only attributable to the improvement in the macro scenario, remain very low. The vast majority of the additional impairment losses that were created in 2020 due to the poor macro environment caused by COVID-19 had still not therefore been reversed in the first half of 2021. The adjustment of the macro-outlook was not a significant driver therefore of the development of the impairments for expected credit losses (EL) in the first half of 2021 and did not lead to any premature reduction in impairment losses.

Continuation of the COVID-19-related additional criteria for classification in level 2

The additional level 2 criteria listed in the 2020 Annual Report continued to be applied in the first half of 2021.

Anticipating the impact of changes to regulatory IRB models

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 approximately as well as relatively precisely; however, the calculation of the equity requirement cannot be used until after approval by the authority. Such effects are anticipated for IFRS 9 purposes if they have a significant impact on the calculation of the ECL. In the third quarter of 2021, the recalibrations of the local PD models as well as the local LGD model are to be used for regulatory purposes (see also below: "Current status of the application of the internal ratings-based approach"). For this purpose, the expected ECL effects were estimated again in advance based on detailed simulations and with a more recent reference date. Compared to the approximate estimates from 2019 and 2020, the latest simulation once again showed a significant increase in the ECL. With the availability of these updated results, the respective effects were already anticipated in the second quarter 2021 for IFRS 9 purposes.

Risk report

Overall picture of the development of impairment losses

The level of total impairment losses on loans and advances to customers increased slightly compared with December 2020 from €1,413 million to €1,428 million and therefore remained effectively unchanged. The development within the individual levels shows that the provisions for level 3 (non-performing portfolio) were inconspicuous or declined slightly, whereas the anticipation of the IRB model adjustments (model road map - MRM) caused a noticeable increase in level 2 of the performing portfolio. However, this significant increase was largely offset by the further reduction in the CHF portfolio. The impairment losses for the performing portfolio therefore reached €439 million compared with €411 million at the end of 2020.

Non-performing loans

With the volume of loans and advances to customers remaining roughly unchanged (€62.4 billion compared with €62.3 billion at the end of 2020), the non-performing volume before deduction of impairment losses of €989 thousand fell from €2,157 thousand to €2,135 thousand in the first half of 2021, thereby decreasing to a share of 3.4% (3.5% at the end of 2020). The coverage ratio remained approximately the same at 46.3% (46.5% at the end of 2020).

Risk report

Development of credit risk costs

Following the model parameter adjustments induced by COVID-19 and the associated marked increase in credit risk costs for the performing portfolio in the first half of 2020 (-€134 million), the cost of risk in the first half of 2021 fell again significantly compared with the previous year (-€32 million). In the non-performing sector, a surplus of €7 million was achieved due to economic recovery and low numbers of defaults. The expenses in the performing sector result from the anticipation of the effects of the Model Road Map (-€90 million) and the associated increases in provisioning requirements. This anticipated expense was offset to a significant extent by the income from the FX portfolio (volume reduction, exchange rate benefits).
Broken down into segments, the development of the impairment losses for the performing portfolio results in the following picture: CIB -€20 million, Privatkundenbank -€22 million, Unternehmerbank -€41 million. For the non-performing portfolio in stage 3, Unternehmerbank contributed the largest amount of approximately €17 million.

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

By defining and continuously adapting uniform COVID-19 guidelines, the UniCredit Group ensured that the relevant regulatory requirements and accounting requirements are interpreted and handled in a sufficiently uniform manner within the Group in 2020 despite the diversity of the respective moratoria in Europe. The UniCredit guidelines set out in particular 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 (see also a more detailed presentation in the Annual Report 2020).

In terms of technology and processes, one key adjustment was to ensure that the COVID-19 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-19-induced new loans, which are often covered by government guarantee programmes. In contrast with other European countries, the granting of government moratoria in Austria has already expired completely in spring 2021. No significant cliff-edge effect was observed in the first half of the year as had been feared by the supervisory authorities. The importance of government moratoria for Bank Austria's portfolio is generally low. Other government support measures are currently still ongoing, which is why the effects cannot yet be observed until they expire. Furthermore, special attention is paid to the ongoing monitoring and support of borrowers in the industries most affected, such as tourism, automotive and trade.

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-minimising government guarantee programmes. Beyond the issue of granting COVID-19 measures, sales employees from the credit risk area are involved accordingly as a “first line of defence”. There is a joint proactive and case-by-case screening of borrowers based on early warning signals and industry trend observations, customer planning and interim figures and monthly statistics on newly evaluated 2020 financial statements, with increased customer contact. 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 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 Privatkundenbank, monthly analyses/reports were prepared on the entire small business portfolio with regard to developments in the liquidity situation and other conspicuous features. 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 until the first quarter of 2021, including to reduce operational risks and report to management the current status of all measures. Since the beginning of 2021, COVID-19-induced measures have only been registered very rarely, while at the same time we are observing increased repayments of non-essential lines that were made available in 2020 to secure liquidity.

Risk report

The COVID-19 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 key performance indicators (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 being constantly developed.

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 went into production in January 2021 (see details below). The related calibration changes to the IRB models are also expected to be deployed in the third quarter of 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 planning, 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.

CHF loan volume

The decrease of the CHF loan volume continued also in the first half of 2021. Compared to the end of 2020, the CHF loan volume (after impairments) was reduced by further €0.5 billion to €4.1 billion. Approximately 2.4% thereof was classified as non-performing. 91% of the CHF gross loan volume is allocated to the segment Privatkundenbank.

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.

Risk report

Breakdown of sovereign debt securities by country and portfolio

(€ million)

COUNTRY/PORTFOLIO	30.06.2021 NOMINAL VALUE	30.06.2021 BOOK VALUE	30.06.2021 FAIR VALUE	31.12.2020 NOMINAL VALUE	31.12.2020 BOOK VALUE	31.12.2020 FAIR VALUE
Austria	**4,378**	**4,688**	**4,686**	**4,076**	**4,447**	**4,452**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	60	77	77	60	82	82
Fair value through other comprehensive income	4,229	4,514	4,514	3,975	4,324	4,324
Financial assets at amortised cost	89	98	95	41	41	46
Designated at fair value through profit or loss	-	-	-	-	-	-
Spain	**2,572**	**2,707**	**2,714**	**3,172**	**3,424**	**3,434**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	1,689	1,789	1,789	2,369	2,582	2,582
Financial assets at amortised cost	883	918	925	803	842	852
Designated at fair value through profit or loss	-	-	-	-	-	-
Italy	**1,070**	**1,148**	**1,146**	**620**	**696**	**696**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	620	686	686	620	696	696
Financial assets at amortised cost	450	463	460	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-

Risk report

COUNTRY/PORTFOLIO	30.06.2021 NOMINAL VALUE	30.06.2021 BOOK VALUE	30.06.2021 FAIR VALUE	31.12.2020 NOMINAL VALUE	31.12.2020 BOOK VALUE	31.12.2020 FAIR VALUE
Japan	**970**	**987**	**987**	**617**	**620**	**620**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	970	987	987	617	620	620
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Poland	**385**	**419**	**419**	**385**	**423**	**423**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	349	382	382	349	386	386
Financial assets at amortised cost	36	36	37	36	36	37
Designated at fair value through profit or loss	-	-	-	-	-	-
France	**578**	**587**	**582**	**147**	**164**	**164**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	342	336	336	41	40	40
Financial assets at amortised cost	126	130	125	6	6	6
Designated at fair value through profit or loss	110	122	122	100	117	117

Risk report

COUNTRY/PORTFOLIO	30.06.2021			31.12.2020		
	NOMINAL VALUE	BOOK VALUE	FAIR VALUE	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
Romania	**233**	**260**	**260**	**233**	**261**	**261**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	233	260	260	233	261	261
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Belgium	**70**	**75**	**75**	**169**	**187**	**187**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	70	75	75	169	187	187
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Other Countries	**1,724**	**1,692**	**1,688**	**1,695**	**1,685**	**1,687**
Held for trading (Net exposures)	115	-	-	115	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	1,462	1,544	1,544	1,484	1,588	1,588
Financial assets at amortised cost	147	148	143	96	97	99
Designated at fair value through profit or loss	-	-	-	-	-	-
TOTAL	**11,981**	**12,565**	**12,557**	**11,114**	**11,906**	**11,924**

Risk report

Breakdown of sovereign debt securities by portfolio

(€ million)

	HELD FOR TRADING (NET EXPOSURES)	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS AT AMORTIZED COST	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	TOTAL
	30.06.2021					
Book value of sovereign portfolio	-	77	10,573	1,793	122	12,565
Total portfolio of debt securities	-	89	12,833	3,183	122	16,227
% Portfolio	100.00%	86.02%	82.39%	56.32%	99.92%	77.43%
	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%

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	30.06.2021	31.12.2020
Austria	5,157	5,313
Indonesia	156	155
Gabun	96	104
Angola	80	85
Ghana	83	86
Laos	87	90
Philippines	56	62
Vietnam	64	66
Sri Lanka	97	91
Honduras	49	51
Bosnia and Herzegovina	17	19
Other	416	401
TOTAL SOVEREIGN LOANS	**6,358**	**6,523**

Risk report

Legal risks

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

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.

A) Madoff

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

Civil law procedures in Austria
Investors in the Primeo and Herald Madoff Feeder Funds have filed numerous civil suits, 11 of which are still open, with interest amounting to €5 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-eight legally binding rulings with regard to the prospectus liability claims asserted in the proceedings. Regarding the proceedings concerning the Primeo Feeder funds, eighteen 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; these were rejected in full in January 2021. There is no longer any legal remedy against this decision.

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 and therefore no pronounced risk profile for the UniCredit Group. Certain current or former related persons named as defendants in the HSBC Proceedings may be granted rights to indemnification by UniCredit S.p.A. and its affiliates.

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.

B) Alpine Holding GmbH

Alpine Holding GmbH issued one bond in 2010, one in 2011 and one in 2012. In 2010 and 2011, UCBA acted as joint lead manager 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.

Risk report

C) 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 June 2021, the UCBA was informed by the Tribunal de Commerce de Paris that the case had been removed from the court's register, at the instigation of Valauret himself. The Valauret case is probably time-barred.

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

D) 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.

Additional disclosures

Employees

	HALF YEAR 2021	YEAR 2020
Salaried staff	5,251	5,261
Other employees	-	-
TOTAL [1]	**5,251**	**5,261**
of which: in Austria	5,207	5,201
of which: abroad	44	60

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

Events after the reporting date

There are no events after the reporting date.

Additional disclosures

Consolidated own funds and risk-weighted assets

Consolidated capital resources

(€ million)

	30.06.2021	31.12.2020
Paid-in capital instruments (excl. own instruments of Common Equity Tier 1)	1,681	1,681
Reserves (incl. profit) and minority interests	6,650	6,654
Adjustments to Common Equity Tier 1	(2,115)	(2,011)
Transitional adjustments to Common Equity Tier 1 1)	159	-
Common Equity Tier 1 (CET1)	**6,375**	**6,324**
Additional Tier 1 (AT1)	**3**	**3**
Tier 1 capital (T1=CET1+AT1)	**6,378**	**6,327**
Tier 2 capital (T2)	**730**	**702**
Total regulatory capital (TC=T1+T2)	**7,108**	**7,029**

1) according to the Austrian CRR Supplementary Regulation of 11 December 2013 and Regulation (EU) 2020/873 of 24 June 2020, thereof transitional adjustments to Common Equity Tier 1 resulting from the application of the arrangement of Regulation (EU) 2020/873 for mitigating the impact of the implementation of IFRS 9 on regulatory own funds (€159 million)

Total risk exposure amount

(€ million)

	30.06.2021	31.12.2020
a) Credit risk pursuant to standardised approach	6,361	6,380
b) Credit risk pursuant to internal ratings-based (IRB) approach 1)	22,161	21,526
c) Other (securitisation and contribution to default fund of a central counterparty [CCP])	7	56
Credit risk	28,529	27,962
Settlement risk	-	-
Position. foreign exchange and commodity risk	230	348
Operational risk 1)	3,161	3,110
Risk positions for credit value adjustments (CVA)	35	44
TOTAL RWAs	**31,955**	**31,464**

1) Including RWA increase of €500 million from a change of model in the IRB approach.

Key performance indicators

	30.06.2021	31.12.2020
Common Equity Tier 1 (CET1) ratio 1)	20.0%	20.1%
Tier 1 ratio 1)	20.0%	20.1%
Total capital ratio 1)	22.2%	22.3%

1) based on all risks

Statement by Management

We confirm to the best of our knowledge that the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the half-yearly management report of the group for the first six months gives a true and fair view of important events that occurred during the first six months of the financial year and their impact on the interim consolidated financial statements, and of the principal risks and uncertainties for the remaining six months of the financial year.

Vienna, 27 July 2021

The Management Board

Robert Zadrazil
Chief Executive Officer (CEO)

Mag. Gregor Hofstätter-Pobst
Chief Financial Officer (CFO Finance)

Mauro Maschio
Privatkundenbank

Tina Pogacic
Chief Operating Officer (COO)

Mag. Wolfgang Schilk
Chief Risk Officer (CRO Risk Management)

Günter Schubert
Corporate & Investment
Banking Division (CIB)

Mag. Susanne Wendler
Unternehmerbank

Additional Information

Additional Information

Glossary of alternative performance measures

The following list contains definitions of key financial indicators (alternative performance measures, APMs) used in addition to the applicable financial reporting framework as well as other terms used in this report.

Cost/income ratio: operating costs divided by operating income.

Cost of risk: net write-downs of loans and provisions for guarantees and commitments measured against loans and receivables with customers (average for the period), usually expressed in basis points (1bp = 1/100% = 0.01%). If the cost of risk is calculated for a period of less than a full year, net write-downs of loans and provisions for guarantees and commitments are annualized.

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

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

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

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

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

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

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

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

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

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

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

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

ROAC (return on allocated capital): net profit measured against allocated capital (allocated capital being calculated based on risk-weighted assets and the CET1 target ratio as defined by UniCredit for the different parts of the group). If the return on allocated capital is calculated for a period of less than a full year, net profit is annualized.

Systemic charges: bank levies and other systemic charges, including contributions to bank resolution funds and deposit guarantee schemes established on the basis of European or local regulations.

Additional Information

Total financial assets (TFA): sum of total financial assets held by customers, i.e. sum of assets under management (AuM, i.e. fund and asset management products), of assets under custody (AuC, i.e. direct capital market investments/safe-custody business) and of deposits from customers (including deposits with building societies and balances with severance funds). Sum of TFA are Bank Austria group figures, excluding CIB, Leasing and Corporate Center.

Investor Relations

Investor Relations, ratings, imprint, notes

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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.

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Business objective:
Credit institution pursuant to Section 1 (1) of the Austrian Banking Act (*Bankwesengesetz*)

Persons (Management Board) authorised to represent the media owner:
Robert Zadrazil (Chairman of the Management Board), Gregor Hofstätter-Pobst, Mauro Maschio, Tina Pogacic, Wolfgang Schilk, Günter Schubert, Susanne Wendler.

Supervisory Board of media owner:
Gianfranco Bisagni (Chairman of the Supervisory Board), Ranieri De Marchis (Deputy Chairman of the Supervisory Board), Livia Aliberti Amidani, Richard Burton, Adolf Lehner, Aurelio Maccario, Herbert Pichler, Mario Pramendorfer, Eveline Steinberger-Kern, Karin Wisak-Gradinger, Roman Zeller.

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 Half-Yearly Financial 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.