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2022

Half-Yearly Financial Report

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Bank Austria
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Bank Austria at a glance

Income statement figures

(€ million)

	1H22	1H21 RECAST	+/-
Net interest	439	411	6.8%
Dividends and other income from equity investments	67	70	-4.8%
Net fees and commissions	349	336	3.9%
Net trading, hedging and fair value income/loss	47	81	-41.7%
Operating income	911	915	-0.5%
Operating costs	(541)	(565)	-4.4%
Operating profit	370	350	5.7%
Net write-downs of loans and provisions for guarantees and commitments	49	(32)	n.m.
Net operating profit	419	318	31.7%
Profit (loss) before tax	317	250	26.6%
Total profit or loss after tax from discontinued operations	-	1	-100.0%
Net Profit attrib. to the owners of the parent company	286	219	30.7%
Cost/income ratio	59.4%	61.7%	-2.4 PP
Cost of risk	-15 bp	10 bp	-25 bp

Volume figures

(€ million)

	30.06.2022	31.12.2021	+/-
Total assets	123,182	118,404	+4.0%
Loans and receivables with customers	64,912	66,968	-3.1%
Direct funding	71,676	74,147	-3.3%
Loan / direct funding ratio	90.6%	90.3%	+0.2 PP
Equity	9,110	8,939	1.9%
Risk-weighted assets (overall)	33,299	36,220	-8.1%

Capital ratios

	30.06.2022	31.12.2021	+/-
Common Equity Tier 1 capital ratio	18.8%	16.8%	+1.9 PP
Tier 1 capital ratio	20.6%	18.5%	+2.1 PP
Total capital ratio	22.7%	20.5%	+2.2 PP
Leverage ratio	5.3%	6.5%	-1.2 PP

Staff

(Full-time equivalent)	30.06.2022	31.12.2021	+/-
Austria in Total	4,474	4,994	(520)

Offices

	30.06.2022	31.12.2021	+/-
BA AG - Privatkundenbank branches	107	117	(10)

Notes:
- The income statement of Bank Austria shown in summarised form in this table corresponds to the structure of the segment report. P&L comparison figures for 2021 have been adjusted to reflect the current structure and methodology.
- RWA are total regulatory risk-weighted assets
- Capital ratios pursuant to Basel 3 according to the current state of the transitional provisions and based on all risks
- n. m = not meaningful; PP = percentage point(s); bp = basis point(s)

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Economic environment – market developments

New challenges for the global economy

The pace of global economic recovery in 2021 slowed significantly in the first half of 2022. The development of the global economy has been hampered by pandemic supply chain disruptions, reinforced by renewed quarantine measures in parts of China under the zero-COVID policy and, from March, by the start of the war in Ukraine. The rise in raw material prices increased inflation, which has weighed on consumer demand by dampening real incomes, and in many countries has already kick-started a process of the central banks tightening monetary policy.

Due to the different measures taken to contain the pandemic, there were significant growth differences in the individual countries. While the USA started 2022 with a decline in economic output, the low prior-year basis in Europe supported high growth rates at the beginning of the year. As a result, country-specific fluctuations were smoothed out, supported by a weakening economic trend due to the large number of load factors. In the US, economic growth in the first half of the year, at 2.6%, lagged behind the increase in GDP in the eurozone of 4.7%.

As a result of the war in Ukraine, the upward trend in commodity prices accelerated massively in the first half of 2022. In particular, energy prices, driven by an increase in oil prices from USD 80 per barrel at the beginning of the year to around USD[0] 120 per barrel by mid-year and a tripling of the price of gas in Europe as a result of uncertainty surrounding the supply of Russian natural gas, have pushed inflation to its highest level in decades in many countries. In addition, the development of food prices, especially in emerging markets, contributed to the rise in inflation. Inflationary pressures have widened in recent months, with the result that core inflation has also risen significantly. In the United States, inflation averaged over 8% in the first half of 2022, driven less by unfavourable supply shocks and more by domestic factors such as strong wage increases than in the eurozone, where inflation remained somewhat lower at an average of 7.1%. The US Federal Reserve therefore tightened its monetary policy faster than the ECB. In the first half of the year, the US Federal Reserve has implemented three interest rate hikes totalling 150 basis points and in July took another step up by further 75 basis points, bringing the target range of the Fed Funds Target Rate up to its current level of 2.25% to 2.50%. The asset purchase programme was discontinued in March and the reduction of the balance sheet total has begun. The ECB, on the other hand, did not take any steps involving interest rates in the first half of the year, but started with a first interest hike since 2011 by 50 basis points, so the deposit rate now stands at 0.0% and the main refinancing rate at 0.5%. The ECB phased out the Pandemic Emergency Purchase Programme (PEPP) in March, and, at the end of June, also discontinued net purchases in the normal APP securities purchase programme. The interest rate differential between the United States and the eurozone contributed significantly to the strengthening of the US dollar against the euro in the first half of 2022. The price of the US dollar rose by more than 7% from 1.13 to 1.04 for one euro.

Rising inflation expectations have led to a noticeable rise in long-term interest rates in the first half of 2022. The 10-year US Treasury note was at 3.0% in the middle of the year, down from 1.5% at the beginning of the year. In Europe, too, yields in the long-term sector moved out of negative territory. At the end of June 2022, the yield on the ten-year Austrian Federal bond stood at nearly 2%, with a spread rising to over 50 basis points against the German benchmark. The rise in inflation and interest rates, as well as heightened economic concerns, have weighed on the development of stock markets worldwide. Highly volatile, the Dow Jones index has fallen by over 15% in the first half of the year. Most European stock exchanges performed even less favourably due to their proximity to the hot spot of Ukraine, with the Vienna stock exchange index ATX losing more than 25% from the beginning of the year to the middle of 2022.

Economic situation and market developments in Austria

Despite the slowdown in the global economy, the Austrian economy got off to a very dynamic start in 2022. After the strong acceleration of economic activity in the first quarter, supported by double-digit growth rates in industry and construction, as well as positive effects in the service sector due to fewer restrictive measures to contain the pandemic, the general conditions changed abruptly with the start of the war in Ukraine. The worsening supply problems as well as the sharp rise in prices, especially for energy, began to apply the brakes to growth in industry and construction. In the service sector, the opening up of the economy had a very positive impact on the retail and hospitality sectors in particular, but high inflation, which even accelerated toward 9% year-on-year by the middle of the year, increasingly dampened consumers' purchasing power. Despite the marked slowdown in economic momentum from spring onwards, a static overhang in the first half of 2022 resulted in a high year-on-year increase in GDP of about 6.5%. Strong economic growth supported a continued improvement of the situation on the labour market. The unemployment rate, which had still averaged 8% in 2021, fell to just over 6% seasonally adjusted at the end of June 2022.

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The high credit dynamics in Austria continued in the first half of 2022, with an increase of more than 6% year-on-year. Corporate loans in particular, developed very dynamically, increasing by more than 8%. The slight acceleration in the growth of household loans was influenced by the strong momentum of housing loans and also by the positive development of consumer loans for the first time in years. The growth in deposits by households and companies continues to be strong, although growth rates have slowed compared with 2021.

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Business development in the first half of 2022

Condensed income statement of Bank Austria 1)

(€ million)

	RECAST 2)		CHANGE		RECONCILIATION		BANK AUSTRIA GROUP	
	1H22	1H21	+/- €	+/- %	1H22	1H21	1H22	1H21 3)
Net interest	439	411	28	6.8%	-	13	439	424
Dividends and other income from equity investments	67	70	(3)	-4.8%	-	-	67	70
Net fees and commissions	349	336	13	3.9%	-	(0)	349	336
Net trading, hedging and fair value income/loss	47	81	(34)	-41.7%	-	(0)	47	81
Net other expenses/income	8	17	(9)	-51.4%	-	0	8	17
Operating income	**911**	**915**	**(5)**	**-0.5%**	**-**	**13**	**911**	**928**
Payroll costs	(270)	(277)	7	-2.6%	-	(13)	(270)	(290)
Other administrative expenses	(246)	(256)	10	-4.0%	-	(0)	(246)	(256)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(25)	(32)	7	-21.9%	-	(0)	(25)	(32)
Operating costs	**(541)**	**(565)**	**25**	**-4.4%**	**-**	**(13)**	**(541)**	**(578)**
Operating profit	370	350	20	5.7%	-	0	370	350
Net write-downs of loans and provisions for guarantees and commitments	49	(32)	81	n.a.	-	(0)	49	(32)
Net operating profit	**419**	**318**	**101**	**31.7%**	**-**	**0**	**419**	**318**
Provisions for risks and charges	(5)	1	(6)	n.a.	-	-	(5)	1
Systemic charges	(98)	(89)	(9)	10.5%	-	(0)	(98)	(89)
Integration/restructuring costs	8	-	8	-	-	-	8	-
Net income from investments	(7)	20	(28)	n.a.	-	-	(7)	20
Profit (loss) before tax	**317**	**250**	**67**	**26.6%**	**-**	**0**	**317**	**251**
Income tax for the period	(31)	(40)	8	-20.8%	-	-	(31)	(40)
Total profit or loss after tax from discontinued operations	-	1	(1)	-100.0%	-	-	-	1
Non-controlling interests	0	7	(7)	-98.3%	-	(0)	0	7
Net profit or loss 4)	**286**	**219**	**67**	**31.0%**	**-**	**-**	**286**	**219**

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 2022
3) Figures as of 30.06.2021 as published
4) 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 2022 are recast to reflect the current structure and methodology.

*Since 1 January 2022, **segment reporting** covers three business segments: **Retail**, **Wealth Management & Private Banking** (WM&PB) and **Corporates**.*

*The **Retail Division** offers services to natural persons (including premium banking clients), professionals and business customers (with annual revenues of up to €1 million). The **Corporates Division** serves corporate customers of all sizes, including multinational and major international customers who need capital market services and investment banking solutions. In addition, the activities of FactorBank and Leasing are included and financial institutions such as banks, asset managers, institutional customers and insurance companies are also supported. Those parts of the bank that are not assigned to any segment, are reported in the **Corporate Centre** segment.*

*The first half of 2022 was marked by **political and economic uncertainties** that go far beyond what has been seen in the recent past. The war of aggression against **Ukraine** and the resulting sanctions against Russia led to drastically rising energy prices, and thus to a substantial increase in inflation, which clouded the economic outlook. The **COVID-19 pandemic** that broke out at the beginning of 2020 has also not yet been overcome, despite the fact that vaccines are now available, with the number of infections in Austria actually rising again significantly at the end of the period, and international supply chains still being affected.*

Operating income reached €911 million in the first half of 2022, a slight decrease of 1% compared to the previous year's figure of €915 million. While core earnings such as net interest and net fee and commission income increased significantly, net trading income declined due to positive one-off effects in the previous year.

Net interest, the largest item in Bank Austria's operating income, increased by 7% to €439 million, well above the previous year's figure of €411 million. This reflects an improvement in margins – particularly in the deposit area – supported by the rise in market interest rates in the current environment.

Dividends and other income from equity investments amounted to €67 million and was therefore slightly below the previous year's figure of €70 million; this item primarily includes pro rata income from significant equity investments such as the 3-Banken Group and Oesterreichische Kontrollbank.

At €349 million, **net fees and commissions** were up 4% on the previous year. In particular, the payment transaction business (especially the card business), and fees and commissions from the credit business, increased.

Net trading, hedging and fair value income was €47 million, well below the previous year's figure of €81 million. This was due to declining valuation effects during the reporting period, as well as positive results from bond sales and one-off effects associated with the repurchase of two hybrid bonds during the previous year.

The income statement item **balance of other operating income and expenses** includes items that are not allocated to the above-mentioned income items. In the first half of 2022, income amounted to €8 million (compared to €17 million in the previous year).

Bank Austria continues to focus on very restrictive cost management. **Operating costs** fell by 4% to €541 million in the first half of 2022 (previous year: €565 million). This relates to lower expenses in all major cost items.

Payroll costs amounted to €270 million, down €7 million or 3% from the previous year's figure, which included a positive one-off effect relating to social capital so that, adjusted for this effect, there would be an even more significant decline. Compared with 30 June 2021, there was a significant reduction in personnel capacities (FTE) of -676 as at the reporting date.

Other administrative expenses fell by 4% to €246 million, thereby demonstrating the clear focus on cost management.

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The decrease in **depreciation and amortisation** from €32 million to €25 million relates to a one-off effect in the previous year (the reclassification of subsidiaries previously classified as “held for sale” (card complete/DC Bank) to “held for operational use”).

Operating profit was €370 million, 6% above that of the previous year, reflecting the above-mentioned developments.

The **net write-downs of loans and provisions for guarantees and commitments** were affected by conflicting effects. Non-performing loans increased mainly due to updated forward-looking information, which was offset by reversals of almost the same amount. In the case of non-performing loans, repayments were recorded, particularly in the Corporates Division. In total, a positive contribution of €49 million was reported in the first half of 2022 (including a balanced amount for Stage 1 and 2 as well as +€49 million in Stage 3), after an expense of €32 million in the previous year.

Cost of risk, expressed as the ratio of net write-downs of loans and provisions for guarantees and commitments to average loan volumes in basis points/bp (see also the glossary of alternative performance measures in the Notes), gives a figure of -15 bp (10 bp in the previous year). The following cost of risk was reported for the Divisions: Retail 29 bp (previous year: -20 bp), Wealth Management & Private Banking -43 bp (previous year: 102 bp) and Corporates -32 bp (previous year: 22 bp).

In the first half of 2022, an operating result (**net operating profit**) of €419 million was achieved, surpassing the previous year’s figure of €318 million by 32%. The individual customer business segments contributed to the operating performance as follows: Retail +€42 million (previous year: +€48 million), Wealth Management & Private Banking +€26 million (previous year: +€13 million) and Corporates +€342 million (previous year: +€218 million).

Under **provisions for risks and charges** an amount of -€5 million was recognised for the reporting period (previous year: +€1 million).

At -€98 million, **systemic charges** were higher than in the first half of 2021 (-€89 million). Of the total amount, €87 million was allocated to the deposit guarantee fund and the resolution fund and €11 million to the bank levy.

An amount of +€8 million was recognised under the item **integration/restructuring expenses** (previous year’s figure: 0), a slight reversal of the restructuring provisions that were made in the previous year in connection with the 2022-2024 “***UniCredit Unlocked***” strategic plan announced in December 2021.

Net income from investments showed an expense of -€7 million (previous year: €+20 million). This included, among other things, income from the valuation and sale of properties as well as impairment losses on individual equity investments (“3-Banken” group).

The above items result in a **profit before tax** of €317 million. The significant increase compared to the previous year’s figure of €250 million was mainly due to the significantly improved, now positive contribution to the net write-downs of loans and provisions for guarantees and commitments expense and significant cost savings.

Income tax for the period amounted to -€31 million (previous year: €-40 million).

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

In total, Bank Austria thus achieved a net profit of €286 million in the first half of 2022 (**group net profit after tax attributable to the owners of Bank Austria**), an increase of 31% compared with the figure of €219 million in the same period last year.

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Financial position and capital resources

Bank Austria Group's balance sheet at 30.06.2022 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%. The Corporates division accounted for around two-thirds of total lending volume, underlining 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% consist of deposits from the Retail and Wealth Management & Private Banking divisions and constitute a solid refinancing basis for Bank Austria.

Major items in the statement of financial position

(€ million)

			CHANGE	
	30.06.2022	31.12.2021	+/- € MILLION	+/- %
Assets				
Cash and cash balances	961	456	+505	>100%
Financial assets held for trading	1,752	976	+776	+79.5%
Loans and receivables with banks	31,013	28,546	+2,467	+8.6%
Loans and receivables with customers	64,912	66,968	(2,057)	-3.1%
Other financial assets	21,526	18,037	+3,490	+19.3%
Hedging instruments	1,245	1,501	(256)	-17.1%
Other assets	1,773	1,920	(148)	-7.7%
TOTAL ASSETS	**123,182**	**118,404**	**+4,778**	**+4.0%**
Liabilities and equity				
Deposits from banks	34,378	27,097	+7,281	+26.9%
Deposits from customers	62,130	64,322	(2,192)	-3.4%
Debt securities in issue	9,485	9,763	(278)	-2.8%
Financial liabilities held for trading	1,749	1,029	+720	+70.0%
Hedging instruments	1,526	1,516	+10	+0.7%
Other liabilities	4,804	5,738	(935)	-16.3%
o/w pensions and other post-retirement benefit obligations	*2,986*	*3,757*	*(771)*	*-20.5%*
Equity	9,110	8,939	+171	+1.9%
TOTAL LIABILITIES AND EQUITY	**123,182**	**118,404**	**+4,778**	**+4.0%**

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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)

	30.06.2022	31.12.2021
Cash and cash balances	961	456
Financial assets held for trading	1,752	976
Loans and receivables with banks	31,013	28,546
a) Financial assets at amortised cost	31,013	28,546
Loans and receivables with customers	64,912	66,968
a) Financial assets at amortised cost	64,267	66,238
b) Financial assets mandatorily at fair value	645	730
Other financial assets	21,526	18,037
a) Financial assets at amortised cost (banks)	1,970	893
b) Financial assets at amortised cost (customers)	2,229	2,045
c) Financial assets designated at fair value	117	160
d) Financial assets mandatorily at fair value	78	96
e) Financial assets at fair value through other comprehensive income	14,684	12,428
f) Investments in associates and joint ventures	2,447	2,415
Hedging instruments	1,245	1,501
a) Derivatives used for hedging	2,730	1,306
b) Fair value changes of the hedged items in portfolio hedge (+/-)	(1,485)	195
Other assets	1,773	1,920
a) Tangible assets	909	905
b) Intangible assets	5	6
of which: goodwill	-	-
c) Tax assets	548	710
d) Non-current assets and disposal groups classified as held for sale	4	4
e) Other assets	306	296
TOTAL ASSETS	**123,182**	**118,404**

Liabilities and equity

(€ million)

	30.06.2022	31.12.2021
Deposits from banks	34,378	27,097
Deposits from customers	62,130	64,322
Debt securities issued	9,485	9,763
Financial liabilities held for trading	1,749	1,029
Hedging instruments	1,526	1,516
a) Derivatives used for hedging	2,794	1,400
b) Fair value changes of the hedged items in portfolio hedge (+/-)	(1,268)	116
Other liabilities	4,804	5,739
a) Financial liabilities designated at fair value	60	61
b) Tax liabilities	42	43
c) Liabilities included in disposal groups classified as held for sale	-	-
d) Other liabilities	1,257	1,264
e) Provisions for risks and charges	3,445	4,370
of which: pensions and other post-retirement benefit obligations	*2,986*	*3,757*
Shareholders’ equity	9,110	8,939
a) Revaluation reserves	(1,946)	(1,902)
b) Other provisions	4,926	4,879
c) Share premium reserve	4,132	4,135
d) Share capital	1,681	1,681
e) Minority interests (+/-)	31	31
f) Net profit or loss	286	115
TOTAL LIABILITIES AND EQUITY	**123,182**	**118,404**

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Compared to 31 December 2021, there was an increase in **total assets of** €4.8 billion (+4.0%) to €123.2 billion as at 30 June 2022.

Loans and receivables with banks rose by €2.5 billion to €31.0 billion.

Loans and receivables with customers decreased by €2.1 billion to €64.9 billion, with retail loans increasing, while the loan volumes of Corporates declined from the highs at the end of 2021 when this clientele had increased corporate liquidity needs. Gross non-performing loans were almost unchanged at €2.0 billion compared to the end of 2021. The gross NPL ratio (3.0%) and the net value of the NPL ratio (1.6%) also remained at the level of 31 December 2021.

Other financial assets increased by €3.5 billion to €21.5 billion, primarily due to the expansion of the securities portfolio.

Deposits from banks showed a significant increase of €7.3 billion to €34.4 billion compared to year-end 2021.

Deposits from customers fell by €2.2 billion to €62.1 billion compared to the 2021 reporting date. The decrease mainly concerned deposits in the Corporates Division, while Retail deposits showed an increase.

Debt securities in issue decreased slightly (-€0.3 billion) to €9.5 billion, the maturities were partly offset by the first-time issuance of a Green Mortgage Covered Bond in benchmark format (€500 million).

The excellent refinancing base from non-banks was documented by the consolidated item "**direct funding**" (deposits from customers + own issues + financial liabilities measured at fair value), which amounted to €71.7 billion as at 30 June 2022. This resulted in a coverage of loans to non-banks by deposits from non-banks and own issues of around 110%.

At the end of the first half of 2022, **total financial assets** (**TFA**, the sum of all customer investments) amounted to €140.1 billion, of which €38.1 billion were **assets under management** (**AuM**, fund and asset management products), €36.0 billion were **assets under custody** (**AuC**, direct investments in the capital market/custody business) and €66.1 billion were **deposits from customers** (incl. building society savings and balances with severance funds).
TFA relate to volumes in the Retail, Wealth Management & Private Banking, Corporates (excl. Leasing) and Corporate Center Divisions, i.e. investments in leasing were not included in this key figure.

The **provisions** included in **Other liabilities** amounted to around €3.4 billion in the first half of 2022, down -€0.9 billion compared to the end of 2021. The largest item of which was provisions for risks and charges for post-retirement benefit obligations, which amounted to €3.0 billion (31 December 2021: €3.8 billion). The sharp decline was primarily caused by the substantial rise in interest rates in the first half of 2022. As at 30 June 2022, the discount rate for social capital was 3.25%, an increase of 2.25 percentage points compared to the 2021 year-end rate of 1.0%.

As at 30 June 2022, reported **equity** was €9.1 billion, an increase of €0.2 billion compared to year-end 2021, mainly due to the half-year profit of €286 million.

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Capital resources and risk-weighted assets

Regulatory capital, capital requirements and regulatory capital ratios were 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 were not yet fully applicable, but will be gradually introduced over several years.

From 28 June 2021, all of the regulatory provisions of Regulation (EU) 2019/876 (CRR II) are applied and were reflected in the calculation of the capital ratios as at 30 June 2022 in addition to the provisions that were already directly applicable when the Regulation came 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 made 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) amendment of 28 May 2021.

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

Bank Austria Group's **eligible own capital** amounted to €7.6 billion as at 30 June 2022 (an increase of €0.1 billion compared with 31 December 2021). Additional core capital remained unchanged at €0.6 billion compared to year-end 2021.

The Common Equity Tier 1 (CET1) capital increased by €0.2 billion to €6.3 billion, mainly due to the eligible first-half result for 2022.

Compared to the end of 2021, the **risk weighted assets (RWA)** declined from €36.2 billion to €33.3 billion. The decrease in credit risk was mainly due to the reduction in the add-on amount in the first half of the year, which was introduced with the use of the new IRB-PD models in the third quarter of 2021 and represented customers who had not yet been re-rated. The reduction of the add-on amount reflects the progress of the re-ratings. In addition, RWAs were further reduced by rating improvements and RWA optimisation measures. Market risk increased by €0.6 billion.

Capital ratios improved as a result of the increase in capital and the simultaneous reduction in RWA, as shown in the table below. The ratios continued to significantly exceed the legal requirements.

Capital ratios (based on all risks)

	30.06.2022	31.12.2021
Common Equity Tier 1 (CET1) capital ratio	18.8%	16.8%
Tier 1 capital ratio	20.6%	18.5%
Total capital ratio	22.7%	20.5%

The **leverage ratio** pursuant to the Delegated Regulation (EU) 2015/62, based on the current status of transitional arrangements, was 5.3% as at 30 June 2022.

Permanent establishments

There are no permanent establishments.

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Outlook

Macro-economic environment 2022

The headwind from the Russia-Ukraine conflict, coupled with the COVID-19 lockdowns in China, has further pushed up inflation and weakened economic activity. Energy prices continue to rise and supply chain disruption continues. High inflation is squeezing real incomes, financial conditions have tightened, and consumer confidence has fallen to record lows in both Europe and the US. Business confidence has been more resilient so far, but has also begun to weaken. The parts of the economy that are more sensitive to interest rates, including housebuilding and corporate investment, are slowing. The UniCredit Leading Indicator has continued to fall, suggesting that global trade will shrink from the beginning of the third quarter. We therefore expect the global economy to slow down in the second half of the year, meaning that global economic growth in 2022 should be at 3% – significantly below the 6.1% of 2021. There are also significant downside risks, such as a halt in Russian energy supplies, which would send a large number of European countries into a recession.

Energy-price inflationary pressures are increasing, and core inflation is rising. We expect inflation to peak in the coming months in both the US and the eurozone, at levels of between 8.5% and 9%. The easing of supply bottlenecks, the shifting of expenditure away from goods, slowing economic activity and lower oil prices should allow inflation to slow in late 2022. Longer-term inflationary expectations remain well-founded, and there is little or no sign of a wage-price spiral. Central banks have stepped up their tightening of monetary policy in response to the sharp rise in inflation and the risk of it will become entrenched above expectations. The US Federal Reserve and the Bank of England have begun to shrink their balance sheets, and the ECB will no longer continue net asset purchases from the second half of 2022. We expect the US Federal Reserve to raise key interest rates to a high of 3.5% by the end of the year. The ECB is expected to continue its rate hike cycle. We assume an increase of the key interest rate to ca. 1.75% by March 2023. In both cases, our estimates are below the expectations of the financial markets, which we believe are underestimating the downside risks to growth, which should prompt central banks to pause or even change course on rate hikes in 2023.

The outlook for Austria

The deterioration of economic sentiment since the beginning of spring will continue in the second half of 2022, given the ongoing geopolitical issues. The continued supply chain problems caused by the war in Ukraine and the sharp increases in energy prices will noticeably slow the economic recovery in Austria. After exactly two years, the upswing in Austrian industry seems to have come to an end. In the middle of the year, the sharp downturn in new business led to a reduction in the production output of domestic industrial companies. Production expectations have declined sharply, and the majority of Austrian industrial companies expect sales to decrease in the coming half-year. Furthermore, the falling number of incoming orders indicate a slowdown in business development in the construction industry. Sentiment is still good in view of the high capacity utilisation and the good chance of imposing the cost increases on prices, but there is still a sharp downward trend. Sentiment in the services sector, which has benefited from the easing of pandemic measures, has so far only dipped slightly. However, consumer confidence, which is now falling away sharply, is also pointing to a slowdown in the pace of growth compared with the first half of the year, burdened by high inflation – in services as well as in industry and construction.

The easing of pandemic measures and the use of savings during the lockdowns will give a boost to trade and the hospitality industry, but consumer spending will be increasingly impacted by the sharp rise in inflation. Investment activity will also suffer from the worsened mood, especially as financing conditions become somewhat less favourable. In the second half of the year, the Austrian economy is likely to do little more than stagnate due to the impact of the war in Ukraine. However, since the start of the year was particularly strong, we expect GDP to rise by 4.4% in 2022 as a whole. The trend towards improvements in the labour market will continue to a large extent in view of a record number of vacancies, meaning that we expect an average unemployment rate of only 6.3% for 2022 – well below pre-crisis levels. After reaching a peak in autumn, inflation in Austria is expected to slow down moderately during winter, in line with international developments, but an average inflation of over 7% is expected for the year 2022.

Management Report

The development of financing and deposits in the second half of 2022 will be strongly influenced by economic momentum and inflation trends. In principle, the trends from the first half of the year are expected to continue, in particular the strong momentum in corporate loans. In the case of loans to households, a slowdown in growth is expected, mainly due to lower demand for housing loans added to legal changes. Even the positive development in consumer loans is expected to come to an end in the second half of the year. Deposit growth is expected to slow slightly in the second half of 2022. Despite rising interest rates, inflation-induced erosions of purchasing power are likely to the limit growth in deposits from private households. Against this, corporate deposit growth could benefit from deferring investments after good earnings in the first half of the year.

Medium and long-term objectives

The expansion and strengthening of the customer base through more efficient and optimized products as well as services, remains a focus for the development of UniCredit Bank Austria, with the improvement of the customer experience being the key driver for all strategic initiatives. Fully digitalized processes are expected to deliver the best customer experience while reducing costs and operational risk. In addition, the bank's focus is on simple organization, fast processes and sustainability initiatives.

In the **Retail division**, the service model for retail customers is being further developed and optimized, in particular through a further **optimized mix of online and offline channels**: The focus here is on direct channels for customer service and transactions so that sales can devote themselves fully to providing advice. Furthermore, direct channels will be made available for servicing the broad-based business in order to exploit growth opportunities through broader coverage and improved securities services in **Private Banking and Wealth Management**. UniCredit is also focusing on the further expansion of digital solutions such as video consulting or the digital underwriting of contracts in the corporate customer segment, especially in the servicing of small and medium-sized enterprises.

To optimize corporate banking, UniCredit Bank Austria has merged its Corporate & Investment Banking and Unternehmer Bank into the **new Corporates Division** - a division for all corporate customers where they can obtain all services from a single source. This step is an important initiative in the simplification of the bank's organizational structure and pursues the goal of creating further synergies and even greater customer proximity.

One important pillar of UniCredit's strategic plan for the next three years is to develop UniCredit Bank Austria into an even more efficient financial institution and to completely restructure its operating model.

The focus is on strong earnings growth and significant cost efficiency gains to achieve sustainable profitability. To this end, the operating model is being redesigned by simplifying and digitising the organisation. Rapid adoption of cutting-edge technology is critical to expanding our customer reach and helping all business segments in increasing value generation. A lean business model will reduce complexity and increase the efficiency of the company. More than 50% of UniCredit Bank Austria's investments will therefore be made with a view to growth and optimisation.

The most important targets of UniCredit Bank Austria for the years from 2021 to 2024 with regard to the compound annual growth rate (CAGR) are:
- +4% capital: This increase is achieved through RWA optimization to mitigate regulatory headwinds fostering capital-light business and focusing on value generating client segments.
- +5% net revenues: The most important initiatives in this area are increasing market share in Retail back to its natural market share, expanding the bank's leading position in private banking and achieving additional growth in corporate banking.
- -4% costs: Cost reductions will primarily be achieved by streamlining the operating model to reduce complexity.
  Importantly, this overall cost reduction, i.e., of all HR and other administrative costs, is the result of high investments in the digitalization of our products and services as well as a significant simplification of our processes and the overall operating model.

Continued disciplined management of risk provisions and risk-weighted assets (RWA) are further important preconditions for achieving the central objective: To achieve profitability significantly above the cost of capital in all business areas and to improve the return on allocated capital (RoAC).

The organisational and digital transformation will focus particularly on the following **targets through to the end of 2024**:
- achieving an RoAC of more than 12%,
- improving the cost/income ratio to around 50%, that is, minus 13 percentage points in the period from 2021 to 2024, and
- generating a net profit of €700 million, about 15% of the net profit of the entire Group.

Management Report

Throughout the **COVID-19 crisis**, UniCredit Bank Austria has once again demonstrated its organisational strength and flexibility, as well as the high level of commitment and expertise of its employees:

- The relocation to the new headquarters at the Austria Campus in 2018 had already enabled employees to work from home for 20% of their week. This successful remote working concept provided an important springboard for enabling over 90% of the employees at our headquarters to continue working from home within just a few days of the start of the COVID-19 lockdown in March 2020, supporting our customers as effectively as possible.
- Throughout the further course of the pandemic, safety and protective measures in the branches and on the Austria Campus were continually adapted to the decisions made by the Federal Government in response to epidemiological developments. Our top priority has always been to keep the infection risk for our customers and our employees as low as possible while ensuring the continued smooth running of all bank services for our customers.
- Meanwhile, UniCredit Bank Austria also has supported the economy through the COVID-19 crisis in many respects. During the initial acute phase of the crisis, our main focus was on supporting businesses and households as well as possible, through extensions, framework increases or bridging loans. In the 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.

UniCredit Bank Austria not only supports companies on their path to more sustainable business activities, it also offers its customers sustainable options for account and investment products, such as the ***GoGreen*** account, which is certified with the Austrian Eco-Label. Here, sustainable financing is provided in the amount of the deposits in *GoGreen* accounts: for companies, renewable energy projects (wind and solar power plants) in particular; for private customers, mainly building renovations to improve energy certificates, newly-built low-energy houses and consumer loans with a sustainable purpose. The *GoGreen* account is also available as a *GoGreen* account for children and young people, a *GoGreen* student account and a *GoGreen* business account. This green account allows self-employed, freelancers and small and medium-sized enterprises to contribute to climate protection through their payments.

An important – and thoroughly positive – effect of the COVID-19 crisis is the strong economic and social impetus in the area of **digitisation**. Many customers have opted for digital solutions more frequently and with greater conviction than in previous years. Right at the start of the COVID-19 crisis, UniCredit Bank Austria strengthened its **multi-channel offering** with additional remote advice and service offerings via digital channels so as to continue to provide the best possible service.

Management Report

Development of business segments

Retail

(€ million)

	1H22	1H21 RECAST 1)	CHANGE +/- € million	CHANGE +/- %
Operating income	345	342	3	0.8%
Operating costs	(275)	(313)	38	-12.1%
Operating profit	69	29	41	>100%
Net write-downs of loans	(28)	19	(47)	n.m.
Net operating profit	42	48	(6)	-12.6%
Profit (loss) before tax	**13**	**19**	**(6)**	**-31.8%**
Total Financial Assets 2)	53,503	53,338	165	0.3%
Loans to customers	19,841	18,619	1,221	6.6%
Deposits from customers	28,287	27,281	1,006	3.7%
Ø Risk-weighted assets (RWA) 3)	7,269	6,930	338	4.9%
ROAC 4)	2.4%	4.9%	-2.5 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) Allocated capital calculated at 13.00% common equity tier 1 (CET1) target ratio (1H22 and 2021; in the 2021 annual financial statements, a value of 11.75% was applied for 2021)
n.m. = not meaningful
These comments also apply to the segment tables on the following pages.

Operating profit
Operating income was 3 million (0.8%) above the previous year's level, driven by higher net interest due to higher credit volumes and improved margins. Net fees and commissions increased slightly, whereas gains and losses on financial assets and liabilities held for trading fell due to valuation effects. Operating costs (€275 million) were significantly reduced by 12%, with savings being achieved in all major cost items. Overall, this more than doubled the operating profit (€69 million).

Net write-downs of loans and provisions for guarantees and commitments
Expenses of €-28 million resulted mainly from increases in non-performing loans, primarily due to updated forward-looking information.

Profit (loss) before tax
Taking into account the developments outlined above and the non-operating expenses of €-27 million (primarily, systemic charges), profit before tax in the first half of 2022 was €11 million (previous year's profit: €21 million)

Loans to customers/customer deposits
At €19.8 billion, the loan volume was €1.2 billion above the previous year's level, reflecting the successful sales activities in housing and consumer finance. Customer deposits increased by €1.0 billion to €28.3 billion.

The **Retail Division** serves private customers with an investment volume of up to € 1 million and professionals and business customers with an annual turnover of up to € 1 million. Also included in Retail Banking are subsidiaries active in the credit card business.

In the second quarter of 2022, a service model was implemented for Retail which Bank Austria used to lay the foundations of an organization that is closer to its customers, uses faster decision-making, enjoys more intensive cooperation and is more innovative. These simplifications significantly reduce the complexity of the business and ensure greater ownership in all customer segments – with clearly defined roles and responsibilities. This represents a further important step in the development of Bank Austria's retail network.

Management Report

Our **digital offerings and services have been consistently expanded**, led by changes in customer behaviour and customer needs. This has enabled our customers to transact all essential products and services exclusively via digital channels, including in the light of the COVID-19 pandemic, without having to visit a branch. Customers who have forgotten their PIN for internet banking can now request it conveniently and easily through a fully automated process. The option to **sign contracts via the secure TAN procedure** was extended to all major transactions, therefore also ensuring paperless, end-to-end processing.
Customers can easily **make an appointment** via all digital channels - at the branch, by telephone or now also via video telephony. In the first half of the year, an average of 1,550 end-to-end processes per month were handled online or at the branches for the first time. All initiatives support our goal of becoming more efficient and enabling our customers to conduct their business online and conveniently.

A further focus was the expansion of the new, innovative **MobileBanking app** which was launched successfully. The design of the new MobileBanking app was made more modern and user-friendly. An extremely intuitive, and above all more user-friendly, experience establishes the MobileBanking app as an equal channel to *24You*, the easiest internet banking experience in Austria. At the same time, functionality has been expanded, making the app even more attractive. With the automatically integrated personal finance manager, customers benefit from a perfect overview of their income and expenses.
All orders can be made and approved directly in the MobileBanking app, and now even more quickly using facial recognition, a fingerprint or a self-chosen authorisation code (ATC). There is no longer a need for a second app or even to receive an SMS; nevertheless, the app meets the highest security standards as all security provisions have already been integrated into the app.
App store ratings are extremely positive, exceeding the average review rating for financial apps.

In March 2022, the student account was finally **awarded the Austrian Eco-label**. This means that our customers are now in a position to actively contribute to sustainability over the entire life cycle (from 10-99 years). Bank Austria's Retail Division thus offers a unique opportunity in the Austrian market.

Wealth Management & Private Banking

(€ million)

	1H22	1H21 RECAST	CHANGE +/- € million	CHANGE +/- %
Operating income	87	79	8	10.0%
Operating costs	(63)	(63)	1	-1.1%
Operating profit	24	16	9	54.6%
Net write-downs of loans	2	(3)	5	n.m.
Net operating profit	26	13	14	>100%
Profit (loss) before tax	**28**	**5**	**23**	**>100%**
Total Financial Assets	25,573	26,969	(1,396)	-5.2%
Loans to customers	927	727	200	27.4%
Deposits from customers	7,601	7,498	103	1.4%
Ø Risk-weighted assets (RWA)	600	557	43	7.7%
ROAC	57.9%	10.8%	+47.1 PP	n.m.

Operating profit

In the first half of 2022, the operating income of the Wealth Management & Private Banking (WM & PB) division improved by 10% to €87 million. Both, net interest and net fees and commissions improved significantly.

Operating costs decreased by €1 million to €63 million. Administrative costs continued to decline, and strict cost management remains in place. In total, an operating profit of €24 million was achieved (+54.6% compared with the previous year).

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

Net write-downs of loans were impacted by model adjustments leading to increases in provisions for non-performing loans as well as by reversals for non-performing loans, and totalled +€2 million (previous year: €-3 million).

Profit (loss) before tax

After taking into account the systemic charges, offset by the reversal of provisions for integration/restructuring, profit before tax in the first half of 2022 was €28 million, i.e. significantly above the previous year's figure of €5 million.

Loans to customers/customer deposits

At the end of the first six months of the year, the loan volume was €0.9 billion (30 June 2021: €0.7 billion), which was well above the previous year's level; deposits from customers also rose from €7.5 billion to €7.6 billion.

The **Wealth Management & Private Banking** division serves and supports wealthy and affluent clients with a focus on investment and pension planning.

The **Wealth Management** segment is concentrated in Schoellerbank, which is considered to be a specialist in investment and wealth planning. Its core competence is asset management, where experts invest their customers' money in line with the motto "*Investieren statt Spekulieren*" ("Invest, don't speculate"). Furthermore, this traditional bank supports its customers – who entrust it with around €12 billion – with 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 also provides customers with an in-house investment trust which offers tailored special funds for especially wealthy customers.

The bank's many years of experience and expertise have not only yielded many satisfied and loyal customers but also 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 8 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

The **Private Banking** segment focuses on wealthy private customers and foundations managed by UniCredit Bank Austria AG – currently this consists of around 14,700 customers, with total assets of around €14 billion. We offer our customers consultation in 15 private banking locations across Austria, with a separate centre of excellence in Vienna that provides support in managing the financial affairs of foundations.

What makes Bank Austria Private Banking special is our personalized 360-degree support approach, which covers our full range of banking services and products – including investment financing, building and housing loans, and excellent investment solutions. Experts in private banking asset management assess the market and use their findings for tailored asset management solutions. This market view also forms the basis for our consultancy service, UNIVERS. Beyond this, our credit advisory and wealth planning experts also support private banking advisors in specialist financing matters and holistic financial and succession planning.

Corporates

(€ million)

	1H22	1H21 RECAST	CHANGE +/- € million	CHANGE +/- %
Operating income	454	453	1	0.1%
Operating costs	(183)	(187)	4	-2.3%
Operating profit	271	266	5	1.9%
Net write-downs of loans	71	(48)	119	n.m.
Net operating profit	342	218	124	57.0%
Profit (loss) before tax	**298**	**199**	**99**	**50.1%**
Loans to customers	43,584	41,336	2,248	5.4%
Deposits from customers	25,119	25,279	(160)	-0.6%
Ø Risk-weighted assets (RWA)	21,473	18,383	3,090	16.8%
ROAC	16.9%	12.7%	+4.2 PP	n.m.

Operating profit
Operating income in the first half of 2022 improved slightly to €454 million compared with the previous year (€453 million). Here, interest income increased significantly by 7.5% year on year, based on an increased loan volume and an improved interest rate environment. Net commission income also increased by 7.8% compared with the same period of the previous year, including for services in the financing business and in payment transactions (cash management) among other segments. The trading result declined, on the other hand, mainly due to valuation effects.

Operating costs were reduced by €4 million to €183 million, mainly due to savings on payroll costs. In total, an operating profit of €271 million (+1.9% compared to the previous year) was achieved.

Net write-downs of loans and provisions for guarantees and commitments
As a result of the reversal of loan loss provisions already made, a positive contribution of +€71 million was made to net write-downs of loans (previous year: €-48 million).

Profit (loss) before tax
After taking into account systemic charges, in particular, profit before tax in the first half of 2022 was €298 million, i.e. 50.1% above the previous year's figure of €199 million.

Loans to customers/customer deposits
At the end of the first half of the year, the loan volume stood at €43.6 billion (30 June 2021: €41.3 billion), well above the previous year's figure. At €25.1 billion, deposits from customers were close to their 2021 level (€25.3 billion).

Since 1 January 2022, the new **Corporates** Division has included the business activities of former Unternehmerbank and Corporate & Investment Banking division (CIB). This solution, which has been implemented throughout UniCredit Group, is an important step towards simplifying our organisation and thus bringing us closer to our customers. Managing customer care teams and product departments jointly within one division brings these two core parts of customer-oriented banking closer together. This means that we can create even better individual financing solutions for companies in the Austrian economy.

UniCredit Group is one of the **largest lenders in Europe** and in its markets, it is generally among the top 3 banks in the respective country. **Bank Austria is the clearly leading corporate customer bank in Austria** and is ranked top in corporate customer financing generally, in ESG financing, syndicated financing and real estate business. Awards like "*Best Investment Bank*" in Austria, "*Best Bank for Treasury and Cash Management*" and "*Market Leader in Trade Finance*" testify to our strengths and our abilities.
A special focus is placed on products and services related to **sustainability issues ("ESG")**. Our consulting expertise (e.g. *ESG industry barometer*) is the focus of our close dialogue with our customers. In addition, with its sustainability loan Bank Austria has a particularly attractive service offering for companies that already have an ESG rating.

Furthermore, the consultation of the Republic of Austria on the issue of the first **"Green Bond" with a volume of €4 billion** saw us pass another milestone. In this way, we are making a significant contribution to the Austrian real economy and to the transition towards a more environmentally friendly economy.

Our mostly international **“Large Corporates”** (including financial institutions and the public sector) have mainly prepared themselves very well strategically for the new challenges that have arisen from the significant geopolitical events of recent times, especially for this segment. The serious impact of these events on the security of the energy supply, energy prices and supply chains will continue in the second half of 2022 and 2023. Through close strategic dialogue, we support our multinational clients in leading arranging positions in Austria and the Nordic and Iberian regions with innovative solutions in the areas of finance, capital markets, transactional banking and corporate treasury risk management. This has enabled us to further expand our leading role as an advisory bank with a now sharpened focus on the specific sector.

The first half of 2022 was also characterized by a very dynamic interest rate environment in the **public sector**. Long-term refinancing rates especially, which are important for public financing, have risen significantly. In the second quarter, in particular, this resulted in a substantial increase in the number of calls for tender for community financing. In general, although financial institutions continue to face intense competition for less capital-intensive business, Bank Austria was able to strengthen and further expand its position.

In business with **commercial real estate customers**, it became clear during the first half of the year that the current economic environment was presenting companies with huge challenges which could only be overcome well with the help of a highly competent and strong financial partner like Bank Austria. Continual increases in the costs of materials and energy and the uncertainty associated with this, the imminent change in interest rates and weakening demand, even in the housing sector which has been crisis-resistant lately, pose difficult challenges for companies. With forward-looking, comprehensive solutions including offers for interest rate hedging, the Real Estate business segment of Bank Austria has nevertheless been able to achieve a very satisfactory result working closely with its customers and significantly expand its business volume.

Although there were signs that the economy was deteriorating in the first six months of 2022, business with "**Small & Medium Corporates**" has been successful for Bank Austria in recent months. The emergence of a significantly milder variant of COVID-19 and hence fewer restrictions on public life and on the work of companies led to a significant increase in activity and economic performance, although we been unable to fully reach the pre-crisis level of 2019 so far. However, even those companies that are heavily dependent on international supply chains or those that require very high energy use have repeatedly faced challenges which can be better calculated and thus hedged again using short and long-term hedging instruments. As a strategic financial partner, Bank Austria provides solutions for hedging economic risks and offers a wide range of financing products to support growth, consolidation and realignment. Our excellent capital base makes further growth possible in this important customer segment.

The **digitisation** of services for corporate customers will continue in 2022. An **online account opening tool** for corporate customers enables companies to individually put together and order their account package there and then. A one-time visit to a corporate customer centre or branch is only necessary for the first identity check and signature – further authorised signatories can then be added completely digitally via **video identity checks**. Another service has likewise been added to the online portal for corporate customers, the "**Corporate Portal**". Using the **UC Trader** app, customers can trade currencies transparently and easily.

With an extensive presence across Austria and recognized 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.

Consolidated financial statements in accordance with IFRSs

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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 30.06.2022	AS AT 30.06.2021
10. Interest income and similar revenues	662	633
of which: interest income calculated with the effective interest method	*465*	*449*
20. Interest expenses and similar charges	(204)	(209)
30. Net interest margin	**457**	**424**
40. Fees and commissions income	457	426
50. Fees and commissions expenses	(108)	(90)
60. Net fees and commissions	**349**	**336**
70. Dividend income and similar revenues	4	4
80. Net gains (losses) on trading	80	56
90. Net gains (losses) on hedge accounting	(3)	-
100. Gains (Losses) on disposal and repurchase of:	16	13
a) financial assets at amortised cost	-	5
b) financial assets at fair value through other comprehensive income	16	8
c) financial liabilities	(1)	-
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss:	(49)	12
a) financial assets/liabilities designated at fair value	(19)	(2)
b) other financial assets mandatorily at fair value	(29)	14
120. Operating income	**854**	**845**
130. Net losses/recoveries on credit impairment	16	(45)
a) financial assets at amortised cost	16	(45)
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	**870**	**800**
160. Net premiums	-	-
170. Other net insurance income/expenses	-	-
180. Net profit from financial and insurance activities	**870**	**800**
190. Administrative expenses:	(620)	(628)
a) staff costs	(280)	(290)
b) other administrative expenses	(340)	(338)
200. Net provisions for risks and charges:	32	24
a) commitments and financial guarantees given	33	13
b) other net provisions	(1)	11
210. Net value adjustments/write-backs on property, plant and equipment	(40)	(40)
220. Net value adjustments/write-backs on intangible assets	(1)	(7)
230. Other operating expenses/income	21	26
240. Operating costs	**(608)**	**(625)**
250. Gains (Losses) of equity investments	51	66
260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	3	10
270. Goodwill impairment	-	-
280. Gains (Losses) on disposals of investments	2	-
290. Profit (Loss) before tax from continuing operations	**317**	**251**
300. Tax expenses (income) for the period from continuing operations	(31)	(40)
310. Profit (Loss) after tax from continuing operations	**286**	**211**
320. Profit (Loss) after tax from discontinued operations	-	1
330. Profit (Loss) for the period	**286**	**212**
340. Minority profit (loss) for the period	-	7
350. Profit (loss) for the period	**286**	**219**

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income

(€ million)

ITEMS	AS AT 30.06.2022	AS AT 30.06.2021
PROFIT (LOSS) FOR THE PERIOD	**286**	**212**
Other comprehensive income after tax not reclassified to profit or loss	**481**	**119**
Equity instruments designated at fair value through other comprehensive income	4	7
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	2
Intangible assets	-	-
Defined-benefit plans	465	106
Non-current assets and disposal groups classified as held for sale	-	-
Portion of valuation reserves from investments valued at equity method	10	3
Other comprehensive income after tax reclassified to profit or loss	**(526)**	**(131)**
Foreign investments hedging	-	-
Foreign exchange differences	-	-
Cash flow hedging	(10)	(4)
Hedging instruments (non-designated items)	-	-
Financial assets (different from equity instruments) at fair value through other comprehensive income	(514)	(126)
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	(3)	(2)
Total other comprehensive income after tax	**(46)**	**(12)**
COMPREHENSIVE INCOME	**240**	**200**
Minority consolidated comprehensive income	-	7
Parent Company's consolidated comprehensive income	**240**	**207**

Earnings per share (in €, basic and diluted)

(€)

POSITIONS	AS AT 30.06.2022	AS AT 30.06.2021
Earnings per share from profit (loss) after taxes from continuing operations	1.04	0.89
Earnings per share from profit (loss) after taxes from discontinued operations	-	0.01

As there were no financial instruments with a dilutive effect on bearer shares outstanding in the reporting period, the values for "**basic earnings per share**" (earnings per share according to IAS 33) and "**diluted earnings per share**" (diluted earnings per share according to IAS 33) are the same. Earnings per share are calculated on the basis of the average number of shares outstanding (231.2 million).

Consolidated statement of financial position

Consolidated balance sheet

(€ million)

	AMOUNTS AS AT	
ASSETS	**30.06.2022**	**31.12.2021**
10. Cash and cash balances	961	456
20. Financial assets at fair value through profit or loss:	2,593	1,961
a) financial assets held for trading	1,752	976
b) financial assets designated at fair value	117	160
c) other financial assets mandatorily at fair value	723	825
30. Financial assets at fair value through other comprehensive income	14,684	12,428
40. Financial assets at amortised cost:	99,479	97,723
a) loans and advances to banks	32,984	29,439
b) loans and advances to customers	66,496	68,284
50. Hedging derivatives	2,730	1,306
60. Changes in fair value of portfolio hedged items (+/-)	(1,485)	195
70. Equity investments	2,447	2,415
80. Insurance reserves charged to reinsurers	-	-
90. Property, plant and equipment	909	905
100. Intangible assets	5	6
of which: goodwill	-	-
110. Tax assets:	548	710
a) current	39	22
b) deferred	509	687
120. Non-current assets and disposal groups classified as held for sale	4	4
130. Other assets	306	296
Total assets	**123,182**	**118,404**

Consolidated statement of financial position

(€ million)

	AMOUNTS AS AT	
LIABILITIES AND SHAREHOLDERS' EQUITY	30.06.2022	31.12.2021
10. Financial liabilities at amortised cost:	106,311	101,502
a) deposits from banks	34,378	27,097
b) deposits from customers	62,448	64,643
c) debt securities in issue	9,485	9,763
20. Financial liabilities held for trading	1,749	1,029
30. Financial liabilities designated at fair value	60	61
40. Hedging derivatives	2,794	1,400
50. Value adjustment of hedged financial liabilities (+/-)	(1,268)	116
60. Tax liabilities:	42	43
a) current	36	37
b) deferred	6	6
70. Liabilities associated with assets classified as held for sale	-	-
80. Other liabilities	939	944
90. Provision for employee severance pay	-	-
100. Provisions for risks and charges:	3,445	4,370
a) commitments and guarantees given	203	233
b) post-retirement benefit obligations	2,986	3,757
c) other provisions for risks and charges	255	380
110. Technical reserves	-	-
120. Valuation reserves	(1,946)	(1,902)
130. Redeemable shares	-	-
140. Equity instruments	600	600
150. Reserves	4,326	4,279
160. Share premium	4,132	4,135
170. Share capital	1,681	1,681
180. Treasury shares (-)	-	-
190. Minority shareholders' equity (+/-)	31	31
200. Profit (Loss) for the period (+/-)	286	115
Total liabilities and shareholders' equity	**123,182**	**118,404**

Consolidated statement of changes in equity

Statement of changes in Equity as at 30.06.2022

(€ million)

		ALLOCATION OF PROFIT FROM PREVIOUS YEAR		CHANGES IN THE PERIOD					
					SHAREHOLDERS' EQUITY TRANSACTIONS				
	BALANCE AS AT 31.21.2021	RESERVES	DIVIDENDS AND OTHER ALLOCATIONS	CHANGES IN RESERVES	CHANGES IN CONSOLIDATION SCOPE	OTHER	TOTAL	COMPREHENSIVE INCOME	SHAREHOLDERS' EQUITY GROUP AS AT 30.06.2022
Issued capital:									
a) ordinary shares	1,681	-	-	-	-	-	-	-	1,681
b) other shares	-	-	-	-	-	-	-	-	-
Share premium	4,135	-	-	-	-	(3)	(3)	-	4,132
Reserves:									
a) other reserve	4,280	115	(60)	(7)	-	-	-		4,328
b) foreign currency reserve	(1)	-	-	(0)	-	-	-	-	(2)
Revaluation reserves:	(1,902)	-	-	1	-	-	-	(46)	(1,946)
a) Cashflow Hedge Reserve	0	-	-	-	-	-	-	(10)	(9)
b) Revaluation Reserve FA @FVTOCI	179	-	-	-	-	-	-	(510)	(331)
c) Revaluation Reserve associates and joint ventures	17	-	-	0	-		-	8	24
d) Revaluation reserve tangible assets	71	-	-	0	-	-	-	2	73
e) Pension and similar liabilities IAS 19	(2,169)	-	-	0	-	-	-	465	(1,704)
f) Revaluation reserve: non - current assets classified held-for-sale	1			-		-	-	-	1
Equity instruments	600							-	600
Net profit or loss for the period	115	(115)	-	-	-	-	-	286	286
Shareholders' Equity Group	**8,908**	**-**	**(60)**	**(6)**	**-**	**(3)**	**(3)**	**240**	**9,079**
Shareholders' Equity minorities	31	-	(0)	(0)				(0)	31
Total Shareholders' Equity	**8,939**	**-**	**(60)**	**(6)**	**-**	**(3)**	**(3)**	**240**	**9,110**

Consolidated statement of changes in equity

Statement of changes in Equity as at 30.06.2021

(€ million)

		ALLOCATION OF PROFIT FROM PREVIOUS YEAR		CHANGES IN THE PERIOD					
					SHAREHOLDERS' EQUITY TRANSACTIONS				
	BALANCE AS AT 31.21.2020	RESERVES	DIVIDENDS AND OTHER ALLOCATIONS	CHANGES IN RESERVES	CHANGES IN CONSOLIDATION SCOPE	OTHER	TOTAL	COMPREHENSIVE INCOME	SHAREHOLDERS' EQUITY GROUP AS AT 30.06.2021
Issued capital:									
a) ordinary shares	1,681	-	-	-	-	-	-	-	1,681
b) other shares	-	-	-	-	-	-	-	-	-
Share premium	4,136	-	-	-	-	2	2	-	4,138
Reserves:									-
a) other reserve	4,248	20	-	5	(1)	-	(1)	-	4,273
b) foreign currency reserve	(2)	-	-	0	1	-	1	-	(1)
Revaluation reserves:	(1,763)	-	-	1	-	-	-	(12)	(1,774)
a) Cashflow Hedge Reserve	21	-	-	-	-	-	-	(4)	17
b) Revaluation Reserve FA @FVTOCI	353	-	-	-	-	-	-	(119)	234
c) Revaluation Reserve associates and joint ventures	(0)	-	-	1	-	-	-	2	2
d) Revaluation reserve tangible assets	64	-	-	-	-	-	-	2	67
e) Pension and similar liabilities IAS 19	(2,201)	-	-	-	-	-	-	106	(2,095)
f) Revaluation reserve: non - current assets classified held-for-sale	-	-	-	-	-	-	-	(0)	(0)
Equity instruments	-	-	-	-	-	-	-	-	-
Net profit or loss for the period	20	(20)	-		-	-	-	219	219
Shareholders' Equity Group	**8,320**	**-**	**-**	6	**-**	**2**	**2**	**207**	**8,535**
Shareholders' Equity minorities	40	-	(0)	(7)	(1)	0	(1)	(0)	32
Total Shareholders' Equity	**8,360**	**-**	**(0)**	**(1)**	**(1)**	**2**	**1**	**207**	**8,567**

Consolidated statement of cash flows

(€ million)

	AS AT		
	30.06.2022	30.06.2021 RECAST 1)	30.06.2021
A. OPERATING ACTIVITIES			
1. Non-cash items included in net profit and adjustments to reconcile net profit to cash flows from operating activities:	**331**	**301**	**301**
- profit (loss) of the period (+/-)	286	212	212
- gains/losses on financial assets held for trading and on other financial assets/liabilities at fair value through profit or loss (-/+)	(26)	(38)	(38)
- gains (losses) on hedge accounting (-/+)	3	-	-
- net losses/recoveries on impairments (+/-)	50	102	102
- net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-)	38	37	37
- net provisions for risks and charges (incl. personnel) and other expenses/income (+/-)	(97)	(93)	(93)
- unpaid duties, taxes and tax credits (+/-)	30	38	38
- impairments/write-backs after tax on discontinued operations (+/-)	-	-	-
- other adjustments (+/-)	48	43	43
2. Liquidity generated/absorbed by financial assets:	**(4,131)**	**384**	**568**
- financial assets held for trading	11	22	22
- financial assets designated at fair value	18	(12)	(12)
- other financial assets mandatorily at fair value	72	100	100
- financial assets at fair value through other comprehensive income	(2,845)	(203)	(203)
- financial assets at amortised cost	(1,806)	343	526
- other assets	418	135	135
3. Liquidity generated/absorbed by financial liabilities:	**4,369**	**(680)**	**(680)**
- financial liabilities at amortised cost	4,809	(393)	(393)
- financial liabilities held for trading	-	-	-
- financial liabilities designated at fair value	12	6	6
- other liabilities	(451)	(293)	(293)
Net liquidity generated/absorbed by operating activities	**569**	**5**	**188**
B. INVESTMENT ACTIVITIES			
1. Liquidity generated by:	**53**	**47**	**47**
- sales of equity investments	-	-	-
- collected dividends on equity investments	36	30	30
- sales of property, plant and equipment	17	17	17
- sales of intangible assets	-	-	-
- sales of subsidiaries and business units (less cash disposed)	-	-	-
2. Liquidity absorbed by:	**(43)**	**(41)**	**(41)**
- purchases of equity investments	-	(12)	(12)
- purchases of property, plant and equipment	(42)	(29)	(29)
- purchases of intangible assets	(1)	(1)	(1)
- purchases of subsidiaries and business units (less cash acquired)	-	-	-
Net liquidity generated/absorbed by investment activities	**10**	**6**	**6**

1) The comparative figures for 2021 have been adjusted by increasing cash and cash equivalents at the end of the period and reducing cash flows from operating activities in the item financial assets at amortized cost. For further explanations, please refer to the Annual Financial Statements 2021, Part A - Accounting policies - Section A.2 - Basis of preparation of the financial statements. (Corresponds to 1.1.2021)

Consolidated statement of cash flows

(€ million)

	AS AT		
	30.06.2022	30.06.2021 RECAST 1)	30.06.2021
C. FUNDING ACTIVITIES			
- issue/purchase of equity instruments	-	-	-
- payouts on equity instruments	(14)	-	-
- dividend distribution to shareholders and non controlling interests	(60)	-	-
- sale/purchase of minority control	-	-	-
- Proceeds from issues of subordinated liabilities	-	-	-
- Payments for repayment of subordinated liabilities	-	(203)	(203)
Net liquidity generated/absorbed by funding activities	**(74)**	**(203)**	**(203)**
NET LIQUIDITY GENERATED/ABSORBED IN THE YEAR	**505**	**(193)**	**(10)**
CASH AND CASH EQUIVALENTS AT END OF PREVIOUS PERIOD	**456**	**944**	**95**
Cash flows from operating activities	569	5	188
Cash flows from investment activities	10	6	6
Cash flows from funding activities	(74)	(203)	(203)
Effects of changes in scope of consolidation	-	-	-
Effects of exchange rate changes	-	-	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**961**	**751**	**85**
PAYMENTS FOR TAXES, INTEREST AND DIVIDENDS			
Income taxes received (+)/ paid (–) from operating activities	(2)	-	-
Interest received	662	633	633
Interest paid	(204)	(209)	(209)
Dividends received	36	30	30

1) The comparative figures for 2021 have been adjusted by increasing cash and cash equivalents at the end of the period and reducing cash flows from operating activities in the item financial assets at amortized cost. For further explanations, please refer to the Annual Financial Statements 2021, Part A - Accounting policies - Section A.2 - Basis of preparation of the financial statements. (Corresponds to 1.1.2021)

Notes to the consolidated financial statements

Basis for the preparation of the financial statements

The interim consolidated financial statements for the first half of 2022 (January 2022 to June 2022) 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 2022 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 2021.

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 2021, 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 2021, there were no significant changes to the accounting principles in the interim financial statements 2022 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, IFRS 7 and IFRS 16 "Interest Rate Benchmark Reform"
On 26 September 2019, in a two-stage process, the IASB introduced changes to IFRS 9 (Financial Instruments), IAS 39 (Financial Instruments: Recognition and Measurement) and IFRS 7 (Financial Instruments: Disclosures). The Board is responding to uncertainties related to the possible ramifications of the IBOR reform on financial reporting. The changes aim to ensure that balance sheet hedging relationships (hedge accounting) continue to exist despite the anticipated replacement of various reference interest rates. The amendments concern in particular certain provisions relating to hedge accounting regulations - accounting documentation and are mandatory for all hedging relationships directly affected by the reform of the reference interest rate. Bank Austria has applied the amendments described here (as well as the EONIA/€STR conversion) since 2019.

On 27 August 2020, the IASB introduced amendments to IFRS 9 (Financial Instruments), IAS 39 (Financial Instruments: Recognition and Measurement), IFRS 7 (Financial Instruments: Information, IFRS 4 (Insurance Contracts) and IFRS 16 (Leasing Terms). These amendments concern the result of phase 2 of the IASB's IBOR project.

The IASB has adopted expedients in the event of a benchmark rate conversion caused by the IBOR reform and leading to economically equivalent payment flows. In detail, the expedients can be summarised as follows:

Notes to the consolidated financial statements

- Although the conversion of the benchmark rate of a financial instrument represents a contractual adjustment, no modification result need be calculated in such an event, in contrast to standard contractual adjustments; instead, the change may be treated as an adjustment of the effective interest rate.
- The documentation of hedging relationships may be adjusted in response to changes caused by the benchmark reform, and the hedging relationships may continue.
- Ineffectiveness arising in the wake of the change is to be recorded as such. However, once the conversion has been completed, the measurement of effectiveness may be restarted. The amendments are required to be applied for annual periods beginning on or after 1 January 2021.

In order to analyse the interest rate benchmark reform further and the necessary preparations for this from a business, operational and legal perspective, Bank Austria set up a correspondingly comprehensive project back in 2019, in which the necessary steps are being taken in connection with the impact of the benchmark reform, including the findings and new market standards (European Working Group on risk free rates). In the first half of 2021, the reconciliation mechanism for the loan portfolio covered by the interest rate benchmark reform was established and the corresponding contractual, technical, and procedural changes were initiated. These have been implemented gradually by February 2022 as scheduled. Only exemptions are the reformed EURIBOR which may still be used as reference interest rate as well as some USD LIBORs (overnight, 1, 3, 6 and 12 months) which continue to exist until 30 June 2023. The US Regulatory Authorities however prohibit conclusion of new contracts based on USD LIBOR from 1 January 2022 onwards.

Changes to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions for Risks and Charges, Contingent Liabilities and Contingent Assets and Annual Improvements 2018-2020
Changes to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions for Risks and Charges, Contingent Liabilities and Contingent Assets and Annual Improvements were published on 14 May 2020. The amendments are to be applied as of 1 January 2022. Earlier application of the amendments is permitted but requires an EU endorsement, which was granted on 28 June 2021.
The changes to IFRS 3 Business Combinations concern a reference in IFRS 3 to the conceptual framework. The rules affect business combinations with an acquisition date on or after 1 January 2022.

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

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

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

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

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

IFRS 17 Insurance contracts
IFRS 17 governs the principles with regard to the formation, evaluation, disclosure and information for insurance contracts with the area of application of the standard. The standard was published on 18 May 2017 and must be applied as mandatory for the first time to financial years starting on or after 1 January 2023. The IASB issued amendments to IFRS 17 and an extension to the previous exemption from the application of IFRS 9 (Amendments to IFRS 4) on 25 June 2020. The EU endorsement was granted on 19 November 2021. Bank Austria does not expect this standard to have any significant effect.

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 to IAS 8 Accounting Policies. The amendment to IAS 1 concerns the notes to the accounting and valuation policies and is 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 amendment to IAS 8 clearly sets out the distinction between changes in accounting and valuation policies and changes in accounting estimates.

Notes to the consolidated financial statements

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, the EU endorsement was granted on 2 March 2022. 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.

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 Initial application of IFRS 17 and IFRS 9 – Comparative information (amendment to IFRS 17)
On 9 December 2021, the IASB published an amendment to IFRS 17 intended to enable companies to improve the benefits of information from the initial application of IFRS 17 and IFRS 9. This amendment allows companies to present comparative information regarding a financial asset as if the classification and measurement requirements under IFRS 9 had already been applied to that financial asset. The option may be used when IFRS 17 is initially applied.

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

On 19 November 2021, the IASB also published the draft "ED/2021/9 Non-current Liabilities with Covenants (Proposed amendments to IAS 1)" on amendments to IAS 1 Presentation of Financial Statements. The proposed amendment is intended to clarify that loan terms that must be fulfilled by an enterprise within twelve months of the reporting date do not affect the classification of a liability as current or non-current. Instead, companies should report non-current liabilities with covenants separately in the balance sheet and provide additional information in the notes. The application of the amendments is not set to become mandatory before 1 January 2024. The IASB also proposes to postpone the initial application date of the amendments to IAS 1 that were published in January 2020.

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 exemption. 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. Early application is permitted, but this requires an EU endorsement. The amendments have no effect on Bank Austria.

Other matters

"3-Banken" impairment test

As at 30 June 2022, 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 2022 was the business plan approved by BTV and BKS management at the end of 2021 and the published business performance for the first quarter of 2022.

Notes to the consolidated financial statements

The impairment test carried out in the first half of 2022 resulted in an impairment requirement of €5.2 million for BKS and €5.0 million for BTV.

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 2022.

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 2022 was €178 million (€182 million as at 30 June 2021), 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) are ECB refinancing instruments from the banking book which should be assessed at amortised acquisition cost in the subsequent assessment in accordance with IFRS 9.4.2.1.
The possibility of the borrowing bank to obtain an additional interest rate advantage of 50 basis points with these long-term refinancing transactions – in addition to the average interest rate of the deposit facility rate (DFR) or the main refinancing operation (MPO) – is linked to reaching certain thresholds for cumulative net lending (CNL) to specific borrowers (loans to non-financial companies, loans to private households – excluding housing loans). The financial conditions contained in the TLTROs reflect in particular the monetary policy initiatives of the ECB to reduce the refinancing costs for banking institutions by using "non-conventional" instruments reflected in money market transactions. The corresponding profits must therefore be taken into account when calculating the interest rate yields of these refinancing instruments in accordance with IFRS 9. The forward-looking, "success-dependent" payments launched as part of the ECB TLTRO programme are treated as changes to market parameters and the interest rates are therefore calculated according to the "effective interest rate method" which distributes the interest rate profits over the application term of the effective interest rate.

In addition to the measures already decided by the ECB in March 2020 to grant a further interest rate advantage of 50 basis points, on top of the average interest rate of the deposit facility or the main refinancing operation for the period June 2020 to June 2021 upon reaching a certain threshold for cumulative net lending as of 31 March 2021, the ECB Governing Council decided on 10 December 2020 (see Official Journal of the European Union Decision (EU) 2021/124 of the European Central Bank of 29 January 2021 amending Decision (EU) 2019/1311 on a third series of targeted longer-term refinancing operations (ECB/2021/3)) that a further interest rate advantage of 50 basis points may be obtained for the period June 2021 to June 2022, in addition to the average interest rate of the deposit facility or the main refinancing operation, provided that the cumulative net lending to defined borrowers reaches a certain threshold as of 31 December 2021. The corresponding decision of the Governing Council of the ECB of 10 December 2020 was published by the ECB in December 2020.

UniCredit Bank Austria AG used 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 programmes of around €23.8 million (June 2021: €27.7 million) is reported in net interest. This includes a one-off effect of -€4.2 million due to the extension of the term of the €1.55 billion TLTRO III tranche in the first half of 2022.

In December 2020, UniCredit Bank Austria AG adjusted the effective interest rate to - 0.83%. This effective interest rate and the effective interest rate of -0.71% for the tranche received in March 2021 (see above) are the rates used to report interest income.

In 2021, both the threshold for cumulative net lending as at 31 March 2021 and the threshold for cumulative net lending as at 31 December 2021 were reached.

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 2021, 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)

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	AMOUNTS AS AT 30.06.2022			AMOUNTS AS AT 31.12.2021		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets at fair value through profit or loss	117	2,239	237	160	1,595	206
a) Financial assets held for trading	-	1,751	1	-	975	1
b) Financial assets designated at fair value	117	-	-	160	-	-
c) Financial assets mandatorily at fair value	-	488	235	-	620	205
2. Financial assets at fair value through other comprehensive income	12,275	1,749	660	9,574	2,119	734
3. Hedging derivatives	-	2,730	-	-	1,306	-
4. Property, plant and equipment	-	-	383	-	-	385
5. Intangible assets	-	-	-	-	-	-
Total	**12,392**	**6,718**	**1,280**	**9,734**	**5,021**	**1,326**
1. Financial liabilities held for trading	-	1,736	13	-	1,028	-
2. Financial liabilities designated at fair value	-	59	1	-	60	1
3. Hedging derivatives	-	2,794	-	-	1,400	-
Total	**-**	**4,589**	**14**	**-**	**2,489**	**1**

For the first half of the 2022 financial year, transfers of assets valued at fair value of €465 million were made from Level 2 to Level 1 and of €31 million from Level 1 to Level 2.

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): for instruments exposed to issuer risk the unobservable input is mainly the issuer credit spread.

Interest rates (IR): In the absence of liquid interest rate swap markets, the term structure of the return curve of available instruments, primarily government bonds, is used.

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

Notes to the consolidated financial statements

The reasonable alternative estimate for the model input is disclosed in the column “Range”.

The sensitivity analysis for Bank Austria shows that the main Level 3 positions are fair value loans, debt securities and interest rate options.

The sensitivities to changes in the unobservable parameters for the different categories of Level 3 financial instruments at fair value are shown in the following table, in which:

- for equity, commodity and currency derivatives and interest rate options, the change in value in the event of a 1% shift in the underlying volatility is indicated;
- for credit derivatives, a 1 basis point change in the risk premium or the effect of a 5% shift in the repayment rate on the CVA is indicated [1];
- for debt securities, a 1 basis point change in the risk premium is indicated;
- for fund quotations, a 1% change in the net asset value is indicated.

(€ million)

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	AS AT 30.06.2022 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	+/-	0.3
a) Financial assets held for trading	1	+/-	0.1
b) Financial assets designated at fair value	-	+/-	-
c) Financial assets mandatorily at fair value	235	+/-	0.2
2. Financial assets at fair value through other comprehensive income	660	+/-	0.2
3. Hedging derivatives	-	+/-	-
4. Property, plant and equipment	383	+/-	-
5. Intangible assets	-	+/-	-
Total A	**1,280**	**+/-**	**0.5**
1. Financial liabilities held for trading	13	+/-	0.1
2. Financial liabilities designated at fair value	1	+/-	-
3. Hedging derivatives	-	+/-	-
Total B	**14**	**+/-**	**0.1**

[1] The sensitivity related to the LGD of the CVA adjustment of counterparties in default according to internal guidelines amounts to less than €0.1 million.

Notes to the consolidated financial statements

Group of consolidated companies and changes in the group of consolidated companies of Bank Austria Group in the first half of 2022

	CONSOLIDATED COMPANIES	COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD	TOTAL
Opening balance	**193**	**13**	**206**
Additions	**1**	**-**	**1**
Newly established companies	-	-	-
Acquired companies	1	-	1
Other changes	-	-	-
Changes in UniCredit Group	-	-	-
Disposals	**-**	**-**	**-**
Companies sold or liquidated	-	-	-
Mergers	-	-	-
Changes in UniCredit Group	-	-	-
CLOSING BALANCE	**194**	**13**	**207**

The number of Bank Austria companies increased from 206 to 207 in the first half of the year.

In the 2022 financial year, up to now, the company ACHTERHAUS Projekt GmbH was acquired.

Notes to the income statement

1.1 Interest income and similar revenues: breakdown

(€ million)

ITEMS/TYPES	AS AT 30.06.2022 DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL	AS AT 30.06.2021 TOTAL
1. Financial assets at fair value through profit or loss	**1**	**19**	**137**	**157**	**143**
1.1 Financial assets held for trading	-	-	137	137	122
1.2 Financial assets designated at fair value	1	-	-	1	1
1.3 Other financial assets mandatorily at fair value	1	19	-	20	21
2. Financial assets at fair value through other comprehensive income	**52**	**-**	**X**	**52**	**57**
3. Financial assets at amortised cost	**-**	**413**	**X**	**413**	**392**
3.1 Loans and advances to banks	(1)	13	X	12	11
3.2 Loans and advances to customers	1	400	X	401	381
4. Hedging derivatives	**X**	**X**	**(89)**	**(89)**	**(62)**
5. Other assets	**X**	**X**	**7**	**7**	**6**
6. Financial liabilities	**X**	**X**	**X**	**122**	**97**
Total	**53**	**432**	**54**	**662**	**633**
of which: interest income on impaired financial assets	*-*	*18*	*-*	*18*	*20*
of which: interest income on financial lease	*X*	*20*	*X*	*20*	*25*

1.2 Interest expenses and similar charges: breakdown

(€ million)

ITEMS/TYPES	AS AT 30.06.2022 DEBTS	SECURITIES	OTHER TRANSACTIONS	TOTAL	AS AT 30.06.2021 TOTAL
1. Financial liabilities at amortised cost	**(43)**	**(61)**	**X**	**(105)**	**(124)**
1.1 Deposits from central banks	-	X	X	-	-
1.2 Deposits from banks	(13)	X	X	(13)	(16)
1.3 Deposits from customers	(30)	X	X	(30)	(29)
1.4 Debt securities in issue	X	(61)	X	(61)	(79)
2. Financial liabilities held for trading	**-**	**-**	**(137)**	**(137)**	**(122)**
3. Financial liabilities designated at fair value	**-**	**-**	**-**	**-**	**-**
4. Other liabilities and funds	**X**	**X**	**-**	**-**	**-**
5. Hedging derivatives	**X**	**X**	**106**	**106**	**103**
6. Financial assets	**X**	**X**	**X**	**(68)**	**(66)**
Total	**(43)**	**(62)**	**(32)**	**(204)**	**(209)**
of which: interest expenses on lease liabilities	*(4)*	*X*	*X*	*(4)*	*(5)*

Notes to the income statement

2.1 Fees and commissions income: breakdown

(€ million)

TYPE OF SERVICES/VALUES	AS AT 30.06.2022	AS AT 30.06.2021
a) Financial Instruments	21	21
1. Placement of securities	-	-
1.1 Underwriting and/or on the basis of an irrevocable commitment	-	-
1.2 Without irrevocable commitment	-	-
2. Reception and transmission of orders	2	2
2.1 Reception and transmission of orders of financial instruments	2	2
2.2 Execution of orders on behalf of customers	-	-
3. Other fees related to activities linked to financial instruments	19	19
of which: proprietary Trading	-	-
of which: individual portfolio management	*19*	*19*
b) Corporate Finance	6	5
1. M&A advisory	-	-
2. Treasury services	-	-
3. Other fee and commission income in relation to corporate finance activities	6	5
c) Fee based advice	10	9
d) Clearing and settlement	-	-
e) Collective portfolio management	73	69
f) Custody and administration of securities	36	46
1. Custodian Bank	31	42
2. Other fee and commission income in relation to corporate finance activities	5	4
g) Central administrative services for collective investment	-	-
h) Fiduciary transactions	-	-
i) Payment services	42	40
1. Current accounts	-	-
2. Credit cards	-	-
3. Debits cards and other card payments	11	9
4. Transfers and other payment orders	23	23
5. Other fees in relation to payment services	7	8
j) Distribution of third-party services	37	43
1.Collective portfolio management	25	30
2. Insurance products	10	11
3. Other products	1	2
of which: individual portfolio management	-	-
k) Structured finance	-	-
l) Loan securitization servicing activities	-	-
m) Loan commitment given	-	-
n) Financial guarantees	18	18
of which: credit derivatives	-	-
o) Lending transaction	38	33
of which: factoring services	2	*1*
p) Currency trading	15	1
q) Commodities	-	-
r) Other fee income	161	142
of which: management of sharing multilateral trading facilities	-	-
of which: management of organized trading systems	-	-
Total	**457**	**426**

Notes to the income statement

2.2 Fees and commissions expenses: breakdown

(€ million)

SERVICES/VALUES	AS AT 30.06.2022	AS AT 30.06.2021
a) Financial instruments	(1)	(1)
of which: trading in financial instruments	*(1)*	*(1)*
of which: placement of financial instruments	-	-
of which: individual Portfolio management	-	-
- own portfolio	-	-
- third party portfolio	-	-
b) Clearing and settlement	-	-
c) Portfolio management: collective	(9)	(8)
1. Own portfolio	(2)	(2)
2. Third party portfolio	(7)	(7)
d) Custody and Admnistration	(18)	(17)
e) Collection and payments services	(62)	(49)
of which: debit credit card service and other payment cards	*(58)*	*(43)*
f) Loan securitization servicing activities	-	-
g) Loan commitment given	-	-
h) Financial guarantees received	(1)	(1)
of which: credit derivatives	-	-
i) Off - site distribution of financial instruments, products and services	(13)	(13)
j) Currency trading	-	-
k) Other commission expenses	(4)	(2)
Total	**(108)**	**(90)**

Notes to the income statement

3.1 Dividend income and similar revenues

(€ million)

ITEMS/REVENUES	AS AT 30.06.2022 DIVIDENDS	AS AT 30.06.2022 SIMILAR REVENUES	AS AT 30.06.2021 DIVIDENDS	AS AT 30.06.2021 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	-	4	-
D. Equity investments	-	-	-	-
Total	**4**	**-**	**4**	**-**
Total dividends and similar revenues		**4**		**4**

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 Debt securities	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-
1.3 Units in investment funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
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**	**13**
4. Derivatives	**66**	**-**	**-**	**-**	**67**
4.1 Financial derivatives	66	-	-	-	67
- On debt securities and interest rates	66	-	-	-	66
- 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 30.06.2022	**67**	**-**	**-**	**-**	**80**
Total 30.06.2021	**39**	**1**	**-**	**-**	**56**

Notes to the income statement

5.1 Fair value adjustments in hedge accounting

(€ million)

P&L COMPONENT/VALUES	AS AT 30.06.2022	AS AT 30.06.2021
A. Gains on		
A.1 Fair value hedging instruments	1,382	377
A.2 Hedged financial assets (in fair value hedge relationship)	-	-
A.3 Hedged financial liabilities (in fair value hedge relationship)	294	138
A.4 Cash-flow hedging derivatives	-	-
A.5 Assets and liabilities denominated in currency	-	-
Total gains on hedging activities (A)	**1,676**	**515**
B. Losses on		
B.1 Fair value hedging instruments	(1,383)	(338)
B.2 Hedged financial assets (in fair value hedge relationship)	(296)	(177)
B.3 Hedged financial liabilities (in fair value hedge relationship)	-	-
B.4 Cash-flow hedging derivatives	-	-
B.5 Assets and liabilities denominated in currency	-	-
Total losses on hedging activities (B)	**(1,680)**	**(515)**
C. Net hedging result (A – B)	**(3)**	**-**
of which: net gains (losses) of hedge accounting on net positions	-	-

6.1 Gains (Losses) on disposal/repurchase

(€ million)

	AS AT 30.06.2022			AS AT 30.06.2021		
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	16	-	16	10	(2)	8
2.1 Debt securities	16	-	16	10	(2)	8
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**16**	**-**	**16**	**15**	**(2)**	**13**
B. Financial liabilities at amortised cost						
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities in issue	-	(1)	(1)	-	-	-
Total liabilities (B)	**-**	**(1)**	**(1)**	**-**	**-**	**-**
Total financial assets/liabilities			**16**			**13**

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	**1**	**-**	**(25)**	**(8)**	**(32)**
1.1 Debt securities	1	-	(25)	(8)	(32)
1.2 Loans	-	-	-	-	-
2. Financial liabilities	**86**	**-**	**(73)**	**-**	**13**
2.1 Debt securities	1	-	-	-	1
2.2 Deposits from banks	85	-	(73)	-	12
2.3 Deposits from customers	-	-	-	-	-
3. Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**-**
Total 30.06.2022	**87**	**-**	**(98)**	**(8)**	**(19)**
Total 30.06.2021	**52**	**-**	**(54)**	**-**	**(2)**

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	**1**	**1**	**(31)**	**(1)**	**(29)**
1.1 Debt securities	-	-	(15)	-	(15)
1.2 Equity securities	-	-	-	-	-
1.3 Units in investment funds	-	1	(2)	-	(1)
1.4 Loans	1	-	(15)	(1)	(14)
2. Financial assets: exchange differences	**X**	**X**	**X**	**X**	**-**
Total 30.06.2022	**1**	**1**	**(31)**	**(1)**	**(29)**
Total 30.06.2021	**9**	**16**	**(10)**	**(1)**	**14**

Notes to the income statement

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

(€ million)

	AS AT 30.06.2022											AS AT 30.06.2021
	WRITE-DOWNS						WRITE-BACKS					
			STAGE 3		POCI ASSETS							
TRANSACTIONS/INCOME ITEMS	STAGE 1	STAGE 2	WRITE-OFF	OTHER	WRITE-OFF	OTHER	STAGE 1	STAGE 2	STAGE 3	POCI ASSETS	TOTAL	TOTAL
A. Loans and advances to banks	**-**	**(7)**	**-**	**(4)**	**-**	**-**	**1**	**-**	**-**	**-**	**(10)**	**-**
- Loans	-	(7)	-	(4)	-	-	1	-	-	-	(10)	-
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
B. Loans and advances to customers	**(47)**	**(157)**	**(4)**	**(67)**	**-**	**-**	**31**	**188**	**82**	**-**	**26**	**(46)**
- Loans	(47)	(156)	(4)	(67)	-	-	31	187	82	-	26	(45)
- Debt securities	-	(1)	-	-	-	-	-	-	-	-	(1)	(1)
Total	**(47)**	**(164)**	**(4)**	**(71)**	**-**	**-**	**31**	**188**	**82**	**-**	**16**	**(45)**

9.1 Staff expenses: breakdown

(€ million)

TYPE OF EXPENSES/VALUES	AS AT 30.06.2022	AS AT 30.06.2021
1) Employees	**(295)**	**(309)**
a) Wages and salaries	(210)	(230)
b) Social charges	(54)	(59)
c) Severance pay	-	-
d) Social security costs	-	-
e) Allocation to employee severance pay provision	-	-
f) Provision for retirements and similar provisions	(24)	(3)
- Defined contribution	-	-
- Defined benefit	(24)	(3)
g) Payments to external pension funds	(7)	(7)
- Defined contribution	(7)	(7)
- Defined benefit	(1)	(1)
h) Costs arising from share-based payments	(1)	(2)
i) Other employee benefits	1	(7)
2) Other staff	**(5)**	**(3)**
3) Directors and Statutory Auditors	**-**	**-**
4) Early retirement costs	**-**	**-**
5) Recoveries of payments for second employees to other companies	**25**	**28**
6) Early retirement costs	**(4)**	**(5)**
Total	**(280)**	**(290)**

Notes to the income statement

10.1 Other administrative expenses

(€ million)

TYPE OF EXPENSES/SECTORS	AS AT 30.06.2022	AS AT 30.06.2021
1) Indirect taxes and duties	**(12)**	**(1)**
1a. Settled	(12)	(1)
1b. Unsettled	-	-
2) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)	**(87)**	**(87)**
3) Guarantee fee for DTA conversion	**-**	**-**
4) Miscellaneous costs and expenses	**(241)**	**(250)**
a) Advertising marketing and communication	(7)	(12)
b) Expenses relating to credit risk	(2)	(2)
c) Indirect expenses relating to personnel	(3)	(3)
d) Information & Communication Technology expenses	(130)	(128)
Lease of ICT equipment and software	-	-
Software expenses: lease and maintenance	(3)	(6)
ICT communication systems	(3)	(3)
Services ICT in outsourcing	(119)	(115)
Financial information providers	(5)	(5)
e) Consulting and professional services	(9)	(14)
Consulting	(7)	(11)
Legal expenses	(2)	(3)
f) Real estate expenses	(19)	(18)
Rentals of premises	(1)	(1)
Utilities	(6)	(4)
Other real estate expenses	(12)	(13)
g) Operating costs	(71)	(73)
Surveillance and security services	(1)	(2)
Money counting services and transport	(3)	(3)
Printing and stationery	(2)	(2)
Postage and transport of documents	(9)	(9)
Administrative and logistic services	(49)	(50)
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)	**(340)**	**(338)**

Notes to the income statement

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

(€ million)

	AS AT 30.06.2022		
	PROVISIONS	SURPLUS REALLOCATIONS	TOTAL
Loan commitments	(24)	45	**21**
Financial guarantees given	(10)	22	**12**

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

(€ million)

	AS AT 30.06.2021		
	PROVISIONS	SURPLUS REALLOCATIONS	TOTAL
Loan commitments	(31)	39	**7**
Financial guarantees given	(11)	16	**6**

12.1 Net provisions for risks and charges: breakdown

(€ million)

	AS AT 30.06.2022			AS AT 30.06.2021
ASSETS/P&L ITEMS	PROVISIONS	REALLOCATION SURPLUS	TOTAL	TOTAL
1. Other provisions				
1.1 Legal disputes	(3)	-	(3)	1
1.2 Staff costs	-	-	-	-
1.3 Other	(8)	10	2	11
Total	**(10)**	**10**	**(1)**	**11**

13.1 Other operating expenses

(€ million)

TYPE OF EXPENSE/VALUES	AS AT 30.06.2022	AS AT 30.06.2021
Costs for operating leases	-	-
Non-deductible tax and other fiscal charges	-	-
Write-downs on leasehold improvements	(5)	(6)
Costs relating to the specific service of financial leasing	-	-
Other	(21)	(11)
Total of other operating expenses	**(27)**	**(17)**

13.2 Other operating income

(€ million)

TYPE OF REVENUE/VALUES	AS AT 30.06.2022	AS AT 30.06.2021
A) Recovery of costs	**-**	**-**
B) Other revenues	**47**	**43**
Revenues from administrative services	9	10
Revenues from operating leases	25	23
Recovery of miscellaneous costs paid in previous years	4	1
Revenues on financial leases activities	-	-
Other	9	8
Total of other operating income (A+B)	**47**	**43**

Notes to the income statement

14.1 Gains (Losses) of equity investments

(€ million)

	AS AT 30.06.2022	AS AT 30.06.2021
Joint Ventures	-	-
Associates	**51**	**66**
Income	**68**	**66**
Profits of associates	63	66
Gains on disposal	-	-
Write-backs	5	-
Other gains	-	-
Expense	**(17)**	-
Losses of associates	-	-
Impairment losses	(17)	-
Losses on disposal	-	-
Other expenses	-	-
TOTAL	**51**	**66**

15.1 Gains and losses on disposal of investments

(€ million)

P&L ITEMS/SECTORS	AS AT 30.06.2022	AS AT 30.06.2021
A. Property		
- Gains on disposal	2	3
- Losses on disposal	-	-
B. Other assets		
- Gains on disposal	-	-
- Losses on disposal	-	(3)
Net Profit	**2**	**-**

16.1 Profit (Loss) after tax from discontinued operations

(€ million)

P&L ITEMS	AS AT 30.06.2022	AS AT 30.06.2021
1. Income	-	2
2. Expenses	-	(2)
3. Valuation of discontinued operations and related liabilities	-	1
4. Profit (Loss) on disposal	-	-
5. Tax	-	-
Profit (Loss)	**-**	**1**

Notes to the statement of financial position

1.1 Financial assets held for trading: breakdown by product

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 30.06.2022 LEVEL 1	LEVEL 2	LEVEL 3	AMOUNTS AS AT 31.12.2021 LEVEL 1	LEVEL 2	LEVEL 3
A. Financial assets (non-derivatives)						
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**
3. Units in investment funds	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Reverse Repos	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments						
1. Financial derivatives	**-**	**1,751**	**1**	**-**	**975**	**1**
1.1 Trading	-	1,636	1	-	845	1
1.2 Linked to fair value option	-	115	-	-	130	-
1.3 Other	-	-	-	-	-	-
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**1**
2.1 Trading	-	-	-	-	-	-
2.2 Linked to fair value option	-	-	-	-	-	1
2.3 Other	-	-	-	-	-	-
Total (B)	**-**	**1,751**	**1**	**-**	**975**	**1**
Total (A+B)	**-**	**1,751**	**1**	**-**	**975**	**1**
Total Level 1, Level 2 and Level 3			**1,752**			**976**

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

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 30.06.2022 LEVEL 1	LEVEL 2	LEVEL 3	AMOUNTS AS AT 31.12.2021 LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**-**	**4**	**72**	**-**	**4**	**87**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	4	72	-	4	87
2. Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**
3. Units in investment funds	**-**	**1**	**2**	**-**	**1**	**4**
4. Loans	**-**	**484**	**161**	**-**	**615**	**114**
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	484	161	-	615	114
Total	**-**	**488**	**235**	**-**	**620**	**205**
Total Level 1, Level 2 and Level 3			**723**			**825**

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 30.06.2022 LEVEL 1	LEVEL 2	LEVEL 3	AMOUNTS AS AT 31.12.2021 LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**12,275**	**1,722**	**542**	**9,574**	**2,094**	**621**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other	12,275	1,722	542	9,574	2,094	621
2. Equity instruments	**-**	**27**	**118**	**-**	**25**	**114**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**12,275**	**1,749**	**660**	**9,574**	**2,119**	**734**
Total Level 1, Level 2 and Level 3			**14,684**			**12,428**

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 30.06.2022 BOOK VALUE STAGE 1 AND STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	AMOUNTS AS AT 31.12.2021 BOOK VALUE STAGE 1 AND STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS
A. Loans and advances to Central Banks	**24,606**	**-**	**-**	**22,224**	**-**	**-**
1. Time deposits	-	-	-	-	-	-
2. Compulsory reserves	24,006	-	-	21,624	-	-
3. Reverse repos	-	-	-	-	-	-
4. Other	600	-	-	600	-	-
B. Loans and advances to banks	**8,377**	**-**	**-**	**7,215**	**-**	**-**
1. Loans	6,407	-	-	6,322	-	-
1.1 Current accounts	-	-	-	-	-	-
1.2 Time deposits	5,737	-	-	4,048	-	-
1.3 Other loans	670	-	-	2,274	-	-
- Reverse repos	-	-	-	1,531	-	-
- Lease Loans	-	-	-	-	-	-
- Other	670	-	-	743	-	-
2. Debt securities	1,970	-	-	893	-	-
2.1 Structured	-	-	-	-	-	-
2.2 Other	1,970	-	-	893	-	-
Total	**32,984**	**-**	**-**	**29,439**	**-**	**-**

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 30.06.2022			AMOUNTS AS AT 31.12.2021		
	BOOK VALUE			BOOK VALUE		
	STAGE 1 AND STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	STAGE 1 AND STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS
1. Loans	**63,223**	**1,045**	**12**	**65,209**	**1,031**	**13**
1.1 Current accounts	4,872	121	-	5,093	136	-
1.2 Reverse repos	-	-	-	568	-	-
1.3 Mortgages	14,423	51	-	14,017	49	-
1.4 Credit cards and personal loans, including wage assignment	836	38	-	817	44	1
1.5 Lease loans	1,647	81	-	1,705	82	-
1.6 Factoring	2,374	8	-	2,165	10	-
1.7 Other loans	39,069	747	12	40,843	711	13
2. Debt securities	**2,215**	**-**	**-**	**2,030**	**-**	**-**
2.1 Structured securities	-	-	-	-	-	-
2.2 Other debt securities	2,215	-	-	2,030	-	-
Total	**65,438**	**1,045**	**12**	**67,239**	**1,031**	**13**

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	
	30.06.2022	31.12.2021
A. Assets held for sale		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Property, plant and equipment	4	4
of which: obtained by the enforcement of collateral	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total (A)	**4**	**4**
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	*4*	*4*
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	-	-
Total (B)	**-**	**-**
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	-	-
C. Liabilities associated with assets classified as held for sale		
C.1 Deposits	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total (C)	**-**	**-**
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	-	-
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	-	-
Total (D)	**-**	**-**
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	-	-

Notes to the statement of financial position

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 30.06.2022	AMOUNTS AS AT 31.12.2021
1. Deposits from central banks	**16,697**	**16,750**
2. Deposits from banks	**17,681**	**10,347**
2.1 Current accounts and demand deposits	3,395	1,265
2.2 Time deposits	7,438	6,875
2.3 Loans	5,216	1,841
2.3.1 Repos	5,195	1,832
2.3.2 Other	20	9
2.4 Liabilities relating to commitments to repurchase treasury shares	-	-
2.5 Lease deposits	-	-
2.6 Other deposits	1,632	366
Total	**34,378**	**27,097**

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

(€ million)

TYPE OF TRANSACTION/VALUES	AMOUNTS AS AT 30.06.2022	AMOUNTS AS AT 31.12.2021
1. Current accounts and demand deposits	57,706	60,440
2. Time deposits	4,370	3,830
3. Loans	15	14
3.1 Repos	-	-
3.2 Other	15	14
4. Liabilities relating to commitments to repurchase treasury shares	-	-
5. Lease liabilities	317	320
6. Other deposits	40	39
Total	**62,448**	**64,643**

Notes to the statement of financial position

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

(€ million)

TYPE OF SECURITIES/VALUES	AMOUNTS AS AT 30.06.2022	AMOUNTS AS AT 31.12.2021
A. Debt securities		
1. Bonds	9,485	9,763
1.1 Structured	591	701
1.2 Other	8,894	9,062
2. Other securities	-	-
2.1 Structured	-	-
2.2 Other	-	-
Total	**9,485**	**9,763**

7.1 Financial liabilities held for trading: breakdown by product

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 30.06.2022					AMOUNTS AS AT 31.12.2021				
	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	-	1,736	13	X	X	-	1,028	-	X
1.1 Trading derivatives	X	-	1,612	13	X	X	-	876	-	X
1.2 Linked to fair value option	X	-	123	-	X	X	-	152	-	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**	**-**	**1,736**	**13**	**X**	**X**	**-**	**1,028**	**-**	**X**
Total (A+B)	**X**	**-**	**1,736**	**13**	**X**	**X**	**-**	**1,028**	**-**	**X**
Total Level 1, Level 2 and Level 3				**1,749**					**1,029**	

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 30.06.2022					AMOUNTS AS AT 31.12.2021				
	NOMINAL VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	FAIR VALUE	NOMINAL VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	FAIR VALUE
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**	**-**	**59**	**-**	**59**	**60**	**-**	**60**	**-**	**61**
3.1 Structured	60	-	59	-	X	60	-	60	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
Total	**61**	**-**	**59**	**1**	**60**	**61**	**-**	**60**	**1**	**62**
Total Level 1, Level 2 and Level 3				**60**					**61**	

9.1 Provisions for risks and charges: breakdown

(€ million)

ITEMS/COMPONENTS	AMOUNTS AS AT 30.06.2022	AMOUNTS AS AT 31.12.2021
1. Provisions for credit risk on commitments and financial guarantees given	203	233
2. Provisions for other commitments and other guarantees given	-	-
3. Pensions and other post-retirement benefit obligations	2,986	3,757
4. Other provisions for risks and charges	255	380
4.1 Legal and tax disputes	57	57
4.2 Staff expenses	146	261
4.3 Other	53	62
Total	**3,445**	**4,370**

The item Other provisions includes amounts related to the measures planned for Bank Austria based on the strategic plan 2022-2024 "***UniCredit Unlocked***" communicated in December 2021.

During the spin-off of the CEE business, UniCredit S.p.A. issued a guarantee for the bank’s pension obligations until 31 December 2028.

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** (previous year not adjusted).

(€ million)

	AS AT	
	30.06.2022	30.06.2021
Net interest (reconciled)	**439**	**424**
Net interest margin	457	424
less: Trading interest income (expenses) - Derivatives related to Regulatory Trading Book	(0)	(0)
less: Derivatives - economic hedges - interest component	0	-
Interest costs on DBO	(18)	-
Dividends and other income from equity investments	***67***	***70***
Dividend income and similar revenue	4	4
less: Dividends and similar revenues - on shares and other equity securities - mandatorily at FV	(0)	(0)
Profits (losses) of joint ventures and associates	*63*	66
Net fees and commissions (reconciled)	**349**	**336**
Net trading, hedging and fair value income (reconciled)	**47**	**81**
Gains (losses) on financial assets and liabilities held for trading	*80*	*56*
Gains (losses) on disposals / repurchases on financial assets at amortized cost	-	*5*
Gains (losses) on disposals/repurchases on OCI financial assets	*16*	*8*
Gains (losses) on disposals/repurchases on securities in issue	*(1)*	-
Other operating income and expenses - Gold and Precious Metals Trading	*4*	*0*
Trading interest income (expenses) - Derivatives related to Regulatory Trading Book	*0*	*0*
Derivatives - economic hedges - interest component	*(0)*	-
Fair value adjustments in hedge accounting	*(3)*	*0*
Gains (losses) on financial liabilities designated at fair value through profit and loss	*(19)*	*(2)*
Gains (losses) on financial assets mandatorily at fair value through profit and loss	*(29)*	*14*
Dividends and similar revenues - on shares and other equity securities - mandatorily at FV	*0*	*0*
Net other expenses/income	***8***	**17**
Other net operating income	21	*26*
less: Recovery of expenses	*(16)*	*(15)*
less: Other operating expenses and earnings - Gold and Precious Metals Trading	-	*1*
less: Other operating expenses – amortization on leasehold improvements	(0)	*(0)*
less: Integration cost - Amortization on leasehold improvements classified as Other assets	(4)	*(0)*
Impairment on tangible and intangible assets – other operating leases	5	*6*
Received consideration regarding business relationship	2	-
OPERATING INCOME (RECONCILED)	**911**	**928**

Segment reporting

	AS AT	
	30.06.2022	30.06.2021
Payroll costs (reconciled)	**(270)**	**(290)**
Administrative costs – staff expenses	*(280)*	*(290)*
less: Integration/restructuring costs	*(8)*	*-*
less: Interest costs on DBO	*18*	*-*
Other administrative expenses (reconciled)	**(246)**	**(256)**
Other administrative expenses	*(340)*	*(338)*
less: Integration/restructuring costs	*2*	*-*
less: Ex-ante contributions to resolution funds and deposit guarantee schemes and bank levies	*98*	*89*
less: Received consideration regarding business relationship	*-*	*(1)*
Other operating expenses – amortization on leasehold improvements	*(5)*	*(6)*
Recovery of expenses	**0**	**0**
Amortisation, depreciation and impairment losses on intangible and tangible assets (reconciled)	**(25)**	**(32)**
Impairment/Write-backs on property, plant and equipment	(40)	*(40)*
less: Impairment/write-backs of right of use	*(0)*	*0*
less: Impairment on tangible and intangible assets – other operating leases	*16*	*15*
Impairment/Write-backs on intangible assets	(1)	*(7)*
OPERATING COSTS (RECONCILED)	**(541)**	**(578)**
OPERATING PROFIT	**370**	**350**
Net write-downs on loans and provisions for guarantees and commitments	**49**	**(32)**
Provisions for risks and charges reserves – Other commitments	*33*	*13*
Impairment losses/write-backs on impairment on loans	*16*	*(45)*
Modification gains (losses)	*0*	*(0)*
NET OPERATING PROFIT	**419**	**318**
Provisions for risk and charges	**(5)**	**1**
Net provisions for risks and charges	*(1)*	*11*
less: Integration/restructuring costs	*(4)*	*-*
less: Impairment/write-backs of IFRS 5 non-current assets and disposal groups	*-*	*(11)*
Systemic charges	**(98)**	**(89)**
Ex-ante contributions to resolution funds and deposit guarantee schemes and bank levies	*(98)*	*(89)*
Integration/restructuring costs	***8***	**-**
Net income from investments	**(7)**	**20**
Profit (loss) on equity investments	51	66
less: Profits (losses) of joint ventures and associates	(63)	*(66)*
Impairment/write-backs of IFRS 5 non-current assets and disposal groups	-	*11*
Gains (losses) on tangible and intangible assets	3	*10*
Gains (losses) on disposal of investments	2	*0*
Financial assets at amortised cost – Impairment/write-backs on debt securities	(0)	*(1)*
Financial assets at fair value through OCI - Impairment/write-backs on debt securities	0	*0*
Impairment/write-backs of right of use	0	*(0)*
PROFIT BEFORE TAX	**317**	**251**
Income tax for the period	(31)	(40)
Total profit or loss after tax from discontinued operations	-	1
PROFIT (LOSS) FOR THE PERIOD	**286**	**212**
Non-controlling interests	0	7
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**286**	**219**

Segment reporting

Description of segment reporting

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

In order to ensure comparability of 2022 data with 2021, adjustments at segment level were required in the prior-year periods.
The interest costs for social capital (DBO/Defined Benefit Obligation) and anniversary payments were transferred from payroll costs to net interest income.

Segment reporting covers the following business segments:

Retail

The Retail Division includes the customer segments Mass Market, Affluent and Microbusiness (professional and business customers with annual revenues of up to €1 million). Furthermore, the subsidiaries operating in the credit card business as well as Bank Austria Finanzservice are the responsibility of this division.

Wealth Management & Private Banking

Wealth Management & Private Banking (WM & PB) – Private Banking, which has been designated as a separate division since 1 January 2022 and was previously designated as Premium Banking in the Retail division (formerly Privatkundenbank) – includes Bank Austria's private banking activities for all clients with total assets of €1 million or more, and wealth management, which is concentrated in Schoellerbank.

Corporates

In line with the change in the business model at UniCredit Group level, Bank Austria's former Management Board divisions "Corporate & Investment Banking" and "Unternehmerbank" were merged into the new "Corporates" division on 1 January 2022:
It now includes the activities of Small Corporates (with annual revenues of €1–50 million), Medium-Size Corporates (€50–1,000 million) and Large Corporates (over €1 billion).

Moreover, also financial institutions including banks, asset managers, institutional customers and insurance companies are being serviced. When viewed by product segment, this division offers its clients Advisory, Capital Markets & Specialised Lending (classic and structured credit business as well as capital market consulting), Transactions & Payments (payment transactions, trade finance, cash management) and the services of client-related trading and risk management for our clients in the area of Client Risk Management & Treasury. The product specialists also support the commercial banking activities of the bank's other business segments.

The division also includes the "Real Estate Customers" segment, the "Public Sector" customer segment, the leasing business including subsidiaries as well as FactorBank, Bank Austria Wohnbaubank and Bank Austria Real-Invest Group.

Corporate Centre

The Corporate Centre comprises all equity interests that are not assigned to a business segment, in addition to current expenses relating to governance and administrative costs for the entire bank. 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 2022 / 1 - 6 2021

(€ million)

		RETAIL	WEALTH MANAGE-MENT & PRIVATE BANKING	CORPORATES	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST)[1)]	RECASTING DIFFERENCES[2)]	BANK AUSTRIA GROUP[2)]
Net interest	1H22	185	15	290	(50)	439	-	439
	1H21	178	9	270	(46)	411	13	424
Dividends and other income from equity investments	1H22	2	-	13	52	67	-	67
	1H21	1	-	14	55	70	-	70
Net fees and commissions	1H22	156	70	121	2	349	-	349
	1H21	156	67	112	1	336	-	336
Net trading, hedging and fair value income/loss	1H22	(2)	2	32	16	47	-	47
	1H21	5	2	50	24	81	-	81
Net other expenses/income	1H22	3	1	(2)	6	8	-	8
	1H21	2	-	7	8	17	-	17
OPERATING INCOME	**1H22**	**345**	**87**	**454**	**25**	**911**	**-**	**911**
	1H21	**342**	**79**	**453**	**41**	**915**	**13**	**928**
OPERATING COSTS	**1H22**	**(275)**	**(63)**	**(183)**	**(20)**	**(541)**	**-**	**(541)**
	1H21	**(313)**	**(63)**	**(187)**	**(2)**	**(565)**	**(13)**	**(578)**
OPERATING PROFIT	**1H22**	**69**	**24**	**271**	**5**	**370**	**-**	**370**
	1H21	**29**	**16**	**266**	**40**	**350**	**-**	**350**
Net write-downs of loans and provisions for guarantees and commitments	1H22	(28)	2	71	4	49	-	49
	1H21	19	(3)	(48)	1	(32)	-	(32)
NET OPERATING PROFIT	**1H22**	**42**	**26**	**342**	**9**	**419**	**-**	**419**
	1H21	**48**	**13**	**218**	**40**	**318**	**-**	**318**
Provisions for risk and charges	1H22	(2)	-	(2)	(1)	(5)	-	(5)
	1H21	1	-	-	-	1	-	1
Systemic charges	1H22	(27)	(8)	(41)	(22)	(98)	-	(98)
	1H21	(39)	(8)	(28)	(14)	(89)	-	(89)
Integration/restructuring costs	1H22	3	9	-	(4)	8	-	8
	1H21	-	-	-	-	-	-	-
Net income from investments	1H22	(3)	-	(1)	(4)	(7)	-	(7)
	1H21	10	-	9	2	20	-	20
PROFIT BEFORE TAX	**1H22**	**13**	**28**	**298**	**(21)**	**317**	**-**	**317**
	1H21	**19**	**5**	**199**	**28**	**250**	**-**	**251**
Income tax for the period	1H22	(2)	(5)	(71)	47	(31)	-	(31)
	1H21	(4)	(1)	(46)	12	(40)	-	(40)
Total profit or loss after tax from discontinued operations	1H22	-	-	-	-	-	-	-
	1H21	-	-	-	1	1	-	1
PROFIT (LOSS) FOR THE PERIOD	**1H22**	**11**	**23**	**227**	**25**	**286**	**-**	**286**
	1H21	**14**	**4**	**152**	**41**	**212**	**-**	**212**
Non-controlling interests	1H22	-	-	-	-	-	-	-
	1H21	7	-	(1)	-	7	-	7
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**1H22**	**11**	**23**	**226**	**25**	**286**	**-**	**286**
	1H21	**21**	**4**	**152**	**41**	**219**	**-**	**219**
Risk-weighted assets (RWA) (avg.)	**1H22**	**7,269**	**600**	**21,473**	**5,684**	**35,025**	**-**	**35,025**
	1H21	**6,930**	**557**	**18,383**	**5,645**	**31,515**	**(1)**	**31,514**
Loans to customers (eop)	**1H22**	**19,841**	**927**	**43,584**	**560**	**64,912**	**-**	**64,912**
	1H21	**18,619**	**727**	**41,336**	**319**	**61,002**	**-**	**61,002**
Deposits from customers (eop)	**1H22**	**28,287**	**7,601**	**25,119**	**1,124**	**62,130**	**-**	**62,130**
	1H21	**27,281**	**7,498**	**25,279**	**286**	**60,345**	**-**	**60,345**
Cost/income ratio in %	1H22	79.9	72.0	40.3	n.m.	59.4	n.m.	59.4
	1H21	91.6	80.1	41.3	n.m.	61.7	n.m.	62.3

1) For segment reporting purposes, the comparative figures for 2021 have been recast to reflect the consolidation perimeter and the segment structure used in segment reporting for 2022.
2) Reconciliation to accounting figures is shown in the column "recasting differences". Interest costs relating to Defined Benefit Obligations (DBO) and jubilee benefits were shifted from payroll costs to the position net interest.
n.m. = not meaningful

Segment reporting

Segment reporting Q1 - Q2 2022 / Q1 - Q4 2021

(€ million)

		RETAIL	WEALTH MANAGE-MENT & PRIVATE BANKING	CORPORATES	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST)[1)]
Net interest	2Q22	100	8	158	(30)	236
	1Q22	85	6	132	(20)	204
	4Q21	86	4	137	(12)	216
	3Q21	88	4	135	(15)	212
	2Q21	89	5	137	(22)	208
	1Q21	89	5	133	(24)	203
Dividends and other income from equity investments	2Q22	-	-	6	34	40
	1Q22	2	-	7	18	27
	4Q21	2	-	15	37	54
	3Q21	-	-	10	45	54
	2Q21	-	-	7	29	36
	1Q21	1	-	7	25	34
Net fees and commissions	2Q22	76	33	59	1	170
	1Q22	80	37	62	1	179
	4Q21	76	50	62	-	188
	3Q21	79	33	60	1	173
	2Q21	76	32	56	-	164
	1Q21	80	35	57	-	172
Net trading, hedging and fair value income/loss	2Q22	-	1	20	11	33
	1Q22	(2)	1	12	4	14
	4Q21	3	1	1	(3)	3
	3Q21	-	-	20	(1)	20
	2Q21	2	1	18	8	30
	1Q21	3	1	32	15	51
Net other expenses/income	2Q22	3	-	(5)	3	2
	1Q22	-	-	3	3	6
	4Q21	-	-	3	5	8
	3Q21	3	-	4	3	9
	2Q21	-	-	3	3	7
	1Q21	2	-	4	5	10
OPERATING INCOME	**2Q22**	**180**	**43**	**238**	**19**	**480**
	1Q22	**164**	**44**	**216**	**6**	**430**
	4Q21	**167**	**55**	**218**	**28**	**469**
	3Q21	**170**	**38**	**227**	**33**	**468**
	2Q21	**167**	**38**	**221**	**19**	**446**
	1Q21	**174**	**41**	**232**	**22**	**470**
OPERATING COSTS	**2Q22**	**(137)**	**(30)**	**(93)**	**(11)**	**(272)**
	1Q22	**(138)**	**(32)**	**(90)**	**(9)**	**(269)**
	4Q21	**(152)**	**(32)**	**(96)**	**(10)**	**(290)**
	3Q21	**(152)**	**(31)**	**(92)**	**(8)**	**(284)**
	2Q21	**(160)**	**(32)**	**(95)**	**(5)**	**(291)**
	1Q21	**(154)**	**(32)**	**(93)**	**4**	**(274)**
OPERATING PROFIT	**2Q22**	**43**	**13**	**145**	**8**	**208**
	1Q22	**26**	**12**	**127**	**(3)**	**162**
	4Q21	**15**	**23**	**122**	**18**	**179**
	3Q21	**17**	**7**	**135**	**25**	**184**
	2Q21	**8**	**6**	**127**	**14**	**154**
	1Q21	**21**	**10**	**139**	**26**	**196**

Segment reporting

		RETAIL	WEALTH MANAGE-MENT & PRIVATE BANKING	CORPORATES	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST)[1]
Net write-downs of loans and provisions for guarantees and commitments	2Q22	(43)	-	40	-	(3)
	1Q22	15	2	30	4	52
	4Q21	(59)	(3)	(37)	(1)	(99)
	3Q21	(18)	2	(20)	1	(34)
	2Q21	(14)	(2)	(35)	-	(51)
	1Q21	33	(1)	(13)	-	19
NET OPERATING PROFIT	**2Q22**	**-**	**13**	**185**	**8**	**206**
	1Q22	**41**	**14**	**157**	**1**	**214**
	4Q21	**(44)**	**21**	**85**	**17**	**79**
	3Q21	**(1)**	**9**	**115**	**26**	**150**
	2Q21	**(7)**	**4**	**91**	**14**	**103**
	1Q21	**54**	**8**	**127**	**26**	**215**
Provisions for risk and charges	2Q22	-	-	4	(1)	3
	1Q22	(2)	-	(6)	-	(8)
	4Q21	(6)	1	1	7	2
	3Q21	(1)	-	-	1	1
	2Q21	1	-	-	-	1
	1Q21	-	-	-	-	-
Systemic charges	2Q22	(5)	-	(3)	(2)	(9)
	1Q22	(22)	(8)	(38)	(20)	(89)
	4Q21	(15)	(1)	(1)	-	(17)
	3Q21	(6)	-	-	-	(7)
	2Q21	-	-	-	-	(1)
	1Q21	(39)	(7)	(28)	(14)	(88)
Integration/restructuring costs	2Q22	3	9	-	(1)	11
	1Q22	-	-	-	(3)	(3)
	4Q21	-	(14)	-	(337)	(351)
	3Q21	(3)	-	-	-	(3)
	2Q21	-	-	-	-	-
	1Q21	-	-	-	-	-
Net income from investments	2Q22	(3)	-	-	5	2
	1Q22	-	-	-	(9)	(10)
	4Q21	(3)	-	(4)	(9)	(16)
	3Q21	1	-	3	2	5
	2Q21	9	-	9	3	21
	1Q21	-	-	-	(1)	(1)
PROFIT BEFORE TAX	**2Q22**	**(5)**	**22**	**186**	**10**	**212**
	1Q22	**18**	**6**	**112**	**(31)**	**105**
	4Q21	**(68)**	**6**	**81**	**(322)**	**(303)**
	3Q21	**(10)**	**9**	**118**	**29**	**145**
	2Q21	**3**	**4**	**100**	**17**	**124**
	1Q21	**16**	**1**	**99**	**11**	**126**
Income tax for the period	2Q22	2	(3)	(45)	35	(11)
	1Q22	(4)	(2)	(26)	11	(21)
	4Q21	3	(5)	(17)	93	74
	3Q21	2	(2)	(27)	5	(23)
	2Q21	(1)	(1)	(23)	9	(16)
	1Q21	(4)	-	(23)	3	(23)
Total profit or loss after tax from discontinued operations	2Q22	-	-	-	-	-
	1Q22	-	-	-	-	-
	4Q21	-	-	-	-	-
	3Q21	-	-	-	(1)	(1)
	2Q21	-	-	-	-	-
	1Q21	-	-	-	1	1

Segment reporting

		RETAIL	WEALTH MANAGE-MENT & PRIVATE BANKING	CORPORATES	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST)[1)]
PROFIT (LOSS) FOR THE PERIOD	**2Q22**	**(3)**	**19**	**141**	**45**	**202**
	1Q22	**14**	**5**	**86**	**(20)**	**84**
	4Q21	**(65)**	**1**	**65**	**(230)**	**(229)**
	3Q21	**(8)**	**7**	**91**	**32**	**121**
	2Q21	**2**	**3**	**77**	**26**	**108**
	1Q21	**12**	**1**	**76**	**16**	**104**
Non-controlling interests	2Q22	-	-	-	-	-
	1Q22	-	-	-	-	-
	4Q21	2	-	(1)	-	1
	3Q21	3	-	-	-	3
	2Q21	5	-	-	-	5
	1Q21	2	-	-	-	2
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**2Q22**	**(3)**	**19**	**140**	**46**	**202**
	1Q22	**14**	**5**	**86**	**(20)**	**84**
	4Q21	**(63)**	**1**	**64**	**(230)**	**(228)**
	3Q21	**(5)**	**7**	**91**	**32**	**124**
	2Q21	**7**	**3**	**76**	**26**	**113**
	1Q21	**14**	**1**	**76**	**16**	**106**
Risk-weighted assets (RWA) (avg.)	**2Q22**	**7,223**	**618**	**20,625**	**5,829**	**34,295**
	1Q22	**7,314**	**581**	**22,322**	**5,538**	**35,755**
	4Q21	**7,335**	**537**	**22,660**	**5,525**	**36,056**
	3Q21	**7,137**	**552**	**20,768**	**5,467**	**33,924**
	2Q21	**6,898**	**556**	**18,627**	**5,557**	**31,637**
	1Q21	**6,963**	**558**	**18,139**	**5,732**	**31,392**
Loans to customers (eop)	**2Q22**	**19,841**	**927**	**43,584**	**560**	**64,912**
	1Q22	**19,397**	**1,064**	**43,623**	**190**	**64,274**
	4Q21	**19,134**	**843**	**46,005**	**985**	**66,968**
	3Q21	**18,829**	**786**	**40,964**	**309**	**60,887**
	2Q21	**18,619**	**727**	**41,336**	**319**	**61,002**
	1Q21	**18,420**	**578**	**44,437**	**913**	**64,349**
Deposits from customers (eop)	**2Q22**	**28,287**	**7,601**	**25,119**	**1,124**	**62,130**
	1Q22	**27,361**	**7,703**	**26,780**	**817**	**62,662**
	4Q21	**27,805**	**7,766**	**28,648**	**104**	**64,322**
	3Q21	**27,021**	**7,499**	**25,329**	**459**	**60,309**
	2Q21	**27,281**	**7,498**	**25,279**	**286**	**60,345**
	1Q21	**26,299**	**7,434**	**26,828**	**154**	**60,715**
Cost/income ratio in %	2Q22	76.1	70.7	39.2	n.m.	56.6
	1Q22	83.9	73.2	41.5	n.m.	62.4
	4Q21	91.1	57.9	43.8	n.m.	61.9
	3Q21	89.8	80.9	40.6	n.m.	60.6
	2Q21	95.4	83.8	42.8	n.m.	65.4
	1Q21	88.0	76.6	39.9	n.m.	58.3

1) Quarterly figures are based on recast data in which interest costs for Defined Benefit Obligations (DBO) and jubilee benefits were shifted from staff expenses to the item net interest income.
n.m. = not meaningful

Risk report

Credit risks

In addition to the termination of COVID-19 induced deferrals and loans guaranteed by the state in 2022 – which did not, however, have a material impact on Bank Austria Group's risk profile due to the low volumes involved – specific COVID-19 measures taken in connection with the operating credit processes were also withdrawn. We currently no longer expect the risk profile of the credit portfolio to substantially deteriorate as a result of COVID-19.
The effects of the Russia/Ukraine crisis are being identified and mitigated in close contact and in coordination with the Bank's customers. To date, no significant credit risks have been identified. The consequences of spill-over effects caused by macroeconomic developments (e.g. energy prices, supply chains) cannot be ruled out for the second half of the year, which is why the number of provisions made in the performing portfolio has been increased accordingly. The situation is being monitored continuously and UniCredit Bank Austria is in constant communication with the relevant credit customers to clarify the matter.
The COVID-19 pandemic and the Russia/Ukraine crisis both had a minor or manageable impact on the credit portfolio in the first half year of 2022. In combination with taking prudent provisions for both, the non-performing portfolio and the performing portfolio, the Bank is well equipped for any further developments to the macroeconomic environment and inflation. At the same time, there is a continuous development of the general risk culture in sales, monitoring and control mechanisms and risk processes.

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.

Individual COVID-19 induced deferrals and other relief measures agreed bilaterally are still being granted to individual customers. The EBA-compliant moratoria had already expired in the first quarter of 2021. These moratoria were much more significant at the start of the COVID-19 pandemic – including statutory credit moratoria (COVID-19 JuBG) and the "private credit moratoria" (moratoria without legal form), which were both based on the "Guidelines on statutory moratoria and moratoria without legal form for loan payments against the background of the COVID-19 crisis".

In addition to the moratoria prompted by COVID-19, 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. However, these COVID-19 guarantee schemes expired as of 30 June 2022, i.e. no new COVID-19 guarantee loans are currently being granted.

Nevertheless, since the start of the pandemic, the individual COVID-19-induced deferrals and other relief measures as well as the loans guaranteed by the state have had no material impact on Bank Austria Group's risk profile due to the low volumes involved. We do not currently anticipate that the risk profile of the credit portfolio will see lasting deterioration as a result of COVID-19.

The following two tables show details of the COVID-19 measures offered by the Bank Austria Group; the first shows the active moratoria in the volume of €0.02 billion and the second shows the COVID-19 induced loans guaranteed by the state in the volume of €0.2 billion as at the reporting date of 30 June 2022.

COVID-19 Moratoria

	30.06.2022			31.12.2021		
	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)				**-**	**-**	**-**
of which: Households				-	-	-
of which: Non-financial corporations				-	-	-
Non EBA-compliant Moratoria 1)	**53**	**17**	**10**	**89**	**39**	**26**
of which: Households	38	3	3	67	6	5
of which: Non-financial corporations	14	10	7	21	28	20

1) "of which" positions show the major categories, the rest are governments and other financial institutions

Risk report

COVID-19 Loans and advances subject to guarantees

	30.06.2022				31.12.2021			
	NUMBER OF OBLIGORS	GROSS BOOK VALUE (€ MILLION)	NET BOOK VALUE (€ MILLION)	GUARANTEE RECEIVED (€ MILLION) 1)	NUMBER OF OBLIGORS	GROSS BOOK VALUE (€ MILLION)	NET BOOK VALUE (€ MILLION)	GUARANTEE RECEIVED (€ MILLION) 1)
Newly originated loans and advances subject to public guarantee schemes	1,013	228	216	182	1,043	269	263	224

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

Assessment of the loss potential loss caused by scenario adjustments

Adjustment of the expected development of the economic environment (adjustment of base scenario and alternative scenarios)

Adjustments were made to the basic and alternative scenarios in the second quarter of 2022 in line with the scheduled half-yearly cycle. The COVID-19 pandemic is visibly declining in relevance compared to the impact of the Russia-Ukraine war. Furthermore, modelling using macro models has shown that the ongoing economic upturn is having a delayed effect, and as a result this relative improvement has not led to a significant reduction in value adjustments at too early a stage (sluggish development of portfolio quality as a result of the range of support measures from the state). Re-adjustments with regard to the effects of the war are already being simultaneously incorporated into the scenarios. Overall, the scenario adjustment resulted in a net increase in expected credit loss (EL) in the first half of 2022, amounting to more than one tenth of the impairments for the performing portfolio (stages 1 and 2). The additional stage 2 criteria mentioned in the 2021 Annual Report continued to apply in the first half of 2022 and were supplemented by other criteria regarding concerns caused by the war.

Overall picture of the development of impairment losses [2]

The level of total impairment losses on loans and advances to customers decreased slightly compared with December 2021 from €1,508 million to €1,454 million. The development within each level shows that there was a slight decline in the provisions for stage 3 (non-performing portfolio) from €982 million in December 2021 to €942 million in the first half of 2022. The performing portfolio also recorded a slight decrease. The impairment losses for the performing portfolio therefore reached €512 million compared with €525 million at the end of 2021.

Non-Performing Loans [2]

With the volume of loans and advances to customers reducing (€66.4 billion compared with €68.5 billion at the end of 2021), the non-performing volume (before deducting impairment losses of €942 million) fell from €2,030 million to €2,002 million in the first half of 2022, thereby remaining at a share of 3.0% (3.0% at the end of 2021). The coverage ratio decreased accordingly to 47.1% (48.4% at the end of 2021).

Development of credit risk costs [2]

In comparison to the cost of risk in the first half of 2021 (-€32 million), a significant surplus (€49 million) was achieved in the first half of 2022. The main driver behind this was the non-performing portfolio (€49 million), where a higher degree of returns and economic recovery was recorded in the Corporates segment, while there were significantly lower losses than in the same period of the previous year. In the performing portfolio, there was also income from individual customers from the Corporates sector, which was partially offset by the cost of risk from the Retail sector as a result of the adjusted expectations concerning the macroeconomic environment.
When broken down into segments, the development of the impairment losses for the non-performing portfolio resulted in the following picture: Corporates €50 million, Retail -€1 million. For the performing portfolio, net releases in the Corporates segment (€21 million), the Corporate Centre segment (€4 million) and the segment Wealth Management & Private Banking (€2 million) compensated for net increases in the Retail segment (-€27 million).

2 The figures given in this chapter refer to the figures stated in the segment reporting (Part D of the Risk Report)

Risk report

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

At the start of the COVID-19 pandemic, a number of additional criteria and measures were introduced into the operating credit processes through inter-divisional collaboration in order to meet the special needs posed by the crisis. The discontinuation of moratoria and other support measures from the state reflects the withdrawal of measures that were specific to COVID-19.
With the outbreak of the Russian/Ukraine crisis in February 2022, it was of particular importance that the screening of local credit portfolios was proactive and continuous. The screening was focussed upon identifying and mitigating the direct and indirect effects of the crisis on credit customers as well as correctly determining spill-over effects from macroeconomic developments; new tools for mapping spill-over effects have been incorporated into credit processes and implemented in credit decision engines using special calibration.

The crisis-specific adjustments were 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. At the same time, there was a continuous development of the general risk culture in sales, monitoring and control mechanisms (through the implementation of specific KPIs and optimised management reporting) and risk processes (e.g. lending, monitoring processes including an annual verification of the value of real-estate guarantees). In addition, the processes for providing viable forbearance measures and credit restructuring were continuously being improved and standardised.

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, the amendments for all local PD models entered production in 2021.Ratings were automatically issued immediately for all retail models for use in July 2021. The implementation for corporate models has been carried out through re-ratings of individual customers and has been done for the large majority of the portfolio. In 2021, the application for the local LGD model also became subject to a material on-site audit by the ECB. UniCredit Bank Austria AG plans to switch to the new model after taking into account the requirements for approving the final regulatory model (not yet available as of 30 June 2022). The revision and submission of the local EAD model is planned for 2022. With regard to the Group-wide models, the material changes approved by the ECB for the models for multinational companies and sovereign entities, as well as the Group-wide EAD model, were applied in the middle of 2021.The recalibrated model for global project financing and the adapted bank rating model were also implemented in 2021.

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 important 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 supplemented. 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 and for reasons of materiality, there are no plans to switch to one of the IRB approaches.

Risk report

CHF loan volume

The decrease of the CHF loan volume continued also in the first half of 2022. Compared to the end of 2021, the CHF loan volume (after impairments) was reduced by further €0.1 billion from to €4.1 billion to €4.0 billion. Approximately 3.0% thereof was classified as non-performing. 89% of the CHF gross loan volume is allocated to the segment Retail.

Country risk and sovereign risk

Risk associated with cross-border transactions with all customer groups is reflected in country risk ("transfer and convertibility risk"; country risk includes, for example, loans to foreign corporate customers or banks). Risk associated with the state itself (e.g. the purchase of government bonds) is reflected in sovereign risk, irrespective of whether such risk is cross-border or local risk. Both risks are assessed via a UniCredit Group-wide credit process. Country limits and sovereign limits are assessed by the responsible risk management team, approved by the relevant body having approval authority and assigned to UniCredit subsidiaries according to business needs. In general, cross-border business is not limited for countries which are presumed less risky, e.g. the US, Japan, core EU countries; for all other countries, cross-border business is limited via the assigned country limit. Sovereign risk is in each case limited via counter party limits. The overall bond exposure is monitored via nominal credit risk limits and market risk limits. Impairment losses are recognised, if necessary, according to international financial reporting standards.

Breakdown of sovereign debt securities by country and portfolio

(€ million)

	30.06.2022			31.12.2021		
COUNTRY/PORTFOLIO	NOMINAL VALUE	BOOK VALUE	FAIR VALUE	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
Austria	**3,269**	**3,232**	**3,207**	**3,612**	**3,824**	**3,820**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	60	63	63	60	78	78
Fair value through other comprehensive income	3,096	3,049	3,049	3,464	3,648	3,648
Financial assets at amortised cost	95	106	82	89	97	93
Designated at fair value through profit or loss	18	14	14	-	-	-
Spain	**2,700**	**2,662**	**2,626**	**2,527**	**2,634**	**2,638**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	1,911	1,848	1,848	1,739	1,820	1,820
Financial assets at amortised cost	788	815	778	788	815	819
Designated at fair value through profit or loss	-	-	-	-	-	-
Italy	**1,095**	**1,110**	**1,076**	**1,070**	**1,125**	**1,118**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	645	650	650	620	664	664
Financial assets at amortised cost	450	460	426	450	461	454
Designated at fair value through profit or loss	-	-	-	-	-	-

Risk report

COUNTRY/PORTFOLIO	30.06.2022 NOMINAL VALUE	30.06.2022 BOOK VALUE	30.06.2022 FAIR VALUE	31.12.2021 NOMINAL VALUE	31.12.2021 BOOK VALUE	31.12.2021 FAIR VALUE
Japan	**1,357**	**1,364**	**1,364**	**1,012**	**1,032**	**1,032**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	1,357	1,364	1,364	1,012	1,032	1,032
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Poland	**512**	**524**	**523**	**271**	**297**	**297**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	475	487	487	235	261	261
Financial assets at amortised cost	36	36	36	36	36	36
Designated at fair value through profit or loss	-	-	-	-	-	-
France	**562**	**516**	**480**	**752**	**756**	**749**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	248	198	198	444	434	434
Financial assets at amortised cost	314	317	282	173	176	169
Designated at fair value through profit or loss	-	-	-	135	146	146

Risk report

COUNTRY/PORTFOLIO	30.06.2022 NOMINAL VALUE	30.06.2022 BOOK VALUE	30.06.2022 FAIR VALUE	31.12.2021 NOMINAL VALUE	31.12.2021 BOOK VALUE	31.12.2021 FAIR VALUE
Romania	**277**	**260**	**260**	**270**	**293**	**293**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	277	260	260	270	293	293
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Belgium	**54**	**55**	**55**	**73**	**76**	**76**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	54	55	55	73	76	76
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Other Countries	**3,963**	**3,780**	**3,746**	**1,741**	**1,695**	**1,691**
Held for trading (Net exposures)	115	-	-	115	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	3,550	3,509	3,509	1,467	1,534	1,534
Financial assets at amortised cost	186	188	154	147	148	143
Designated at fair value through profit or loss	111	83	83	12	14	14
TOTAL	**13,787**	**13,503**	**13,338**	**11,329**	**11,733**	**11,714**

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
30.06.2022						
Book value of sovereign portfolio	-	63	11,421	1,922	97	13,503
Total portfolio of debt securities	-	97	14,562	4,186	117	18,962
% Portfolio	100.00%	65.57%	78.43%	45.92%	82.93%	71.21%
31.12.2021						
Book value of sovereign portfolio	-	78	9,761	1,734	160	11,733
Total portfolio of debt securities	-	91	12,289	2,923	160	15,463
% Portfolio	100.00%	86.40%	79.43%	59.31%	99.94%	75.88%

Sovereign exposures are bonds issued by central banks, governments, and other public sector entities, as well as loans granted to public sector entities.

Risk report

Breakdown of sovereign loans by country

(€ million)

COUNTRY	30.06.2022	31.12.2021
Austria	5,881	7,144
Indonesia	158	157
Sri Lanka	101	97
Laos	80	82
Gabun	72	81
Ghana	76	81
Angola	71	75
Vietnam	63	63
Phillippines	44	50
Honduras	43	46
Bosnia and Herzegovina	14	16
Czech Republic	300	-
Other	409	418
TOTAL SOVEREIGN LOANS	**7,313**	**8,308**

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, 9 of which are still open, with interest amounting to €4.84 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 which were fully rejected in January 2021. It is no longer possible to appeal 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").

Risk report

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 hence no distinctive risk profile for 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 €18.7 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) Lexitor

The ECJ ruled in a judgment dated 11 September 2019 in case C-383/18 ("Lexitor") that Article 16 (1) of the Consumer Credit Directive (Verbraucherkredit-Richtlinie, VKrRL) must be interpreted as encompassing the consumer's right to a reduction of the total costs of the credit in the event of early credit repayment. In contrast, the former version of Section 16 (1) of the Consumer Credit Directive only mentioned the term-dependent costs. In order to ensure compliance with the Directive, Section 16 (1) of the Consumer Credit Directive and the identical Section 20 (1) of the Mortgage and Real Estate Loan Act (Hypothekar- und Immobilienkreditgesetz, HIKrG) were adjusted with effect from 1 January 2021 in line with the ECJ judgment and the term "term-dependent" was deleted in each case.

The VKI filed a class action suit against UCBA, which was rejected in the first instance by the Vienna Commercial Court in a judgment dated 29 October 2020 on the grounds that the Austrian legislator had deliberately excluded non-term-related costs from the obligation to reduce costs, which is why no unintended legal loophole was created and further developments in the law in compliance with the Directive within the meaning of the Lexitor ruling were not permitted. In its judgment dated 4 February 2021, the Vienna Higher Regional Court surprisingly (because it was contrary to the prevailing legal doctrine) granted the VKI's petition on the grounds that the provision of Section 20 of the German Mortgage and Real Estate Loan Act had already contained an unintended loophole, which would make an interpretation of the provision within the meaning of the Lexitor ruling possible and necessary. UCBA brought an extraordinary appeal against what in its opinion was an incorrect decision before the Austrian Supreme Court which, in its decision of 19 August 2021, submitted the question to the ECJ regarding a preliminary ruling as to whether the ruling issued regarding Article 16 of the Consumer Credit Directive could be transferred to the Mortgage Credit Directive (Wohnimmobilienkredit-Richtlinie, WIKrRL) at all, an issue which is relevant for proceedings between the VKI and the UCBA. If the ECJ were to approve such a transfer, the Austrian Supreme Court would then have to answer the question of whether and in what way Section 20 (2) of the old version of the Austrian Mortgage and Real Estate Loan Act could be interpreted in compliance with the Directive. According to the UCBA, the VKI's action will only be successful in the affirmative case. The prevailing legal doctrine rejects an interpretation of Section 16 of the old version of the Consumer Credit Directive that is compliant with the Directive. The Austrian Supreme Court shared this view in its decision 3 Ob 216/21t. UCBA therefore expects that the Austrian Supreme Court would also consider any interpretation of Section 20 of the old version of the Mortgage and Real Estate Loan Act that is compliant with the Directive to be inadmissible.

According to the considerations presented, no provisions were made for this legal dispute, following the same legal opinion of the UCBA and the legal representative, as it is more likely that UCBA will win.

Additional disclosures

Employees

	HALF YEAR 2022	YEAR 2021
Salaried staff	4,593	5,174
Other employees	-	-
TOTAL [1]	**4,593**	**5,174**
of which: in Austria	4,593	5,138
of which: abroad	-	36

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 known significant events after the reporting date.

Additional disclosures

Consolidated own funds and risk-weighted assets

Consolidated capital resources

(€ million)

	30.06.2022	31.12.2021
Paid-in capital instruments (excl. own instruments of Common Equity Tier 1)	1,681	1,681
Reserves (incl. profit) and minority interests	6,649	6,582
Adjustments to Common Equity Tier 1	(2,222)	(2,360)
Transitional adjustments to Common Equity Tier 1 [1)]	142	193
Common Equity Tier 1 (CET1)	**6,250**	**6,096**
Additional Tier 1 capital and qualifying Additional Tier 1 instruments issued by subsidiaries	603	603
Adjustments to Additional Tier 1	-	-
Transitional adjustments to Additional Tier 1 [1)]	-	-
Additional Tier 1 (AT1)	**603**	**603**
Tier 1 capital (T1=CET1+AT1)	**6,853**	**6,700**
Tier 2 capital and qualifying Tier 2 instruments issued by subsidiaries	27	25
Adjustments to Tier 2 capital	129	135
Transitional adjustments to Tier 2 capital [1)]	559	561
Tier 2 capital (T2)	**715**	**721**
Total regulatory capital (TC=T1+T2)	**7,569**	**7,421**

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 (€142 million)

Total risk exposure amount

(€ million)

	30.06.2022	31.12.2021
a) Credit risk pursuant to standardised approach	5,712	6,092
b) Credit risk pursuant to internal ratings-based (IRB) approach [1)]	23,489	26,676
c) Other (securitisation and contribution to default fund of a central counterparty [CCP])	17	7
Credit risk	29,218	32,775
Settlement risk	-	-
Position, foreign exchange and commodity risk	803	230
Operational risk [1)]	3,259	3,176
Risk positions for credit value adjustments (CVA)	20	39
TOTAL RWAs	**33,299**	**36,220**

1) Including RWA add-on (see also chapter Capital resources and risk-weighted assets in the management report).

Key performance indicators

	30.06.2022	31.12.2021
Common Equity Tier 1 ratio [1)]	18.8%	16.8%
Tier 1 ratio [1)]	20.6%	18.5%
Total capital ratio [1)]	22.7%	20.5%

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, 19 July 2022

The Management Board

Robert Zadrazil
CEO
Chief Executive Officer

Daniela Barco
Retail

Philipp Gamauf
CFO – Chief Financial Officer

Dieter Hengl
Corporates

Georgiana Lazar
People & Culture

Marion Morales Albiñana-Rosner
Wealth Management & Private Banking

Wolfgang Schilk
CRO – Chief Risk Officer

Günter Schubert

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Glossary of alternative performance measures

Glossary of alternative performance measures

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

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

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

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

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

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

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

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

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

Funding Value Adjustments (FuVA) 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: 13.00% of Risk-Weighted Assets (1H22 and 2021; in the 2021 annual financial statements, a value of 11.75% was applied for 2021). If the return on allocated capital is calculated for a period of less than a full year, net profit is annualized.

Glossary of alternative performance measures

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.

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 Leasing.

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.

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

Publisher and media owner:
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Editor:
Accounting, Regulatory Reporting & Tax

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

Persons (Management Board) authorised to represent the media owner:
Robert Zadrazil (Vorsitzender), Daniela Barco, Philipp Gamauf, Dieter Hengl, Georgiana Lazar, Marion Morales Albiñana-Rosner, Wolfgang Schilk, Günter Schubert.

Supervisory Board of media owner:
Gianfranco Bisagni (Vorsitzender des Aufsichtsrates), Livia Aliberti Amidani, Christoph Bures, Richard Burton, Adolf Lehner, Aurelio Maccario, Judith Maro, Herbert Pichler, Eveline Steinberger-Kern, Doris Tomanek, 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.