Unlock your potential

2021

Annual Financial Statements

Empowering
Communities to Progress.

Bank Austria
Member of UniCredit

Content

Introduction

Introduction

Introduction

Message from the Chairman of the Supervisory Board

In December 2021, UniCredit officially announced its new Strategic Plan "**UniCredit Unlocked**". However, we have been working hard to build the bank for Europe's future and unlock UniCredit's potential since our new Group CEO, Andrea Orcel, took office in April and throughout 2021. So much of the ambition we presented in December was already under way.

In 2021, above all we made significant changes to the way our bank operates. We removed unnecessary layers of decision making and empowered the people who really know their clients best to make decisions that concern them, within a clear risk framework.

Group-wide, and hence also in Austria, we now serve our customers through our best-in-class product factories: "Corporate Solutions" for our corporate customers and "Individual Solutions" for our retail customers. We have also continued to rationalise and improve our technology.

2021 was undoubtedly a challenging year. The Corona pandemic drove change at an unprecedented pace: it accelerated the digitalisation process, further strengthened the focus on customers and brought about a continued attention to **ESG** (Environment, Social, Governance) **topics** as part of our journey towards a sustainable future.

We have further accelerated our efforts in the digital area – not only because this is what our customers expect from us, but also because digitalisation forms the backbone of our strategy, and we want to provide our customers with best-in-class products and services.
The results we achieved in Austria in 2021 reflect a positive trend in operating income, which almost reached pre-crisis levels: Operating income increased by 6.4 per cent Y/Y totalling EUR 1,878 million and quarterly revenues reflect a continued upward trend. This positive development is supported by an increase in fee income, which is up +6.8 per cent Y/Y due to good performance of investment fees, and a strongly increased trading result.

Introduction

Due to continued strict cost management, **costs** in 2021 could be maintained on the level of the previous year; the favourable economic development led to significantly lower net write-downs of loans and a corresponding improvement of the cost of risk.

This excellent operational performance resulted in a net operating profit of EUR 548 million, significantly better than in FY 2020 (EUR 203 million).
Despite high non-operating expenses, we achieved a **net profit of EUR 115 million** in Austria in 2021, substantially above the net profit of the previous year (EUR 20 million).

Loans to customers increased by 10.0 per cent Y/Y, with growth in all business divisions. Deposits from customers were up by 5.2 per cent, also with increases in all business divisions.

Not only in Austria, but as a pan-European Commercial Bank with a unique service offering in Italy, Germany, Central and Eastern Europe, we have all the raw ingredients for success: 13 countries across Europe, 87,000 people with a truly international mindset and 15 million clients.

Our purpose is to empower communities to progress, delivering best-in-class products and services for all stakeholders, unlocking the potential of our clients and our people across Europe.

We will continue to work with our clients to help them navigate these extraordinarily challenging times, achieve their goals and take further steps towards a sustainable economy by investing in green business.

I thank all our stakeholders for their trust and ask them to keep supporting us, as we continue to deliver on our promise to build a better bank for Europe's future.

Gianfranco Bisagni
Head of Central Europe
Chairman of the Supervisory Board of UniCredit Bank Austria

UniCredit at a Glance

UniCredit is a pan-European Commercial Bank with a unique service offering in Italy, Germany, Central and Eastern Europe. Our purpose is to empower communities to progress, delivering the best-in-class for all stakeholders, unlocking the potential of our clients and our people across Europe.

We serve over 15 million customers in a cohesive manner worldwide. They are at the heart of what we do in all our markets.

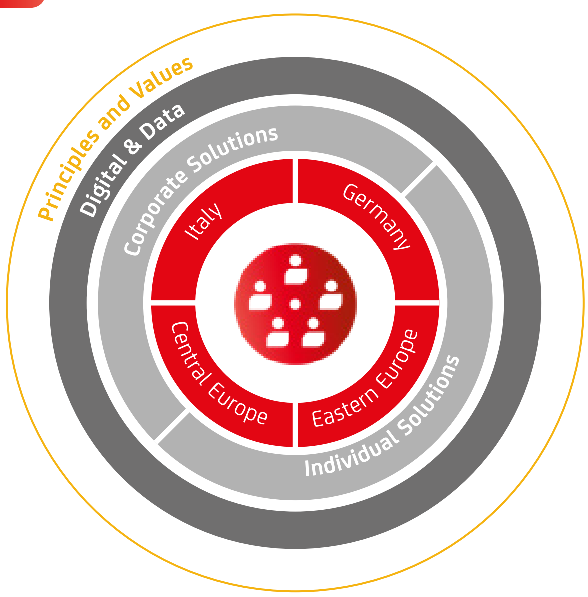
Empowering Communities to Progress. | UniCredit

OUR ORGANIZATION

4 **Coverage regions**

2 **Product factories serving all regions**

1 **Leaner Corporate Centre embedding Digital & Data**



OUR CLIENTS, OUR COMMUNITIES, OUR PEOPLE

Our new strategy UniCredit Unlocked puts clients back at the centre, connecting them to their bank in a unified way across Europe. We are their gateway to Europe.

We have a harmonised service model, simplifying our processes and establishing a common organisational structure across our business to connect our clients to our 13 banks and 4 regions in a unified way across Europe.

Digitalisation and our commitment to ESG principles are key enablers for our service. They help us deliver excellence to our stakeholders and creating a sustainable future for our clients, our communities and our people.

The diversity, knowledge and talent of our 87,000 people are the levers to go above and beyond for our clients. This will allow us to deliver all our ambitions.

Financial Highlights

FY21 COMMERCIAL RESULTS DEMONSTRATING THE INHERENT VALUE OF THE FRANCHISE

CONNECTING OVER 15M CLIENTS ACROSS EUROPE

~14 M RETAIL CLIENTS

~1 M CORPORATE CLIENTS

CROSS BORDER PAYMENTS MARKET SHARE:
C. **2**X INTRA COUNTRY

THROUGH A UNIQUE AND DIVERSE TALENT BASE

	PRESENCE IN BoD	PRESENCE IN GEC		
International mindset[1] Outside of head office country	38%	53%	14	Employees Resource Groups (LGBTI, Gender, Disability, Culture, Generations)
Gender balance[1] Female	46%	40%	33%	Presence in leadership team

13 BANKS EMBEDDED IN THE FABRIC OF EUROPE[2]

#2 ITALY

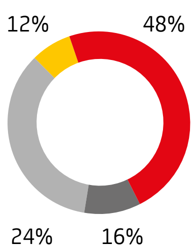
#3 GERMANY

#2 CENTRAL EUROPE

#1 EASTERN EUROPE

1. Calculated in FTEs.
2. Ranking by total assets. Germany only Private Banks. Italian and German Peers last available update as of 3Q21; Positioning vs other main Peers in CE region is as of 3Q21; ERSTE Austria in CE (Central Europe) perimeter ranking consists of Erste Bank Oesterreich & Subsidiaries, Savings banks and Other Austria; Positioning vs other main Peers in EE (Eastern Europe) region is as of 3Q21.

REVENUES (%)[3]



- Italy
- Germany
- Central Europe
- Eastern Europe

	Net profit[4] FY21, bn	GOP[3] Δ% vs. FY20
ITALY	2.0	+8.1%
GERMANY	0.8	+28.4%
CENTRAL EUROPE	0.9	At constant FX +12.6%
EASTERN EUROPE	0.8	At constant FX +0.2%

3. Revenues by region: Italy excl. PC_CE, PC_EE, PC_Russia, Germany Subgroup.
4. Net Profit means Stated net profit (for 2021 Underlying net profit) adjusted for AT1, CASHES payments and impacts from DTAs from tax loss carry forward sustainability test.

OUR FINANCIAL RESULTS SHOWED POSITIVE MOMENTUM

GROW

Revenues: **18bn** exceeding guidance

STRENGTHEN

Non Core rundown completed

CET1 ratio: **15.03%**

DISTRIBUTE

Proposed shareholder distribution: **3.75bn**

OPTIMISE

Cost: **9.8bn** exceeding guidance

ULRIKE ECKERSTORFER

OWNER LA SCHACHTULA
AUSTRIA

Our stories

This year **UniCredit announced our purpose of empowering communities to progress**. This may be a new articulation of our role, but it's what we've always done and what we will continue to do. **We pride ourselves on always putting our clients and their communities at the center of everything that we do, going above and beyond to support their needs**. This is because we are more than just a financial institution; we are UniCredit: a bank for our clients and communities, **a bank for Europe's future**.

Although these **stories, that capture some of our clients and our people**, come from many different countries, they are united by a common theme: how **UniCredit's existence is predicated upon our mission to serve and to empower people of all ages and backgrounds to unlock their potential and to progress**. They not only reflect UniCredit's active role in the functioning of today's society, but also our work with and **financing of organisations that are striving to protect our planet for future generations**.

We are proud of our team's dedication to supporting and financing initiatives that will have a positive and enduring impact, and as ever, **we look to the future with the determination to do more; to do better for our clients and communities**.

COUNTRY
AUSTRIA

OUR CLIENTS

LA SCHACHTULA

SECTOR: FASHION
ESG FOCUS

With an enduring commitment to **sustainability and detailed craftsmanship, Ulrike Eckerstorfer's** artisanal **'La Schachtula'** prides itself on "homemade gifts that tug at the heartstrings". Her pieces, suitable for every occasion and ranging from tea towels to cuddly toys, are sourced from 100% natural materials and tell a vivid story grounded in both **Austrian heritage** and her own family history, having been taught to sew by her mother at a young age.
For Ulrike, regionality is both a deeply rooted and passionately lived philosophy.

That is why she not only opts for 100% Austrian materials, but wholly Austrian supply chains. Her fabrics derive from exclusively selected partners and are woven in the heartlands of Vorarlberg and the Mühlviertel region (Upper Austria).
Sustainability informs every decision and sits at the very core of her value proposition, from product right down to handmade packaging.

In March 2021, spurred on to take the reins and play an active role in stimulating a domestic economy beset by COVID-19, Ulrike took the courageous step to open a second shop in Vienna.

UniCredit Bank Austria had supported Ulrike in the establishment of her first shop. Believing that good ideas deserve a chance, UniCredit Bank Austria were determined to help Ulrike's business continue to thrive.

Through **MicroCredits**, UniCredit is able to promote the creation and development of small companies not only through conventional forms of financing, but also by making the necessary expertise available.
A MicroCredit is part of the **Social Impact Banking Initiative** and an effective instrument for corporate and social development. UniCredit Bank Austria extended a MicroCredit so Ulrike could finance her ambition and benefit from access to a network of mentors, who provided her with more day-to-day, holistic advice.

In August, Ulrike joyfully threw open the doors to her new premises in Vienna's first district in a ceremony shared with close friends, city representatives and the local press. Thanks to the fruitful cooperation, there are now two locations where consumers can find Ulrike's unique brand of 'homemade happiness'.

Despite the entrepreneurial challenges and uncertainty of expanding during a global pandemic, Ulrike's courage paid off, and she fulfilled her long standing dream of growing her business with UniCredit Bank Austria's help. Reflecting on the leap she made, she commented: "UniCredit Bank Austria has supported us in this big step.
Not only with a **favourable microcredit**, but with **comprehensive actionable advice**. The many lockdowns were a challenge. But I used the time to design new products. Despite the Pandemic, I knew it was the right time to further grow my business".

COUNTRY
AUSTRIA

OUR
CLIENTS

MAGDAS - SOCIAL BUSINESS OF CARITAS OF THE ARCHDIOCESE OF VIENNA

SECTOR: SOCIAL CARE
ESG FOCUS

Magdas was founded by the Archdiocese of Vienna's Caritas in April 2012 with the entrepreneurial objective of **solving social issues**.
Their projects are economically self-sustaining, and their ultimate goal is and remains solving a social challenge. They provide **meaningful apprenticeships and jobs** and create prospects for people who do not get a chance with many other employers.
They see potential where others focus on hurdles. Magdas is a story with proof that things can be done differently.
In autumn 2020 they approached UniCredit Bank Austria enquiring about financing possibilities for the project "magdas HOTEL City", the challenge was their ambitions needed to be developed right in the middle of the Covid-19 pandemic in order to **open the new Hotel** which is now planned for Autumn 2022.

Our team at UniCredit Bank Austria evaluated the project within the framework of our Social Impact Banking programme and granted the client with a **funding of € 5.7 million** from June 2021 for a 20-year term.
Thanks to our support Magdas was able to **successfully launch its programme** to reintegrate around 15 people

per year into the labour market, thus achieving its goal of creating job opportunities for the disadvantaged.
Based on the experience with other Caritas projects, we are confident that about 70 people will be successfully reintegrated into society over the next five years thanks to UniCredit's support.

Klaus Schwertner, **Managing Director of the Archdiocese of Vienna's Caritas**, commented on our collaboration "The Covid pandemic is causing adversity, especially for people with a refugee background. In magdas HOTEL they have the opportunity to develop their potential. We are very pleased to have found a partner in UniCredit Bank Austria and its Social Impact Initiative, which shares our commitment to society."

COUNTRY
AUSTRIA

OUR
PEOPLE

EMPLOYEE NAME: HARALD MADL

ROLE: CORPORATE RELATIONSHIP MANAGER
ESG FOCUS

At the heart of UniCredit Bank Austria is our community. We are always striving to do better, to do more to empower our communities to progress and to lead the lives that they deserve. Therefore, above all else, we place huge importance on identifying critical need projects that require support.
Last year, we leveraged impact financing for the **construction of a new Ronald McDonald's Children's Aid House** on the grounds of University Hospital Salzburg.
The construction of the new house will enable four times as many **families to stay close to their seriously ill children** during their treatment at the hospital. In total, this amounts to 15 flats which will be made available to around **300 families per year**.
This new building will make all the difference to the parents and carers of children who are undergoing life-saving treatment. I strongly believe that this geographical proximity will not only provide families with the courage to remain strong for their children, but it will also **provide the young patients with the familial care** and comfort that they

require to help them through the healing process.
I am humbled to be part of UniCredit: a bank that never ceases in its ambition to help those within the community who need it most, a bank who will never stop putting our people at the centre of everything that we do.
It is "an incredible feeling knowing I work for a Bank that truly cares for its people and empowers our communities to progress – that's the UniCredit way."

COUNTRY
AUSTRIA

OUR PEOPLE

ROBERT ZADRAZIL

ROLE: CEO AUSTRIA
ESG STORY

At UniCredit Bank Austria, ecological sustainability plays a critical role in both the way we do business and the way we **impact the communities in which we operate**.

It is a widely reported fact that global bee populations are in decline. The loss of habitats due to urbanization and farming, the effects of climate change, and the widespread use of pesticides are all contributing to this phenomenon, which has dire implications for our world.
Bees play a major role as pollinators of plants that other species need to survive; if we lose them, all of nature will feel the catastrophic effects.

Bank Austria saw this as a call to action. We were determined that we would take responsibility for this crisis in the natural world. What is more, we would respond to it in the right way. That's why we partnered with Bienenzentrum ("Bee Centre", BIEZEN – Wiener Honigmanufaktur) to launch this initiative.

Bienenzentrum are a group that is completely committed to organic beekeeping. With their help, Bank Austria have given a home to more than one million bees on the roof terrace of our Vienna headquarters in the past two years.
Within a flight radius of 3 kilometres around the beehives, the bee colonies on our campus travel around 75 million kilometres and supply the bank with around 500 kg of organic honey per year, which makes an excellent gift to customers, partners, and employees.

As well as providing a space for twenty bee colonies to flourish, this initiative has also brough the community within our bank closer together. Our employees have embraced this opportunity to further their **environmental education**. Currently, they are busy planning educational workshops with our beekeeper Marian Aschenbrenner, which will take place at **UniCredit Centre Am Kaiserwasser** in the Spring. Through these workshops, participants can fully immerse themselves in the world of bees – **learning about biodiversity and ecological interrelationships**, including bee work with all senses.

For CEO Robert Zadrazil, the settlement of the bees was a logical next step: "With this initiative, we are also strengthening the ecologically important 'bee fleet' here in Vienna, and bee workshops for school classes in our UniCredit Centre Am Kaiserwasser. All in all, a nice, consistent project that ideally complements our existing initiatives in the environmental, sustainability and education sectors!"
We are excited to continue our partnership with Bienenzentrum for the foreseeable future and to benefit from their expertise in the professional care of bees. With their help, we hope to further our education and **to achieve something more, together**.

Management Report

I. Bank Austria Consolidated Financial Statements

Management Report

Management Report

Bank Austria at a glance

Income statement figures

(€ million)

	2021	2020 RECAST 1)	+/-
Net interest	864	906	-4.6%
Dividends and other income from equity investments	179	103	73.9%
Net fees and commissions	697	653	6.8%
Net trading, hedging and fair value income/loss	104	60	72.4%
Operating income	1,878	1,766	6.4%
Operating costs	(1,165)	(1,164)	0.0%
Operating profit	713	602	18.6%
Net write-downs of loans and provisions for guarantees and commitments	(166)	(398)	-58.4%
Net operating profit	548	203	>100%
Profit (loss) before tax	93	(32)	n.m.
Total profit or loss after tax from discontinued operations	-	49	-100.0%
Net Profit attrib. to the owners of the parent company	115	20	>100%
Cost/income ratio	62.0%	65.9%	-3.9 PP
Cost of risk	27 bp	63 bp	-36 bp

Volume figures

(€ million)

	31/12/2021	31/12/2021	+/-
Total assets	118,404	118,510	-0.1%
Loans and receivables with customers	66,968	60,863	+10.0%
Direct funding	74,147	73,783	0.5%
Loan / direct funding ratio	90.3%	82.5%	+7.8 PP
Equity	8,939	8,360	6.9%
Risk-weighted assets (overall)	36,220	31,464	15.1%

Capital ratios

	31/12/2021	31/12/2020	+/-
Common Equity Tier 1 capital ratio	16.8%	20.1%	-3.3 PP
Tier 1 capital ratio	18.5%	20.1%	-1.6 PP
Total capital ratio	20.5%	22.3%	-1.9 PP
Leverage ratio	6.5%	6.2%	+0.3 PP

Staff

(Full-time equivalent)	31/12/2021	31/12/2020	+/-
Austria in Total	4,994	5,215	(221)

Offices

	31/12/2021	31/12/2020	+/-
BA AG - Privatkundenbank branches	117	122	(5)

1) Bank Austria Group's income statement as presented in this table corresponds to the format used for segment reporting. Comparative P&L figures for 2020 recast to reflect the current structure and methodology and are mainly due to a shift of lines of debit and credit card services of card complete.

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

Management Report

Economic environment – market developments

Global economic recovery in the second year of the pandemic

Hopes of a complete return to normal in 2021 were dashed by the spread of a number of variants of the virus. The second year of the COVID-19 pandemic was nonetheless characterised by an upturn in the global economy, though the strong start to the year was followed by a marked decrease in the pace of the recovery. In addition to the measures taken against the fourth wave of the pandemic from late autumn onwards, the strong recovery triggered problems due to the interruption of global supply chains. This not only curtailed growth momentum, but also led to significant price rises in many countries.

The decline of over 3% in global economic performance in 2020 was followed by a strong bounce-back over 2021 as a whole, with an estimated rise in GDP of 5.8%, supported by a strong recovery in China with economic growth of over 8% as well as by a sharp rise of 5.7% in the United States. The recovery took a little longer to start for the European economy, which grew appreciably by just over 5% in 2021, though the German economy showed only a moderate pace of growth. This means that the losses of 2020 have not yet been offset. At the end of 2021, the economic performance of the eurozone was still around 4% below the pre-crisis level in 2019.

In the course of the recovery in 2021, many countries saw accelerated inflation due to a rise in commodity prices and transport costs, which were primarily caused by supply bottlenecks that proved to be highly persistent. Operating on the assumption that the increased inflation was for the most part a temporary phenomenon, the central banks of developed countries maintained their supportive monetary policy stance in 2021. The Fed Funds Target Rate remained within the range of between 0 and 0.25 percent, and the European Central Bank kept the key rate at 0 percent and the deposit rate at minus 0.5 percent up to the end of 2021. However, the Fed began to slow the pace of its securities purchases towards the end of 2021. The ECB continued its regular Asset Purchase Programme (APP) and its Pandemic Emergency Purchase Programme (PEPP) in 2021 but has announced that the purchase volume will be reduced in the first quarter of 2022 and that net purchases through the PEPP will be discontinued at the end of March 2022. Rising inflation concerns in 2021 led to a rise in nominal yields on longer-term US government bonds. At the end of the year, 10-year US Treasuries were trading at 1.5 percent, compared to 0.9 percent at the beginning of the year. Long-term yields in Europe also rose slightly as a result. At the end of 2021, the yield on the ten-year Austrian Federal bond was significantly higher at minus 0.11 percent than at the beginning of the year (-0.50 percent). At the same time, the sustained economic optimism has supported the stock markets. The Dow Jones Index rose by 18.7 per cent in 2021. Many European stock exchanges performed even better. The ATX Vienna Stock Exchange index rose by almost as much as 40 percent between the beginning and end of 2021. The increased interest rate differential between the US and the eurozone strengthened the US dollar exchange rate, particularly in the second half of the year, from 1.21 against the euro at the beginning of 2021 to 1.14 at the end of the year.

Economic situation and market developments in Austria

The Austrian economy benefited from the improved conditions after the end of the third wave of the pandemic in spring 2021, achieving an above-average recovery, and economic output was at pre-crisis levels by the autumn. In the winter months, the pace of growth began to slow down as a result of supply bottlenecks, and the lockdown starting in late November had an additional impact on many service sectors. After a drop in GDP of 6.7% in 2020, the first year of the pandemic, the Austrian economy grew by almost 5.0% in 2021. The recovery has allowed the labour market to improve rapidly. The unemployment rate for 2021 fell to an average of 8.0%, having hit an average of 9.9% in 2020. Unemployment in the construction, industrial and non-market services sectors has even fallen below the levels seen before the outbreak of the pandemic. As a result of the increased demand and, in particular, the supply-side delivery problems, inflation began to rise significantly from the spring onwards, even exceeding 4% year on year towards the end of 2021. Inflation doubled to 2.8% on average over the year.

Financing and deposit performance was once again heavily influenced by the pandemic in 2021. Credit growth was very strong with an average increase of almost 4%, though this was slightly less than in 2020. This was due both to the slowdown in loans in the public sector and to a reduced momentum in corporate loans, which fell to just over 4% despite the significant investment activity (2020: +5.6%). On the other hand, the increase in housing loans accelerated to reach almost 6% year on year, supported by the increased demand for residential property and sharp rise in property prices as a result of the pandemic as well as by continued favourable financing conditions. With consumer loans declining significantly less than in 2020, the growth in loans to private households rose to just over 4% on average over the year. In spite of the low-interest environment, deposits rose sharply in 2021 by about 5.5% on average, supported by an acceleration in household deposit momentum and a strong increase in corporate deposits, albeit a much lower one than in 2020.

Management Report

Business developments 2021

Condensed income statement of Bank Austria [1)]

(€ million)

	RECAST [2)]		CHANGE		RECONCILIATION		BANK AUSTRIA GROUP	
	2021	2020	+/- €	+/- %	2021	2020	2021	2020 [3)]
Net interest	864	906	(42)	-4.6%	-	0	864	906
Dividends and other income from equity investments	179	103	76	73.9%	-	0	179	103
Net fees and commissions	697	653	44	6.8%	-	8	697	660
Net trading, hedging and fair value income/loss	104	60	44	72.4%	-	0	104	60
Net other expenses/income	35	44	(10)	-22.0%	-	0	35	44
Operating income	**1,878**	**1,766**	**112**	**6.4%**	**-**	**8**	**1,878**	**1,774**
Payroll costs	(601)	(611)	10	-1.6%	-	(0)	(601)	(611)
Other administrative expenses	(505)	(495)	(10)	2.1%	-	(8)	(505)	(503)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(61)	(59)	(2)	3.0%	-	0	(61)	(59)
Operating costs	**(1,165)**	**(1,164)**	**(0)**	**0.0%**	**-**	**(8)**	**(1,165)**	**(1,172)**
Operating profit	713	602	112	18.6%	-	0	713	602
Net write-downs of loans and provisions for guarantees and commitments	(166)	(398)	232	n.m.	-	0	(166)	(398)
Net operating profit	**548**	**203**	**344**	**>100%**	**-**	**0**	**548**	**203**
Provisions for risks and charges	4	2	2	n.m.	-	0	4	2
Systemic charges	(112)	(146)	33	-22.8%	-	0	(112)	(146)
Integration/restructuring costs	(355)	1	(356)	n.m.	-	0	(355)	1
Net income from investments	9	(92)	102	n.m.	-	0	9	(92)
Profit (loss) before tax	**93**	**(32)**	**125**	**n.m.**	**-**	**0**	**93**	**(32)**
Income tax for the period	11	(2)	14	n.m.	-	0	11	(2)
Total profit or loss after tax from discontinued operations	0	49	(49)	-100.0%	-	0	0	49
Non-controlling interests	10	6	4	n.m.	-	0	10	6
Net profit or loss [4)]	**115**	**20**	**95**	**>100%**	**-**	**0**	**115**	**20**

1) Bank Austria Group's income statement as presented in this table is a reclassified format corresponding to the format used for segment reporting.
2) 2020 figures recast to reflect the consolidation perimeter and business structure in 2021 and are mainly due to a shift of lines of debit and credit card services of card complete.
3) Figures as published as at 31.12.2020
4) Attributable to the owners of the parent company
n.m. = not meaningful

Details of the 2021 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 2020 are recast to reflect the current structure and methodology.

***Segment reporting** covers three business segments: **Privatkundenbank**, **Unternehmerbank** and **Corporate & Investment Banking**.*
***Privatkundenbank** comprises the responsibility for individuals (including premium banking clients), independent professionals and business customers (with annual turnover of up to €3 million) as well as wealth management. **Unternehmerbank** as used here is the sum of corporate customer business, leasing and factoring activities. The **Corporate & Investment Banking** business segment covers multinational and major international customers requiring capital market services and investment banking solutions, as well as FactorBank. Corporate & Investment Banking also serves financial institutions including banks, asset managers, institutional customers and insurance companies.*
The Unternehmerbank and Corporate & Investment Banking business segments are to be merged into the new Corporates division. This is the last report in which they will be presented separately.
Those parts of the bank that are not assigned to any segment are reported in the Corporate Centre segment.

*Once again, 2021 was shaped by the **COVID-19 pandemic**, which broke out in early 2020 and continued to exert a significant impact on the whole economic environment and world of work. Owing in part to the start of the vaccination campaigns and the economic upturn that was starting to take effect in Austria and around the world, the environment in 2021 was markedly better than in the previous year, although the omicron variant of the virus, which emerged in late 2021, gave rise to further uncertainty. Bank Austria's income statement was therefore significantly less impacted by the pandemic in the reporting period than in the previous year, particularly in the area of the cost of risk, as there was significantly less need for preventive measures in 2021 following the risk provisions posted in 2020 pursuant to IFRS 9 in connection with the COVID-19 pandemic.*

In December 2021, UniCredit announced the new strategic plan "UniCredit Unlocked", which focuses on the following three interconnected levers for driving returns: cost savings combined with investments in digital and data transformation and business development; optimal capital allocation, and an increase in net revenue of approximately 2% per annum. As part of this, a provision was created in 2021 for integration/restructuring expenses for the measures relating to Bank Austria.

Operating income in 2021 was €1,878 million, an increase of 6% compared to the previous year's figure of €1,766 million. While the current interest rate and margin environment meant that net interest continued to decline, most other income items showed a significant improvement compared to the difficult previous year.

Net interest remains the largest item in Bank Austria's operating income. At €864 million, it was 5% lower than the previous year's figure of €906 million. This was a result of the continued pressure on margins in an environment of extremely low and sometimes negative interest rates.

Dividends and similar income from equity investments amounted to €179 million, substantially exceeding the previous year's figure by €76 million; this item mainly includes the pro rata results from material equity investments such as the 3-Banken Group and Oesterreichische Kontrollbank. The increase mainly reflects the improved economic environment for these companies in the reporting year.

At €697 million, **net fees and commissions** increased by 7% compared to the previous year's figure. While net fees and commissions from asset management produced substantial gains over the previous year's figure, the contribution from the payment transaction business was at the previous year's level, having been impacted by measures such as repeated lockdowns since the start of the COVID-19 pandemic, particularly in the card payments sector.

Net trading, hedging and fair value income provided a very positive contribution of €104 million in 2021, 72% higher than the previous year's figure. Customer business contributed to this, as did positive results from bond sales and one-off effects associated with the repurchase of two hybrid bonds.

Items that are not attributable to the above-mentioned income items are included in the income statement item **balance of other operating income and expenses**. Income of €35 million (compared to €44 million in the previous year) was generated in 2021.

Management Report

In the current low-interest environment, with limited opportunities for increasing earnings, Bank Austria continues to focus in particular on highly restrictive cost management. **Operating costs** were €1,165 million in 2021, keeping them at the previous year's level (€1,164 million).

Payroll costs amounted to €601 million, €10 million or 2% lower than the previous year's figure. This was also supported by a positive one-off effect relating to social capital. The moderate change in payroll costs is also reflected in a slight reduction in personnel capacities (FTEs).

Other administrative expenses increased by 2% to €505 million, driven partly by higher IT expenses.

The increase in **depreciation and amortisation** from €59 million to €61 million is related to the reclassification of subsidiaries previously classified as "held for sale" (DC Bank) to "held for operational use".

Operating profit amounted to €713 million, i.e. 19% higher than in the previous year, due to the developments described above.

Net write-downs of loans and provisions for guarantees and commitments were affected by conflicting effects. There were increases in performing loans, primarily due to model adjustments and calibration changes driven by regulatory requirements. These effects were offset in part by reversals for foreign currency loans (mainly due to repayments). Net write-downs of loans and provisions for guarantees and commitments for non-performing loans fell sharply compared to the previous year. In total, net write-downs of loans and provisions for guarantees and commitments of €166 million were reported in 2021 (of which stage 1 and 2: €-135 million and stage 3: €-31 million), after an expense of €398 million in the previous year.

Cost of risk, calculated 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 27 bp (63 bp in the previous year). The divisions have the following cost of risk: Privatkundenbank 32 bp (previous year: 41 bp), Unternehmerbank 35 bp (previous year: 68 bp) and CIB division 10 bp (previous year: 82 bp).

The operating result (**net operating profit after net write-downs of loans and provisions for guarantees and commitments**) reached €548 million in 2021, up significantly on the previous year's figure of €203 million. The Austrian customer business segments made the following contributions to operating performance: Privatkundenbank €+40 million (previous year: €+43 million), Unternehmerbank €+250 million (previous year: €+147 million) and CIB €+238 million (previous year: €+77 million).

Under **provisions for risks and charges**, a total amount of €+4 million was reported for 2021 (previous year: €+2 million).

Systemic charges fell overall to €-112 million (€-146 million in the previous year). Of the total amount, €59 million and €51 million were allocated to the deposit guarantee fund and the resolution fund respectively and €3 million to the bank levy (following €65 million in the previous year, which, for the last time, included a pro rata special payment of €46 million due to the new regulation of the Austrian bank levy in 2016). In respect of the bank levy, the reduced sum amounting to the reasonable limit was payable in 2021 due to the previous year's profit situation. The costs of the deposit guarantee rose significantly compared to the previous year's figure as a result of increased contributions due to insolvencies (particularly those of Commerzialbank Mattersburg and Autobank) and the resultant withdrawal of some market players from the deposit guarantee scheme for banks.

An amount of €-355 million was recognised under the item **integration/restructuring expenses** (previous year's figure: €+1 million). The reallocation relates to provisions for the measures planned for Bank Austria based on the 2022–2024 strategic plan "***UniCredit Unlocked***" announced in December 2021. The provision includes material expenses and extraordinary write-downs on the one hand and necessary personnel expenses for temporary bridging and voluntary early retirement models on the other.

Net income from investments was €+9 million (previous year: €-92 million). The key items included were income from the valuation and sale of properties. Expenses in the previous year consisted primarily of impairment losses on individual equity investments, while these only constituted a low overall expense in the reporting year.

The items listed resulted in a **profit before tax** of €93 million. The increase on the previous year's figure of €-32 million is primarily due to the high net write-downs of loans and provisions for guarantees and commitments in the previous year due to the COVID-19 pandemic, an increased operating income and the impact of impairment losses on individual equity investments in the previous year, partly compensated for by the provision for integration/restructuring expenses formed in 2021.

Income tax for the period amounted to €+11 million (previous year: €-2 million).

Non-controlling interests (minority interests) amounted to €+10 million (previous year's figure: €+6 million).

Overall, this results in a profit (**Group Net Profit attributable to the owners of Bank Austria**) of €115 million for 2021, compared with €20 million for the previous year.

Management Report

Financial position and capital resources

Bank Austria Group's balance sheet at 31/12/2021 reflects the target structure which was to be strategically achieved through an **Austrian universal bank** focused on traditional commercial banking business with customers. **Loans and receivables with customers** is by far the largest item on the asset side with a proportion of more than 50%. Unternehmerbank and Corporate & Investment Banking accounted for around two-thirds of total lending volume, underscoring Bank Austria's leading position as a major lender to the Austrian business sector. Furthermore, the bank holds an important position in lending to Austrian retail customers. **Deposits from customers** represent more than half of liabilities and equity. Approximately 60% consists of deposits from Privatkundenbank and constitutes a solid refinancing basis for Bank Austria.

Major items in the statement of financial position

(€ million)

			CHANGE	
	31/12/2021	31/12/2020	+/- € MILLION	+/- %
Assets				
Cash and cash balances	456	944	(488)	-51.7%
Financial assets held for trading	976	1,205	(229)	-19.0%
Loans and receivables with banks	28,546	33,139	(4,593)	-13.9%
Loans and receivables with customers	66,968	60,863	6,105	+10.0%
Other financial assets	18,037	17,611	426	+2.4%
Hedging instruments	1,501	2,742	(1,241)	-45.3%
Other assets	1,920	2,006	(86)	-4.3%
TOTAL ASSETS	**118,404**	**118,510**	**(105)**	**-0.1%**
Liabilities and equity				
Deposits from banks	27,097	26,972	124	+0.5%
Deposits from customers	64,322	61,167	3,156	+5.2%
Debt securities in issue	9,763	12,554	(2,791)	-22.2%
Financial liabilities held for trading	1,029	1,264	(235)	-18.6%
Hedging instruments	1,516	2,453	(937)	-38.2%
Other liabilities	5,738	5,739	(0)	-0.0%
o/w pensions and other post-retirement benefit obligations	*3,757*	*4,009*	*(252)*	*-6.3%*
Equity	8,939	8,360	578	+6.9%
TOTAL LIABILITIES AND EQUITY	**118,404**	**118,510**	**(105)**	**-0.1%**

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

Assets

(€ million)

	31/12/2021	31/12/2020
Cash and cash balances	456	944
Financial assets held for trading	976	1,205
Loans and receivables with banks	28,546	33,139
a) Financial assets at amortised cost	28,546	33,139
Loans and receivables with customers	66,968	60,863
a) Financial assets at amortised cost	66,238	59,958
b) Financial assets mandatorily at fair value	730	905
Other financial assets	18,037	17,611
a) Financial assets at amortised cost (banks)	893	854
b) Financial assets at amortised cost (customers)	2,045	1,374
c) Financial assets designated at fair value	160	117
d) Financial assets mandatorily at fair value	96	107
e) Financial assets at fair value through other comprehensive income	12,428	12,909
f) Investments in associates and joint ventures	2,415	2,250
Hedging instruments	1,501	2,742
a) Derivatives used for hedging	1,306	1,995
b) Fair value changes of the hedged items in portfolio hedge (+/-)	195	748
Other assets	1,920	2,006
a) Tangible assets	905	948
b) Intangible assets	6	5
of which: goodwill	-	-
c) Tax assets	710	634
d) Non-current assets and disposal groups classified as held for sale	4	81
e) Other assets	296	337
TOTAL ASSETS	**118,404**	**118,510**

Liabilities and equity

(€ million)

	31/12/2021	31/12/2020
Deposits from banks	27,097	26,972
Deposits from customers	64,322	61,167
Debt securities issued	9,763	12,554
Financial liabilities held for trading	1,029	1,264
Hedging instruments	1,516	2,453
a) Derivatives used for hedging	1,400	1,976
b) Fair value changes of the hedged items in portfolio hedge (+/-)	116	477
Other liabilities	5,739	5,739
a) Financial liabilities designated at fair value	61	61
b) Tax liabilities	43	43
c) Liabilities included in disposal groups classified as held for sale	(0)	40
d) Other liabilities	1,264	1,161
e) Provisions for risks and charges	4,370	4,432
of which: pensions and other post-retirement benefit obligations	*3,757*	*4,009*
Shareholders' equity	8,939	8,360
a) Revaluation reserves	(1,902)	(1,763)
b) Other provisions	4,879	4,246
c) Share premium reserve	4,135	4,136
d) Share capital	1,681	1,681
e) Minority interests (+/-)	31	40
f) Net profit or loss	115	20
TOTAL LIABILITIES AND EQUITY	**118,404**	**118,510**

Management Report

Compared to 31 December 2020, **total assets** at the reporting date remained virtually unchanged at €118.4 billion (-0.1%).

Loans and receivables with banks fell by €4.6 billion to €28.5 billion.

Loans and receivables with customers rose sharply by €6.1 billion (+10%) to €67.0 billion, with increases in volumes in all business segments (Privatkundenbank, Unternehmerbank and CIB), particularly in the fourth quarter as a result of an increased need for liquidity on the part of businesses. Gross non-performing loans fell compared to the end of 2020 from €2.2 billion to €2.0 billion, with the gross NPL ratio falling from 3.5% to as low as 3.0%. The net value of the NPL ratio was 1.6% at the reporting date.

Deposits from banks remained at the same level as at the end of 2020 at €27.1 billion (+0.5%).

Deposits from customers rose over the course of the year by €3.2 billion to €64.3 billion. Here too, all business segments generated growth.

Debt securities in issue fell significantly (€-2.8 billion) to €9.8 billion. Among other things, 2 major Pfandbrief issues and several subordinated bond issues expired in the reporting period.

The excellent refinancing base from customer business is documented by the consolidated item "**direct funding**" (deposits from customers + own issues + financial liabilities measured at fair value), which amounts to €74.1 billion as at 31 December 2021. This means that loans to non-banks are covered by deposits from non-banks and own issues to the extent of about 111%.

The good overall liquidity situation is reflected in a liquidity coverage ratio (LCR) of 171% for UniCredit Bank Austria AG.

At the end of 2021, **provisions for risks and charges** were around €4.4 billion (unchanged year on year). The largest item thereof is provisions for risks and charges for post-retirement benefit obligations, which amounted to €3.8 billion (31/12/2020: €4.0 billion). As at 31 December 2021, the discount rate for social capital was 1.0%, an increase of 0.35 percentage points compared to the 2020 year-end rate of 0.65%.
In 2021 this item also includes the restructuring provision of €0.4 billion for measures relating to the "***UniCredit Unlocked***" multi-year plan.

At 31 December 2021, **equity** totalled €8.9 billion, an increase of €0.6 billion compared to the end of 2020 due to the issue of additional tier 1 capital of €0.6 billion and to the annual profit of €115 million.

At 31 December 2021, **total financial assets** (**TFA**, the sum of all customer investments) amounted to €110.8 billion, of which €28.5 billion were **assets under management** (**AuM**, fund and asset management products), €25.7 billion were **assets under custody** (**AuC**, direct investments in the capital market/custody business) and €56.6 billion were **customer deposits** (including building society savings and balances with severance funds). The TFA refer to volumes for the Privatkundenbank and Unternehmerbank (excl. leasing), i.e. investments in CIB, Leasing and the Corporate Centre are not included in this key figure.

Capital resources and risk-weighted assets

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

From 28 June 2021, all regulatory provisions of Regulation (EU) 2019/876 (CRR II) are applicable and are reflected in the calculation of the own funds ratios as of 31 December 2021 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 calculates its consolidated regulatory capital and consolidated regulatory capital requirements on an IFRS basis. Bank Austria has been making use of the possibility of allocating the IFRS 9 credit risk effects over time since 1 January 2021.

The Bank Austria Group's **eligible own funds** amounted to **€7.4 billion** as at 31 December 2021 (an increase of €0.4 billion compared with 31 December 2020). Due to the issue of additional tier 1 capital of €0.6 billion in December 2021, tier 1 capital at 31 December 2021 increased by €0.4 billion compared to the end of 2020 in spite of opposing effects in common equity tier 1 capital.

Common equity tier 1 (CET1) capital decreased by €0.2 billion to €6.1 billion.

Compared to the end of 2020, the risk-weighted assets (RWA) increased from €31.5 billion to €36.2 billion. The sharp year-on-year increase in credit risk is primarily due to the new IRB PD model introduced in the third quarter of 2021.
Market risk decreased by €0.1 billion.

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

Capital ratios (based on all risks)

	31/12/2021	31/12/2020
Common Equity Tier 1 (CET1) capital ratio	16.8%	20.1%
Tier 1 capital ratio	18.5%	20.1%
Total capital ratio	20.5%	22.3%

Without taking the transitional provisions defined in the CRR into account, the **common equity tier 1 capital ratio (fully loaded)** was 16.3% and the **total capital ratio (fully loaded)** was 18.4%.

The **leverage ratio** pursuant to the Delegated Regulation (EU) 2015/62, based on the current status of transitional arrangements, was 6.5% as at 31 December 2021. Without taking the transitional provisions defined in the CRR into account, the value is 6.3%.

Permanent establishments

There are no permanent establishments.

Non-financial performance indicators

*As a member of UniCredit Group, Bank Austria does not prepare its own non-financial declaration in accordance with Section 267a of the Austrian Commercial Code (UGB), since it is included in UniCredit S.p.A's non-financial report pursuant to Section 267a (7) UGB. This report now also takes into account the requirements of EU Regulation 2020/852 on EU climate taxonomy, in particular the information that financial institutions are required to disclose for 2021. The report is available on UniCredit's website (**https://www.unicreditgroup.eu/en.html**).*

Research and development

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

In the area of information and communication technology (ICT), investment at the UniCredit level focuses on further developing digitisation and optimising processes, while maintaining stringent cost management and aligning itself with the Group's ICT strategy as well as the ICT security strategy. The main objective is to enhance the customer experience and expand it to include digital channels in addition to automating internal processes. Since 2019, the main focus (in addition to the necessary regulatory and system maintenance measures) has been on the digitisation and further development of online channels (mobile banking, online sales, self-service devices), which has reduced processing times on the banking and customer side and has also strengthened environmental protection (e.g. through paperless processes). This has also made it easier to meet the needs of customers and further increase customer satisfaction during the COVID-19 pandemic despite the heightened security of the systems. ICT expenses and investments (investment budgets) are capitalised at the UniCredit subsidiary UniCredit Services and charged to Bank Austria. UniCredit Services provides the entire Group with IT services, enabling UniCredit to benefit from Group-wide developments and joint IT platforms as well as unlocking significant synergies in the IT sector.

Corporate sustainability/sustainability management at the heart of the business strategy

UniCredit ESG strategy

As explained by the CEO of UniCredit Group at the Strategy Day in December 2021, embedding sustainability in the corporate culture is a key pillar of UniCredit's strategy. UniCredit strives to invest in and support activities that benefit society:

- Target of Net Zero on Group’s greenhouse gas emissions by 2030, and target of Net Zero on financed emission by 2050.
- 79% renewable energy in Group buildings (Austria: 97%), no single-use plastics in Group buildings by the end of 2022
- More than €40 million in contributions to charitable and philanthropic initiatives and to training for +120,000 young people, combined with a commitment to providing financial support to groups that are at risk of financial exclusion
- A commitment to close the gender pay gap over the next three years, implementing the global ESG guidelines and ensuring equal pay for equal work by investing €100 million. The Group's strong focus on diversity and inclusion is already reflected in the high proportion of women at senior levels

UniCredit Group aims to achieve a new ESG volume of €150 billion cumulative for the period 2022–2024, including environmental loans, ESG investment products, sustainable bonds and social loans. The Group has developed an ESG consulting model for companies and individuals, is financing innovation to drive the transition to a low-carbon economy and is working with key players to enrich and improve ESG offering in all sectors.

In addition, UniCredit is developing strategic projects with key partners for specific social challenges (e.g. job inclusion and female empowerment) and is focusing on financial literacy (e.g. basic financial and entrepreneurial skills and education for vulnerable categories).

Management Report

Sustainability at Bank Austria

The following basic concepts are factored into all of the Group's corporate activities, and therefore those of Bank Austria: "Sustainability is an integral part of the DNA of UniCredit Group". Accepting our responsibility towards society and the environment and managing resources carefully and consciously in order to make a significant contribution to transforming the economy into an important driver of a sustainable, CO_2-free society.

The issue of sustainability is part of Bank Austria's business strategy – as part of the UniCredit Group's ESG strategy described above – and is therefore also embedded in its core business. But this is just the beginning: the relevance of a sustainable outlook will continue to grow. The **SDGs (Sustainable Development Goals)** and **ESG (Environment, Social & Governance)** already constitute benchmarks for the Group's economic activity and are involved in determining the products and services on offer. See also UniCredit's Integrated Report, which presents UniCredit's sustainability targets (which include withdrawing financing from environmentally harmful industries such as coal mining and increasing credit facilities that contribute to energy efficiency). These targets are also crucial to Bank Austria in its position as a key part of the Group.

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

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

In the medium and long term, we can only be successful in transforming the economy together with our customers if we structure our financial and investment portfolio to meet the 1.5°C target set out in the Paris Agreement. In October 2021, UniCredit Group took the first important step towards achieving this by joining the Net-Zero Banking Alliance. The Net-Zero Banking Alliance is a voluntary, global alliance of banks, under the aegis of the United Nations Environment Programme Finance Initiative (UNEP FI), that aim to achieve net zero emissions across the entirety of their financing and investments by 2050 or before. The targets are subject to annual target achievement reports.
Further steps being implemented in the UniCredit Group by 2023 include an analysis and calculation of the carbon footprints of the various portfolios and the integration of climate, environmental and sustainability risks in the risk process.

Social commitment remains an essential component of our sustainability strategy. In keeping with our guiding principle of "Doing what is important", we will continue to make an active contribution to improving the social framework and, by applying our environmental management system, we want to help ensure that future generations have an environment worth living in. To this end, we are continuing to enter into cooperation agreements and seeking to exchange ideas with other companies and with experts.

Social Impact Banking (SIB), introduced in 2019 with the three pillars of "impact financing", "microfinancing" and "financial education", supports our aim of contributing to the positive development of society:

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

In 2021, projects were financed to benefit people in the following areas:
- Products for facilitating mobility and making social reintegration easier for people with disabilities
- Residences for people with disabilities
- Reintegrating people with disabilities into the labour market
- Expanding a bilingual nursery school group
- Completing a church for a religious group

We support the start-up and expansion of small businesses through microfinancing. In doing so, we not only enable access to financial resources, but also pass on financial expertise through a network of mentors.

We are particularly proud of our **MicroCredit initiative** (“*MikroKredit-Initiative*”): in 2021, more than 100 small businesses in different sectors received a total of over €3 million in support for their investments. MicroCredits are backed by a guarantee from Austria Wirtschaftsservice Gesellschaft mbH or by liability on the part of Wiener Kreditbürgschafts- und Beteiligungs AG.

The aim of our extensive financial education programme is to support not only company founders, but also young people and young adults. Through the blended learning programme "*MoneyMatters*", we aim to make prudent management of money and financial instruments accessible to pupils aged 14 and over. Following a successful pilot project in cooperation with the Burgenland Department of Education, we began rolling out the programme, which consists of workshops and an innovative online learning platform, in the Vienna Department of Education in autumn 2021.
At the "*Bank Austria Business Plan competition – next generation*", numerous student teams are able to put their entrepreneurial knowledge to the test every year. Furthermore, in cooperation with our partners in the social sector, we bring easily accessible financial education to vulnerable groups, in particular young people and those at risk of marginalisation. Our web app "*Geldwissen2go*" offers easy access to interesting information on money, background knowledge and a money diary.

Community
Once again 2021 was shaped largely by the effects of the COVID-19 pandemic. The *Bank Austria Social Prize*, the purpose of which is to lessen the impact of the pandemic on charitable and social organisations, was increased to a total of 90,000 euros in 2020 and kept at the same level in 2021. In each of Austria's states, an award of 10,000 euros was divided between three aid organisations. As another direct result of the pandemic, a new "advancement of women" category was added to the Bank Austria Social Prize. This was in view of the fact that women were particularly affected by the negative social consequences of the COVID-19 pandemic. Around one third of the 158 applications in 2021 were eligible for this new category of assistance.
In order to help those who are particularly affected by the crisis, in late 2021 we also decided to support the Volkshilfe "*Mut.Schaffen*" initiative. "*Mut.Schaffen*" (Build Courage) provides financial support to children from families at risk of poverty throughout Austria, as well as being there for them in school-related matters, for example.

Bank Austria continues to play an especially important role in the social sector in terms of long-term, mature partnerships with well-known charitable organisations. This strategy, which is focused on continuity, underlines, for example, our cooperation with SOS Children's Villages. This involves us acting as house sponsors in Children's Villages throughout Austria. Caritas is another partner with which we have maintained close cooperation throughout Austria for over 25 years. This covers projects such as the integration through sport initiative "*Käfig League*", the Bank Austria Volunteers' Day and cooperation in disaster relief activities. Since the start of our partnership with the Caritas Family Fund of Bank Austria, founded in 1994, we have helped over 800 Austrian families who have faced hardship through no fault of their own.
Even these long-term partnerships are subject to constant change, however, as shown by a new form of partnership with SOS Children's Villages: Not only did this benefit the children and young people of SOS Children's Villages thanks to the financial and personal contribution provided by Bank Austria, the employees of Bank Austria also had access to "family tips" regularly provided and distributed through internal communication channels by the experts at SOS Children's Villages. These tips have become particularly popular during the COVID-19 pandemic (especially in the context of home-schooling).

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

Promotion of the arts and culture is also an important part of our social commitment. Bank Austria has long been one of the most important private sponsors in Austria. We focus on long-term partnerships with renowned partners, such as the Bank Austria Art Forum, the Albertina or the Vienna Musikverein. We have also been promoting young talent for just as long, which we believe to be a sustainable investment in the future. In 2021 we launched a new and exciting programme in this area with Bank Austria Studios. The studios are available for two years rent-free to selected young graduates of Austrian art academies in order to provide them with the opportunity of gaining a foothold in the art market. This is supported by workshops on topics that are important for life as an independent artist. Cultural commitment therefore not only fits perfectly into the Bank's comprehensive sustainability programme, but also expands it to include a multi-layered perspective.

In order to reach as many projects as possible as well as keeping our finger on the pulse in terms of support, for the past seven years Bank Austria has been pursuing an innovative path that is unique in Austria in the field of cultural promotion: Every year, in cooperation with the *wemakeit* platform, we provide €100,000 for crowdfunding campaigns. As the projects each receive one third of their campaign total as sponsorship from the bank, a total project volume of three times the amount of the money invested is supported. Over the last seven years, the Bank has helped to implement a total of over 230 exciting projects and initiatives. Together with around 19,500 supporters, we have contributed to the Austrian art and cultural scene receiving around €2.4 million.
In the field of sport, we focus on people with disabilities alongside conventional sponsoring activities. We are proud to have been a partner of the Austrian Paralympic Committee since its very beginnings and to support the dedicated sportsmen and sportswomen every year as well as the athletes of the Austrian wheelchair tennis team. This commitment is now being furthered by the cooperation with Special Olympics Austria, which adds a new dimension to the Olympic motto "Taking part is everything".

Disability

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

The initiatives already implemented for customers include a special bank card for visually impaired people, sections of Bank Austria's website which enable customers to listen to spoken information and read texts in simple language, and a shuttle service introduced in 2010 for customers with limited mobility. With the internationally recognised *SmartBanking* in sign language, our tried and tested Bank Austria consulting services have been available to the deaf via video calling since autumn 2015. Since 3 December 2020, UniCredit Bank Austria has offered customers a dedicated inclusion loan for purchasing aids at an especially low variable customer interest rate of 1.5% (tied to the 3 month EURIBOR) and zero percent processing fees upon presentation of an Austrian disability certificate with a disability of 50% or more or a certificate from the Hilfsgemeinschaft der Blinden und Sehschwachen (Austrian Aid Community for the Blind and Visually Impaired).

By promoting a diverse workforce and creating an inclusive culture, UniCredit Bank Austria AG facilitates an environment in which everyone can develop and contribute to success with their unique strengths. Employees with disabilities, of which there are around 230, are also met with a supportive environment that offers the best conditions tailored to their individual needs so that they can use their talents, skills and experience to create added value for the company. As a result, UniCredit Bank Austria AG has for many years been one of only 22% of Austrian companies (according to the Annual Report for 2020 issued by the Austrian Ministry for Social Affairs) that meet the statutory employment quota for people with disabilities.

We are very pleased to have become the leading financial institution in Austria and all of Continental Europe through our commitment in the field of accessibility and inclusion. This is evidenced by numerous international awards, such as the prestigious "*Disability Matters Award 2018*", "*Austria's Leading Companies Award 2019*" or being "Highly Commended" at the "*Financial Adviser Diversity in Finance Awards 2020*" and being named "*Diversity & Inclusion Initiative of the Year*" at the "Financial Adviser Diversity in Finance Awards 2021" for accessible offers during the COVID-19 crisis.

Commitment to the environment – climate protection as a high priority

Environmental and climate protection are key tasks which the world of business now has to tackle. As already mentioned, we at Bank Austria have decided to make a significant contribution towards a climate-neutral economy. It goes without saying that we do this together with our customers. Nevertheless, environmental protection starts with us and we have been aware of this for many years now. The UniCredit Group has committed itself to making a decisive contribution to climate protection that goes far beyond "business as usual" and has set itself some very ambitious goals: These include: meeting all electricity consumption requirements in buildings entirely from renewable energies by 2023, removing all non-recyclable plastic articles from the break areas of office buildings in all countries by 2023 and reducing greenhouse gas emissions to net zero by 2030.

Through its numerous initiatives and projects, Bank Austria has been making a very significant contribution to this for many years now and will continue to do everything it can to take a leading role within the UniCredit Group. For example, UniCredit Bank Austria AG has reduced CO_2 emissions by around 90% since 2008. This is documented through the ISO 14001 environmental management system that has been in place since 2011 and confirmed annually in external audits by Quality Austria. Eliminating single-use plastics from office life has also been a major area of focus. Plastic tableware and cutlery in the kitchenettes have long been a thing of the past, and since 2021, plastic office articles such as slides, pens and document files have gradually been replaced by alternative, plastic-free products.
As regards energy procurement, Bank Austria continues to follow the highest Austrian standards, obtaining almost 100% green energy from renewable energy sources in accordance with the Austrian Eco-Label (UZ46).

This is made possible by adopting a structured approach, which, for instance, is supported by the ISO 14001 environmental management system, which was established in 2011. The benefits of this environmental management system, which covers not only the company headquarters but also all branch locations, are not only ecological and social but also operational in nature: A significant reduction in resource consumption represents huge cost savings. A major contribution to this reduction comes from the new corporate headquarters established in 2018, which were planned and built in line with strict environmental criteria and which have now been certified as DGNB Gold and LEED Gold. We also must not forget the geothermal plant built by Bank Austria at the same time at the same site, which is one of the largest of its kind in Europe.
To further underline the efforts made to protect the environment and the importance of this issue, Bank Austria, together with a few other pioneering companies, also joined the *klimaaktiv Pakt 2020* of the Ministry for Climate Action in 2011. This voluntary commitment has now been successfully finalised, with all goals set regarding the reduction of CO_2 emissions, increasing the share of renewable energy sources and improving energy efficiency now being in some cases significantly exceeded by Bank Austria. This has been confirmed by the Austrian Energy Agency, which carries out the annual monitoring of klimaaktiv Pakt members on behalf of the Ministry for Climate Action.
To emphasise the fact that the efforts cannot end here, Bank Austria also joined the new *klimaaktiv Pakt* in 2021, also launched by the Ministry for Climate Action. Together, the eleven partners have committed to an additional 8.4 million metric tons of CO_2 savings by 2030, thereby making a significant and visible contribution to achieving Austria's national climate targets.

Bank Austria's green product range

A successful transformation to a zero-carbon economy is only possible if we work together with our customers. With mutual respect and by providing attractive products and services that cover the needs of customers while also meeting environmental needs.

In this regard, Bank Austria already has an extensive sustainable product portfolio ranging from a significantly expanded selection of ESG investment products for both private and institutional investors via ESG-linked loans, which are subject to internationally applicable criteria (based on an external ESG rating of the customer), to structured products (with better conditions linked to improved ESG ratings), to green mortgages and consumer loans. The range of account products bearing the Austrian Eco-Label for Sustainable Financial Products (UZ49) was also expanded in 2021. Accounts for business customers and young people have now also been awarded the UZ49 label, meaning that sustainable financing is guaranteed for the full amount deposited.

Products for corporate customers:
To build on our position as a strategic financial partner to our corporate clients, in 2021 we expanded our consulting and services range to include a strong **focus on ESG** especially for SMEs.

As well as our existing successful financing products for companies that have an affinity with capital and credit markets (e.g. green bonds, ESG-linked bonds, ESG-linked promissory note loans, ESG-linked loans, ESG-linked derivatives), Bank Austria is now offering a **standardised sustainability loan** with an interest margin that is tailored according to an external ESG rating.

The option of a customised on-site ESG assessment for information purposes is also available through the ***"Bank Austria Sustainability Barometer"***. This consulting tool has been developed by the UniCredit Group together with the sustainability specialists ISS-ESG. As well as E, S and G analyses, it also addresses issues specific to a number of different sectors (currently 19). This consulting approach provides customers with a broader understanding of, for example, the in-depth analyses of environmental risks required by the EBA, implementation of the EU taxonomy, green asset ratios (for banks) and expanded reporting obligations (sustainability report) for companies and has been extremely positively received by our customers.

Products for retail customers:
Since 2020, Bank Austria has offered retail customers a comprehensive selection of sustainable products that ranges from sustainable accounts and sustainable financing to sustainable investment opportunities. We have also been cooperating since 2020 with WWF, which has been supporting Bank Austria in developing green financing in particular. Since 2021, we have also been partnered with Nationalparks Austria and the Austrian sustainability start-up *Glacier*.

The *GoGreen account* is Bank Austria's sustainable and Austrian Eco-Label-certified account. The full amount of all *GoGreen* account deposits is used to finance sustainable projects. The account is entirely digital and paper-free (including electronic account statements and automated account opening). Every customer receives a debit card that is made from an environmentally friendly material and sent to the customer using an FSC-certified and sustainably printed paper base. All *GoGreen* account holders also receive a reduction on the issue surcharge for selected ESG funds.

The *GoGreen MegaCard account*, Bank Austria's young person's account for customers aged between 10 and 20, also bears the Austrian Eco-Label. The full amount of all account deposits goes exclusively to sustainable projects. This account can also be used entirely digitally (including electronic account statements). Every customer receives a debit card that is made from an environmentally friendly material and sent to the customer using an FSC-certified and sustainably printed paper base.

Sustainable financing for construction and housing is allocated to the construction of new energy-efficient housing and/or to renovation measures to improve energy classification. The customer receives €150 on presentation of the energy certificate. There is also a dedicated blog on the Bank Austria website including articles on sustainable construction and housing. From there, customers can get up to 15% off from selected partners (e.g. sustainable gardening and interior design).

The green consumer loan can be used to finance energy-efficient renovation measures or to purchase environmentally friendly products such as electric cars and electric bicycles. Customers receive a voucher worth up to €100 for our sustainable partners: Zotter, Sonnentor and Markta.

It is also important to Bank Austria that its employees receive training to ensure that they can provide comprehensive and high-quality advice on the topic of sustainability. All employees have completed a mandatory e-learning course on sustainability. A training session for around 60 sustainability ambassadors from sales was also held in collaboration with WWF in 2021.

Customers

Excellent customer experiences are a prerequisite for growth and change
Commitment and motivation to find solutions, as well as an understanding of our customers' personal situations, are what sets us apart. The flexibility shown by our employees has continued to have a positive effect on customer confidence, particularly in the challenging months of the pandemic.

We respond to changing expectations through measurement and analysis.
In addition to conventional phone surveys with around 5,000 interviews a year across all customer segments, we also measure customer satisfaction directly at the point of contact online via "*MyFeedback*", when customers have received advice in-branch or used our service and self-service facilities, or our online channels "*24You*" online banking and the "*MobileBanking*" app. In 2021, our customers again made extensive use of this feedback channel – around 82,000 "*MyFeedbacks*" were submitted in total. Measuring satisfaction at the various points of contact allows us to respond quickly to requests, expectations and complaints.
The feedback on our service, reliability and advice also serves as a basis for our consultants to implement our targets and as a starting point for improving our service. The high satisfaction figures are having a positive effect on the recommendation rate of Bank Austria: in 2021, the net promoter score (NPS) again showed a slight increase (+3) despite the persistent highly challenging environment caused by the ongoing pandemic.

Shaping the future – because every customer complaint is an opportunity to improve
We have set high standards for ourselves in the handling of complaints: to respond to any complaint within 48 hours. We achieve this 99% of the time for both verbal and written complaints. Rapid processing and a satisfactory solution can resolve negative experiences and restore customer confidence in Bank Austria. In 2021, the number of complaints was kept at the same low level as in the previous year thanks to consistent improvements – especially regarding measures taken in response to the COVID-19 pandemic. This was achieved by discussing problems and by developing and implementing improvements in the "*Customer Experience Taskforce*" and "*Customer Experience Board*". The special expertise pooled in our ombudsman's office made it possible to provide assistance rapidly and without needless bureaucracy to customers who were in financial difficulties as a result of the pandemic.

Employees

Employees of the Bank Austria Group and the resident UniCredit CEE units work at UniCredit Bank Austria's headquarters at the Austria Campus in the second district of Vienna. Across the whole of the Austria Campus, the greatest attention is focused on environmental and sustainability criteria. Examples include the reduction of expensive storage media to save energy, the use of new media to reduce hardware, printing using the FollowMe printing system and the implementation of an environmentally friendly paper policy for efficient use of paper, which is also in line with the objective of largely avoiding the use of paper in the future.

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

One particular measure designed to support the different lifestyles of employees is the "Career and Family" audit, an official seal of approval awarded by the Federal Ministry for Families, Seniors, Women and Young People. The bank successfully submitted its first external audit at the end of 2009. The re-audit, which was also successful, took place in 2021.

In the target agreement, which covers a further three years, one focus is on providing the optimum infrastructure to best support flexible working hours and remote working. Communication activities and special support services for managers are also at the heart of the initiatives supported by both management and the Works Council. Further activities to ensure equal opportunities for women and men and people with disabilities have been an integral part of the programme from the very beginning. The success of these initiatives depends to a large extent on management control: qualitative objectives and quantitative targets are defined with regard to the measures and the results are regularly evaluated.

Thanks to many years of experience in the field of remote working, Bank Austria was able, as in the previous year, to very quickly and efficiently move all central segments and large parts of the sales segments to the safety of home offices during the lockdown periods of 2021 while still providing customers with all services to the usual standard. In recognition of this, Bank Austria was awarded the supplementary "Mobile Working" certificate in 2021.

Management Report

Human Capital Austria

We believe that, in order to respond quickly to market opportunities and challenges, we need to build on our efforts to structure and run our company in a dynamic way. This means that managers need to create a secure space that allows our employees to find their voice, take on personal responsibility and live up to our values in their actions and decisions. In 2021 we have also focused on creating an environment that allows us to remain flexible, to question the status quo, to identify new prospects and to ensure that we excel in our markets.

Our task is to create a positive working environment in which employees can get involved and actively contribute to our success. Our top priority in 2021 continued to be to support the physical and mental health and well-being of our employees, and we therefore placed significant emphasis on supporting work-life balance and creating a positive working environment for all of our employees, thereby giving them the opportunity to live up to their full potential. By supporting the work-life balance, continuously optimising the way we work and offering our employees comprehensive opportunities for further development, we want to create an environment that enables our employees to participate actively, grow and learn. This approach was endorsed in January 2022 when Bank Austria received the Top Employer 2022 certification from the Top Employers Institute.

Trust, individual responsibility and mutual consideration, along with the option of time and place flexibility, are the foundation for results-oriented work and a viable work-life balance. Our goal and expectation is to find solutions that meet both individual and business needs, based on mutual understanding and regular discussions. As the pandemic continues through 2021, we consider it our responsibility to support all our employees in a specific manner through targeted initiatives, measures and solutions aimed at increasing flexibility, complying with formal working hours, supporting management with remote teams, supporting home learning and establishing new working methods. We have also endeavoured to support all our customer-facing employees so that they can adapt to the new reality and serve our communities in a more digital way.

As part of our support for all our colleagues in this challenging environment, we have continued our existing initiatives, particularly in the area of "*well-being & (mental) health*". The newly introduced digital learning formats and special *Goodhabitz* training units, an article and toolkit series, provide support for maintaining a good work-life balance. It is important that we always take care of our health and wellbeing, in these times more than ever. We supported our employees with recommendations and information from our page on mental and physical wellbeing and support for individual needs. Topics of particular interest included strengthening resilience, supporting mental health through special advisory services and supporting managers in maintaining contact and engagement among people during long pandemics, but there was also a focus on some physical illnesses where progress in early detection and prevention significantly reduces the risk of negative consequences (breast cancer prevention, testicular and prostate cancer prevention).

External recruiting: In this challenging situation, we made every effort in particular to safeguard the health and safety of all employees and all new recruits to ensure that this year, around 300 interns were able to gain their first professional experience at the Bank and all training initiatives were able to be implemented as planned. In total, around 215 internships were awarded to students at universities of applied sciences and universities. During the summer, an additional 73 school pupils in Vienna as well as in the other federal states were able to complete their holiday work placements, primarily in UniCredit Bank Austria branches. Through the implementation of online recruiting, we also managed to recruit 16 apprentices who started in August 2021. UniCredit Bank Austria also offered excellent opportunities for graduates who were embarking on their career. Bachelor's or Master's graduates were given the opportunity to start their career with us through our graduate programme in January 2021 – followed by a global graduate programme for Austria, Italy and Germany starting in February 2021 and an intake of graduates for the Corporate & Investment Banking (CIB) division in the spring and autumn.

During the corona crisis in particular, training initiatives are incredibly important for the Austrian economy and society as a whole, which is why one of our particular concerns, especially in the current situation, is to ensure the education of young talent and further invest in the future.

To ensure a positive experience for applicants, we also launched our new applicant tracking system Avature in the autumn, a state-of-the-art online tool that also includes solutions for the onboarding process and a CRM module to promote active management of talent pools.

Internal recruitment: Bank Austria's internal job market is an integral part of the human capital strategy and provides a platform for internal vacancies. The aim is to show employees new prospects within the company. Depending on the individual skills, interests and resources, it is possible to work on short-term projects and initiatives across the Group in addition to the opportunity to move to a new position. Finding the right job or an exciting challenge no longer depends on employees' CVs and training alone, but also on their personal motivation and activity. The internal job board, which has been made clearly accessible thanks to various tools, shows employees new prospects, makes better use of employee potential and boosts employee satisfaction. In 2021, we placed additional focus on helping employees broaden their knowledge and experience by taking on challenges in different departments of the bank and applying for internal positions. As part of this project, a "job of the week" section was added to the weekly newsletter to advertise internal job offers.

Performance management: Sustainable differentiation, transparency, a feedback culture and commitment are the main drivers of our development and remuneration decisions. Our UniCredit Performance Management is a modern, fair and transparent performance evaluation and development system for all employees of Bank Austria. Each individual always has access to the evaluations and feedback documentation in his/her personal electronic archive. We use this process to strengthen the performance concept and inclusion within our bank and our group, always aware that this is based on our five fundamentals (Customers First – People Development – Cooperation & Synergies – Risk Management – Execution & Discipline) and that this is the most suitable way to implement the strengths and skills of our employees and to meet the need for future development. Regular feedback provides the basis for achieving individual goals and thus also corporate goals. Performance management supports this process as a Group-wide assessment and development tool. It includes assigning goals, assessing performance and potential and defining career plans and development measures. It therefore forms the framework for regular dialogue. Starting this year, we have introduced an upward feedback facility that prompts and encourages all employees to submit feedback to their line manager voluntarily. This initiative is an important step on our path towards an open and continuous feedback culture.

Learning & development: In order to support our employees and managers in their daily work and development, we have thoroughly strengthened our online learning offerings and expanded these with new cooperative partners. Digital learning methods are becoming increasingly important. While advancing digitisation opens up new channels for our customers to do banking business with us, it also offers our employees new ways of cooperating internally and learning. We have therefore expanded the comprehensive learning media portfolio to include digital self-learning media, with the emphasis on independent learning. We are committed to providing all employees with further attractive opportunities for personal development, on a voluntary, flexible and digital basis. With the introduction of the learning platform *goodhabitz.com*, our employees have been able to access numerous exclusive online training courses this year. This is how *goodhabitz.com* complements the existing learning offerings by providing division-specific online training and training that supports the business units in the best possible way.
We also redoubled our efforts in 2021 to support employees in improving their knowledge of the languages most frequently spoken in the UniCredit Group in order to help them to assert themselves and succeed in an international environment such as this.

The world of work is changing, meaning that we need to adapt our way of working and our work behaviour. For that reason, we are supporting our managers and employees in their "learning" and in getting the most out of new ways of working, cooperation and the use of new tools. To make even better use of digital and peer-to-peer learning opportunities, we have introduced new learning formats in which employees can register to learn from internal and external experts on topics relating to changes and mega trends, as well as from all our colleagues who voluntarily share their knowledge and experience.

MyLearning Plus is a new and improved learning interface that has been introduced to enable colleagues to easily search for and find various learning collections on management, new trends, cooperation, team performance and personal and professional development.
The introduction of a learning management system has improved the roll-out of modern e-learning formats and ensured that compliance with minimum regulatory requirements is achieved efficiently. All of this supports our motto: *#NeverStopLearning*: Employees can learn on a self-determined basis and are not tied to specific time schedules, thereby increasing the return on learning for everyone.

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

Succession planning: Our targeted succession planning enables our experts and managers to pursue an attractive career within our company. Our Executive Development Plan (EDP) ensures that, in particular, critical positions can be refilled internally to the greatest extent possible by means of carefully prepared short, medium and long-term planning, while supporting the development of our executives with targeted development initiatives, both divisionally and across divisions. In continuing to implement our "*Rising Stars*" and "*Leadership Champions*" talent programmes, we have focused on innovation and disruptive thinking as well as on expanding the management repertoire of our prospective managers.

Diversity & inclusion: Diversity, in combination with an inclusive and psychologically secure environment, inspires and creates the perfect culture of innovation by bringing together many different talents, experiences and perspectives. This creates a level of diversity that encourages open-minded thinking and supports mutual respect and tolerance for each other. This is why we are committed to a corporate culture of inclusion which, in our eyes, is the key to sustainable success. As part of the UniCredit Group, we at Bank Austria have been establishing an environment where all employees can express their diverse ideas, talents and experiences and contribute their unique value to our company for many years. We are committed to promoting greater diversity by encouraging international cooperation and teamwork that extends across borders and roles. On our journey to promoting diversity and inclusion, we want to attract and employ candidates with a range of different qualifications, support the careers of our colleagues, promote loyalty to the company and further develop employees, boost our performance-based remuneration system and overall, foster an inclusive culture. The achievement of our diversity and inclusion projects is supported by:
- A focus on how we address candidates with a new employer brand strategy and our pledge to advertise vacancies transparently
- The introduction of several new training and learning programmes to support raising awareness and handling our subconscious prejudices – which we all have – as well as promoting inclusion and our promising female management employees
- Further development of our promotion and appointment process
- Continuation of our strong support for the Disability Management action plan

At UniCredit in Austria, we have been successfully supporting the goals of diversity and inclusion for many years through various networks that have been initiated by employees, especially through our UniCredit Bank Austria Women's Network. This enthusiasm has inspired us to provide significant support to another two *employee resource groups* this year:
- *Unicorns of Bank Austria*
- *UniCredit Cultural Diversity Network*

We have also introduced a new employee group that focuses on younger colleagues, as well as on intergenerational cooperation and how it is understood:
- *Future Generations Network*

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

Bank Austria has also demonstrated its commitment to these values through a series of different events on topics including the *culture of masculinity*, *LGBTQ+*, inclusive communication, intergenerational understanding and cooperation and many more. This was offered to all our employees and attended by many of them.

Gender balance: UniCredit launched a Group-wide Gender Balance Programme with a view to creating fair workplaces based on equal rights for men and women and ensuring that these values are firmly anchored in the corporate culture. This initiative is supported not least by the signing of the "*Women in Finance Charter*" by the then UniCredit CEO in London in June 2018. The degree to which this objective is reached, especially at management level, is measured by means of an annual dashboard for the Strategy & Nomination Committee. The proportion of women on the Group Executive Committee is 40%. Particular value is placed on having candidates of both genders in the appointment process for management positions; candidates will be fairly assessed for each position, ensuring equal opportunities. Salary adjustments always consider gender-equal compensation. In order to promote the development of our female talent, in 2021 we developed a special mentoring program for management that focuses on promoting awareness of our new generation of female executives and supporting them in taking on new tasks in the future. At the same time, we have continued to take a strong interest in the global UniCredit programmes aimed at supporting our most promising executives.

Management Report

Outlook

Economic environment 2022

The global recovery from the economic slump caused by COVID-19 is set to continue in 2022. While restrictions in response to the omicron variant of COVID-19 are expected to have little impact on economic activity, the severe and prolonged supply bottlenecks and the increase in inflation will slow the pace of growth. The rise in global GDP is expected to decrease from an estimated 5.8% in 2021 to just over 4% due to the drop in momentum in developed countries as well as in the most important growth markets. Economic growth in China is expected to slow to less than 5% in 2022, though this is mainly due to structural reasons and spillover effects on the overall economy from financial vulnerabilities in the property sector. In the Eastern European growth markets too, momentum will be more moderate in 2022 due to weaker demand from the eurozone, where GDP growth is expected to fall from 5.0% to 3.9%. In the United States, economic growth is likely to slow from 5.7% to 3.4%.

The rise in inflation in 2021 is largely considered to be a temporary phenomenon, being caused largely by supply-side bottlenecks in materials and by transport problems that are not only set to stop starting with the second half of 2022 but are in fact likely to reverse. The high inflation rates in early 2022 should therefore decrease significantly over the course of the year, but inflation rates will nonetheless be markedly higher than in 2021 at an annual average of almost 5% in the United States and almost 4% in the eurozone. In view of the continuing economic recovery, the central banks are set to accelerate the pace of their normalisation of monetary policy. The US Federal Reserve is expected to stop its net purchases of assets in spring 2022, and then to increase key interest rates. The European Central Bank will cut back its purchases of securities when the Pandemic Emergency Purchase Programme (PEPP) expires, but net purchases will continue in the near term and interest rate increases are expected later than in the United States. In contrast, key interest rates in most Eastern European growth markets will be raised further in 2022. The tightening of monetary policy in the United States promises an upward trend in short and long-term market interest rates, such as yields on US government bonds. In contrast, yields on long-term debt securities in the eurozone are set to remain low. The widening interest rate differential between the United States and the eurozone is expected to keep the euro exchange rate against the US dollar on a moderate downward path, which should reach about 1.10 by the end of 2022. The credit spreads of European corporate bonds are expected to remain narrow, with some room to tighten further in riskier segments, although with higher volatility. Volatility is also set to increase on the equity market, but most OECD-based stock indices are expected to perform positively, particularly in Europe. In contrast, the prospects for the growth markets appear increasingly problematic in most asset classes.

The outlook for Austria

Following an almost 5% increase in GDP in 2021, the recovery from the pandemic is expected to continue into 2022 with economic growth of 4.5%. This growth will be driven largely by private consumers, supported by catch-up effects, positive employment trends and a tail-off in the savings rate. Investment activity will increase again as the supply problems are resolved, which is expected to happen in the second half of the year, and there will be strong momentum buoyed by the continuation of favourable financing conditions in the Austrian economy. After two years of negative contributions to growth, foreign trade is expected to have a positive effect again in 2022, thanks in particular to service exports as the tourism industry recovers. Thanks to the strong pace of recovery, the Austrian economy will not only be able to recover the loss caused by the pandemic but will also gradually return to the growth trend before the start of the pandemic. This means that, unlike the financial crisis of 2008/2009, the COVID-19 crisis will have no long-term impact on the economy. This will be reflected above all in a sustained improvement in the labour market. Having reached 8.0% on average in 2021, the unemployment rate will drop to 7.2% in 2022, lower than before the pandemic. With values currently exceeding 4% year on year, inflation in Austria is expected to slow during the course of 2022. A base effect and the expected decline in the price of crude oil from almost $80 per barrel at the end of 2021 to less than $70 by the end of 2022 are likely to bring about a turnaround in inflation. After averaging almost 4 percent in 2022 due to the high starting values for the year, inflation should again be less than 2 percent in the following years 2023/24.

As the ECB begins to normalise its monetary policy in 2022, the currently extremely favourable financing conditions are expected to change slightly. Combined with the lower pace of recovery, the growth in lending in 2022 should therefore remain behind that in the previous year due to the slower momentum in both corporate and household loans. Housing loans in particular are likely to see a noticeable slowdown, while consumer loans could increase slightly for the first time in years due to lower uncertainty and the improved employment situation. Strong household consumption and capital expenditure mean that deposits, including corporate deposits, are expected to perform lower in 2022 than in the previous year.

Medium and long-term objectives

As Bank Austria continues to evolve, it continues to focus on growing and strengthening the customer base through more efficient and optimised products and services, while improving the customer experience as a key driver for all strategic initiatives. Fully digitised processes are designed to deliver the best customer experience while reducing costs and operational risk. At the same time, the bank will focus on simplicity, fast processes and sustainability.

UniCredit Bank Austria will improve the service model for its retail customers, in particular by means of a further optimised mix of online and offline channels: The focus here is on direct channels for customer service and transactions, so that sales can devote itself fully to consulting. Moreover, direct channels for the service of the broad business will be made available in order to exploit growth opportunities through a greater coverage and improved investment services in Private Banking and wealth management. UniCredit is also focusing on the further expansion of digital solutions such as video consulting or digital contract signing in the corporate customer sector, particularly in terms of support for small and medium-sized companies.

UniCredit Bank Austria is optimising its corporate customer business by merging its Corporate & Investment Banking and Unternehmerbank segments into the new Corporates division – a division for all corporate customers that offers them everything in one place. This initiative is an important step in simplifying the bank's organisational structure. The aim is to generate additional synergies and closer contact with customers.

Following the appointment of the new UniCredit CEO, Andrea Orcel, and the changes to the Group Executive Committee of UniCredit S.p.A., the Group's new strategic plan "***UniCredit Unlocked***" was presented to the market on 9 December 2021.

One important pillar of "***UniCredit Unlocked***", 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 will be redesigned, leveraging organizational simplification and digitalization. Fast implementation of cutting-edge technology is crucial to expanding client reach and support all business segments in increasing value generation. Lean business model will reduce complexity and boost business effectiveness. In view of this, more than 50% of UniCredit Bank Austria's investments will go towards 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: RWA optimisation to mitigate regulatory headwinds, fostering capital light business and focusing on value generating client segments.
- +5% net revenue: recover natural market share in the retail business, building on the bank's leading position in private banking and achieving additional growth in corporate banking.
- -4% cost: streamline the operating model to reduce complexity.

Continuing the disciplined management of risk provisions and risk weighted assets (RWAs) is a further important precondition for achieving the overriding objective: to achieve profitability that is considerably greater than the capital invested in all business areas. The central aim is to achieve significant improvements in return on allocated capital (RoAC).

The organisational and digital transformation will focus particularly on the following targets until the end of 2024:

- generating a return on allocated capital (RoAC) of over 12%,
- improving the cost/income ratio to around 50%, minus 13 percentage points in the period from 2021 to 2024, and
- generating a net profit of €0.7 billion, about 15% of the net profit of the entire Group.

Management Report

The focus is on recovering natural market shares in core products, through efforts along **three different dimensions**:

The organisation:
At the forefront is a redesigned, streamlined operating model, focusing on simplifying the organisation and on digitisation. The operating model to be implemented is generally streamlined, reduces complexity, and increases efficiency and lowers the cost/income ratio in the business. At the same time, more than 50% of capital expenditure is being directed towards growth and optimisation.

Customers:
UniCredit Bank Austria plans to rapidly implement customer-focused framework conditions based on state-of-the-art technology. This is aimed at broadening the scope of the customer base. Specifically, the market share is set to increase by 3 percentage points in mortgage financing and by 8 percentage points in consumer loans compared to 2021.

Employees:
All the business segments are expected to increase their value creation and thus make a contribution that is greater than the cost of capital. Process automation is changing the way transactions and processes are handled and is set to reduce our total costs by a total of -12% between 2021 and 2024.

It is important that this reduction in total costs – which covers all material and personnel costs – be brought about through significant investments in digitising our products and services and significantly simplifying our processes and the entire operating model.

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

Throughout the **COVID-19 crisis**, UniCredit Bank Austria has once again demonstrated its organisational strength and flexibility, as well as the high degree of commitment and know-how of its employees:
- The relocation to the new headquarters at the Austria Campus in 2018 enabled employees to work 20% of their weekly working hours from home. This successful remote working concept provided an important basis to enable over 90 percent of the 5,300 employees at the headquarters to continue working from home and supporting customers as effectively as possible within just a few days of the start of the COVID-19 lockdown in March 2020.
- All employees will continue to have the option of working from home in future: up to 40 percent of weekly working hours in central areas and up to 20 percent in the branches.
- Over the rest of the year, safety and protective measures in the branches and at the Austria Campus were continually adapted to the decisions made by the Federal Government in response to epidemiological developments. The top priority was always to keep the risk of infection for customers and employees as low as possible, while ensuring that all bank services continued to run smoothly for customers.

Meanwhile, UniCredit Bank Austria also began **supporting the economy through the COVID-19 crisis** in many respects. During the initial acute crisis phase, our main focus was on supporting businesses and households as well as possible:

- The bank has supported companies directly by way of forbearance measures, bridging loans, special credit limits for export losses and comprehensive advice.
- An increase in forbearance measures and increases in credit lines have prevented customers from getting into emergency situations, allowing them to remain liquid and continue contributing to domestic demand in Austria, which is now more important than ever.
- Since the beginning of the crisis, up to €3 billion has been lent (at the top end) and tens of thousands of deferments have been implemented. Moreover, every second export guarantee by OeKB, i.e. around 50 per cent, has been processed through UniCredit Bank Austria, which is well above the typical market share of 30%. Even in other guarantee systems (*aws*, *OeHT*), more guarantees have been provided than corresponded to the market shares. Even in this crisis, UniCredit Bank Austria has therefore shown itself to be a reliable partner to its customers as one of the leading banks in the country.
- As a leading corporate bank and preferred partner in funding advice, UniCredit Bank Austria is the ideal point of contact for all entrepreneurs who want to obtain an overview of the current funding opportunities. Funding experts have advised and supported customers in the past few months, mainly through telephone and video calls.

In a second phase, the medium-term and long-term objectives were increasingly brought to the foreground to make the **business models** and the **equity basis of the company** fit for the future. Companies need both credit and funding as well as sufficient equity to get through the crisis:

- Key points from discussions with customers in this phase are also opportunities brought about from the current situation: such as expansion possibilities through targeted purchases, the preparation and implementation of company handovers in SME or the expansion of the e-commerce offering.
- UniCredit Bank Austria also supports companies in positioning themselves in a way that is sustainable and considerate of the environment, especially through investments in digitisation, climate and environmental protection. The bank offers advice and analysis to show customers what their targets should be in terms of ESG criteria (environmental/social/sustainable governance) and how the bank can support them on the way to sustainable financing.

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, launched in 2020, which is certified with the Austrian Eco-Label. Here, sustainable financing is carried out to the amount of the deposits in GoGreen accounts: for companies, projects in the field of renewable energies (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. For sustainable investment products, reduced purchase costs apply for the GoGreen account. The GoGreen account is also available as a GoGreen account for children and young people and, since 2021, as a GoGreen business account. This green account allows self-employed people, freelancers and small and medium-sized enterprises to contribute to climate protection through their payments.

An important – and quite positive – effect of the COVID-19 crisis is the strong economic and social impetus in the field 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.

Further information

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

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

Development of business segments

Privatkundenbank

(€ million)

	2021	2020 RECAST 1)	CHANGE +/- € million	+/- %
Operating income	867	868	(1)	-0.1%
Operating costs	(764)	(747)	(17)	2.3%
Operating profit	103	121	(18)	-14.6%
Net write-downs of loans	(63)	(78)	15	-18.9%
Net operating profit	40	43	(3)	-6.7%
Profit (loss) before tax	**(35)**	**(23)**	**(12)**	**53.7%**
Total Financial Assets 2)	72,605	67,374	5,231	7.8%
Loans to customers	20,393	19,352	1,041	5.4%
Deposits from customers	36,423	35,056	1,368	3.9%
Ø Risk-weighted assets (RWA) 3)	7,849	8,573	(723)	-8.4%
ROAC 4)	-4.1%	-2.9%	-1.2 PP	n.m.

1) In segment reporting, the comparative figures for 2020 were recast to reflect the current structure and methodology (see Segment Reporting section in the Notes to the consolidated financial statements)
2) Total financial assets: sum of customer assets, i.e. sum of deposits from customer, assets under management (fund and asset management products) and assets under custody (direct capital market investments/custody business)
3) Average risk-weighted assets (all risks) under Basel 3
4) Allocated capital calculated at 11.75% (2021) or 12.25% (2020) common equity tier 1 (CET1) ratio

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

Operating profit
Operating income was €1 million (-0.1%) below the previous year's figure, driven by a decline in net interest in the continuing low-interest environment. In contrast, net fees and commissions increased by 5.2% due to good performance in the securities business despite the COVID-19 crisis. Operating costs were €-764 million, an increase of +2.3% (€17 million) over the previous year. This cost increase is mainly due to higher variable cost components, higher ICT costs and higher depreciation and amortisation in DC Bank due to its reclassification to "held for operational use". The decline in operating profit to €103 million (2020: €121 million) is primarily due to the operating cost trend.

Net write-downs of loans and provisions for guarantees and commitments
Net write-downs of loans and provisions for guarantees and commitments in 2021 were mainly affected by model adjustments for performing loans and amounted to a total of €-63 million (previous year: €-78 million).

Profit (loss) before tax from continuing operations
Taking into account the developments outlined above and the non-operating expenses of €-75 million (mainly systemic charges), the Privatkundenbank made a loss before tax in 2021 of €-35 million (a difference of €-12 million from the previous year's result of €-23 million)

Loans to customers/customer deposits
At €20.4 billion, the loan volume was +1.0 billion above the previous year's level. This positive performance was primarily driven by a 20% increase in new private construction and housing financing business, but also by an increased momentum in consumer financing.
Customer deposits increased significantly by €1.4 billion to €36.4 billion, driven by growth in demand deposits.

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

The **Premium Banking segment** currently serves more than 30,000 wealthy private clients with total assets of around €20 billion. Around 220 employees support customers at 31 locations throughout Austria.

Management Report

The **Small Business Banking** segment serves business customers and freelance professionals. Customers can request advice either on-site in special business customer offices or remotely via video calls.

Digital offers and services have also been consistently expanded. This has enabled our customers to transact all essential products and services purely via digital channels without having to visit a branch. The possibility of **signing contracts via the secure TAN procedure** was extended to all major transactions, therefore also ensuring paperless end-to-end processing. This enables customers to take out a consumer loan online in a matter of a few minutes, for example.
With the introduction of **video authentication**, the bank has taken the next step in further simplifying our processes.

Another area of focus was the introduction of the new innovative **MobileBanking App**, which was initiated in the second quarter of 2020 and successfully completed by the end of January 2021. The design for the new MobileBanking App is now even more modern and user-friendly: An extremely intuitive and above all, more user-friendly experience establishes the MobileBanking app as an equal channel to *24You*, the easiest Internet banking experience in Austria. At the same time, functionality has been expanded, making the app even more attractive. With the automatically integrated personal finance manager, customers have a perfect overview of their income and expenses. In the first half of 2021, we were also able to activate the "Stock Exchanges & Markets" function in the app, which also gives our customers an overview of current stock market events via the app.

As previously, all orders can be made and approved directly in the MobileBanking app, and now even more quickly using facial recognition, fingerprint or self-chosen authorisation code (ATC). There is no longer a need for a second app or even SMS reception; nevertheless, the app meets the highest security standards, as all security provisions have already been integrated into this app.
App Store ratings have continued to improve over the course of the year, above the average ratings for financial apps.

The **Wealth Management** segment is concentrated in Schoellerbank, which is considered a specialist in investment and retirement provision. Its core competence is asset management, where experts invest their customers' money according to the motto "*Investieren statt Spekulieren*" ("Invest, don't speculate"). This traditional bank also supports its customers – who entrust it with around €12.6 billion – in making all the financial decisions in their lives: From the coverage of basic financial services to financial planning, estate succession and foundation management. Schoellerbank Invest provides customers with an in-house investment trust which presents tailored special funds for especially wealthy customers. The bank's many years of experience and expertise have yielded many satisfied and loyal customers as well as all the key awards in the finance sector: Schoellerbank is frequently recognised in independent international industry tests; it has not only been Austria's most highly awarded private bank for many years, but this also continues to underscore its expertise as a leading wealth manager in the country. With 9 locations, Schoellerbank – a wholly owned subsidiary of UniCredit Bank Austria AG and the centre of excellence of UniCredit for wealth management in Austria − is also the only private bank represented throughout Austria.

Unternehmerbank

(€ million)

	2021	2020 RECAST	CHANGE +/- € million	CHANGE +/- %
Operating income	541	514	26	5.1%
Operating costs	(205)	(196)	(9)	4.7%
Operating profit	336	319	17	5.3%
Net write-downs of loans	(85)	(172)	87	-50.4%
Net operating profit	250	147	104	70.5%
Profit (loss) before tax	**242**	**137**	**104**	**75.8%**
Total Financial Assets	38,219	31,311	6,908	22.1%
Loans to customers	25,922	23,969	1,953	8.1%
Deposits from customers	18,511	17,205	1,306	7.6%
Ø Risk-weighted assets (RWA)	10,116	9,618	497	5.2%
ROAC	15.9%	9.1%	+6.8 PP	n.m.

Operating profit

Operating income increased to €541 million in 2021 (an increase of €+26 million on the previous year). As in the previous year, the decline in interest income was mainly attributable to the COVID-19 pandemic and the continuing difficult interest rate environment, but the economic recovery in the second half of the year and optimisation measures on the deposit side helped to stabilise revenues. Revenues from loan provision, securities and payment transactions (cash management) are contributing to the positive performance of fee and commission income (+9.2% compared to the previous year). Net trading, hedging and fair value income also showed a significant improvement: +89% compared to the same period in 2020, due to a strong derivatives business with customers. A significant increase in dividend income, attributable in particular to profit from equity investments, rounded off the positive income performance of the Unternehmerbank.

Operating costs increased by €9 million to €205 million. This increase is largely attributable to greater indirect costs, particularly for the use of services by Group-owned service providers. However, as in previous years, strict cost management continues to apply.

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

Net write-downs of loans and provisions for guarantees and commitments for 2021 amounted to €-85 million, owing in part to model adjustments and calibration changes for defaulting customers. This represents a decrease of €87 million on the previous year.

Profit (loss) before tax from continuing operations

After taking into account systemic charges and positive valuation effects for property and leasing assets, earnings before tax from the Unternehmerbank were €242 million in 2021, 76% higher than the previous year's figure of €137 million, mainly as a result of revenue increases and significantly lower loan provisions.

Loans to customers/customer deposits

At €25.9 billion, loan volumes were significantly higher than in the previous year (31 December 2020: €24.0 billion). Loans and receivables with customers rose, particularly at the end of 2021, as a result of the short-term liquidity needs of some customers.
At €18.5 billion, customer deposits were above their 2020 level (€17.2 billion). Despite a low-interest environment in which interest rates remained negative, an increased inflow of deposits was recorded, especially in the fourth quarter.

For the Austrian economy, 2021 continued to be dominated by the **COVID-19 pandemic**, yet business developments in the Unternehmerbank also made it crystal clear that the extent to which the individual sectors of the economy were affected varied considerably. The restrictive measures implemented to contain the pandemic have kept some parts of the economy under pressure, including in particular tourism and gastronomy. However, support measures by the government have had an impact, and the number of bankruptcies and firms in difficulty remained within narrow limits.

In the result for the period, the Unternehmerbank saw very strong growth in the **payment transactions** business, which more or less returned to pre-crisis levels. This is usually a good early indicator that the economy is reviving, which is also confirmed by the analyses and forecasts for the national economy. The exact effects of the fourth wave of the COVID-19 pandemic, with the return to lockdown in November, will not become evident until 2022 and cannot be quantified at present.

The **lending business** showed little momentum in the first half of the year, but advanced strongly in the second half of the year, clearly reflecting the recovery of the Austrian economy. Deposit banking responded to the low-interest environment, in which interest rates remained negative, by focusing on **alternative investment opportunities** for credit balances that were not required by businesses in the short term.

Among commercial property clients, it became apparent that the **Austrian property industry** has managed the COVID-19 crisis very well to date. Project activities were at a very high level, particularly in the Residential sub-segment; in the Retail segment, specialist retail centres in particular weathered the crisis very well. Accordingly, the Real Estate business segment in the Unternehmerbank also showed a very satisfactory result, providing a positive outlook for the coming year.

Since the first quarter of 2021, the **municipal loan business** has returned more or less to normal, following particularly high demand towards the end of last year. Among other things, this boom ensured an excellent result for the **Public Sector business segment**. Towards the end of the year, the number of calls for financing was once again at pre-crisis levels, although generally speaking we saw a sharp increase in competition for public financing.

As a strategic financial partner to its corporate clients, in 2021 the Unternehmerbank expanded its consulting and services range to include a strong **focus on ESG**, especially for SMEs.

In addition to the financing products already successfully offered to companies with capital and credit market affinity (e.g. green bonds, ESG-linked bonds, ESG-linked promissory note loans, ESG-linked loans, ESG-linked derivatives), Bank Austria is now offering a **standardised sustainability loan** with an interest margin that is tailored according to an external ESG rating.

The option of a customised on-site ESG assessment for information purposes is also available through the **"Bank Austria Sustainability Barometer"**. This consulting tool has been developed by the UniCredit Group together with the sustainability specialists ISS-ESG. As well as E, S and G analyses, it also addresses issues specific to a number of different sectors (currently 19). This consulting approach provided customers with a broader understanding of, for example, the in-depth analyses of environmental risks required by the EBA, implementation of the EU taxonomy, green asset ratios (for banks) and expanded reporting obligations (sustainability report) for companies, and was very positively received by customers.

The **digitalisation of** services for corporate customers continued to be given a very high priority in 2021. **Video authentication** is a new service that allows customers to add new authorised signatories to a corporate client business relationship from anywhere: all they need is an internet connection. This eliminates physical contacts and travel times completely. The exclusive **"Bank Austria Trade Club"** was presented in the second half of the year. The purpose of this platform is to structure international trading in a more efficient way for customers, to simplify the search for potential suppliers and buyers and to facilitate networking with new business partners.
A new **online account opening tool** for business customers is in the pipeline for the first quarter of 2022.

With an extensive presence across Austria and recognised for the expertise and reliability of its advisers, Bank Austria continues to be THE strategic financial partner for Austrian companies. A continuous increase in customer satisfaction and, despite the crisis, sustained strong profitability speak for themselves.

Corporate & Investment Banking (CIB)

(€ million)

	2021	2020 RECAST	CHANGE +/- € million	+/- %
Operating income	425	396	29	7.3%
Operating costs	(169)	(166)	(3)	2.0%
Operating profit	256	230	25	11.0%
Net write-downs of loans	(18)	(154)	136	-88.4%
Net operating profit	238	77	161	>100%
Profit (loss) before tax	**215**	**40**	**176**	**>100%**
Loans to customers	20,416	17,340	3,075	17.7%
Deposits from customers	9,588	9,106	482	5.3%
Ø Risk-weighted assets (RWA)	10,986	10,083	903	9.0%
ROAC	12.5%	2.2%	+10.3 PP	n.m.

Operating profit
In the CIB segment, the operating profit in 2021 was €256 million, up 11% on the previous year's figure. Operating income rose by €29 million or 7.3% to €425 million, with improvements in all key income statement items. The interest surplus rose by 3.8%. The significant improvements in net trading, hedging and fair value income/loss were influenced by very good performance in the derivatives business with customers, positive results from bond sales and positive valuation effects.

Net write-downs of loans and provisions for guarantees and commitments
After a significant increase in risk provisions in the previous year (€-154 million) caused by the COVID-19 crisis, the net allocation in 2021 was lower at €-18 million. This was due in part to model adjustments and changes to provisions for risks and charges for individual customers.

Profit (loss) before tax from continuing operations
In addition to the figures presented above, profit before tax mainly includes the systemic costs allocated to the CIB business segment and amounted to €215 million (previous year: €40 million).

Loans to customers/customer deposits
Loan volumes increased by 17.7% in comparison to 2020, to €20.4 billion. Customer deposits rose by 5.3% to €9.6 billion, driven mainly by demand deposits.

UniCredit is one of the largest lenders in Europe. In Austria, Bank Austria is ranked first in Austrian bonds and number one in Austrian syndicated loans and corporate loans. As a result, Bank Austria made a significant contribution to the Austrian real economy.

Bank Austria was named "*Best Investment Bank*" in Austria, as well as *Best Global Trade Finance Bank for Customer Service*, *Best Sub-Custodian Bank 2021* and *Best Foreign Exchange Provider*. Bank Austria was also named the *best service provider* and the *market leader in Austria* in the Euromoney Cash Management Survey 2021.

The economic environment in 2021 continued to be dominated by the COVID-19 pandemic. However, it turned out that multinational companies were less affected than initially assumed. In addition, the legislative measures introduced to ensure corporate financing (e.g. TLTROs) had the intended effect. This can be seen not only in the business performance of many large companies, but also in the development of credit risk provisions and in customer rating trends, which were better than originally expected in both categories.

The demand for credit was subdued in 2021, clearly reflecting the economic situation of customers. Rising corporate profits, and thus a higher equity financing ratio and deferred capital expenditures, meant that demand for new loans was not quite as high as had been forecast.

Management Report

As we had expected, the trend towards ESG financing intensified further over the course of 2021. There is increasing focus on the topics of EU taxonomy, reporting standards and ESG-related financing products in the initiation and implementation of financing transactions and related business activities. The CIB division has extensive market experience and expertise in this area and therefore contributes significantly to Bank Austria's position as a leading ESG specialist in the market.

Deposit banking responded to the continuation of the strong negative-interest environment by focusing on alternative investment opportunities.

Despite the difficult environment, the CIB business segment successfully defended its leading market position among multinational companies, financial institutions and major real estate customers in 2021 thanks to its focus on intensive support and a proactive "pitching strategy". The core initiatives for 2021, such as growth in the core markets, strengthening of customer relationships in the domestic market, tight control of risk development and acceleration of capital market business and hedging products for customers, were all implemented with great success. This is particularly evident from the bank's financial successes and its resulting leading position in the structured credit, capital market and interest rate hedging business.

Even in these challenging times, the CIB division remained fully dedicated and committed to its multinational Austrian customers and was able to find bespoke financial solutions. Equally, this process also continued in our expanded core markets, such as Scandinavia and Iberia. The CIB product lines are directly linked to customers of Bank Austria's other business segments and, through networking within the Group and due to the global platform available as a result of this, provide the basis for the ongoing development of product know-how and services for customers.

Management Report

Vienna, 18 February 2022

Robert Zadrazil
CEO
Chief Executive Officer
(Chairperson)

Daniela Barco
Privatkundenbank

Gregor Hofstätter-Pobst
CFO Finance

Georgiana Lazar
People & Culture

Wolfgang Schilk
CRO Risk Management

Günter Schubert
Corporates

Consolidated Financial Statements

Consolidated Income Statement

Consolidated income statement

(€ million)

ITEMS	YEAR 2021	YEAR 2020
10. Interest income and similar revenues	1,285	1,308
of which: interest income calculated with the effective interest method	*896*	*1,023*
20. Interest expenses and similar charges	(421)	(401)
30. Net interest margin	**864**	**907**
40. Fees and commissions income	891	834
50. Fees and commissions expenses	(194)	(182)
60. Net fees and commissions	**697**	**653**
70. Dividend income and similar revenues	16	5
80. Net gains (losses) on trading	82	55
90. Net gains (losses) on hedge accounting	(1)	1
100. Gains (Losses) on disposal and repurchase of:	12	5
a) financial assets at amortised cost	6	-
b) financial assets at fair value through other comprehensive income	8	4
c) financial liabilities	(1)	1
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss:	8	(9)
a) financial assets/liabilities designated at fair value	(4)	(3)
b) other financial assets mandatorily at fair value	12	(6)
120. Operating income	**1,678**	**1,616**
130. Net losses/recoveries on credit impairment	(167)	(346)
a) financial assets at amortised cost	(166)	(347)
b) financial assets at fair value through other comprehensive income	(1)	-
140. Gains/Losses from contractual changes with no cancellations	-	(1)
150. Net profit from financial activities	**1,510**	**1,268**
160. Net premiums	-	-
170. Other net insurance income/expenses	-	-
180. Net profit from financial and insurance activities	**1,510**	**1,268**
190. Administrative expenses:	(1,499)	(1,238)
a) staff costs	(880)	(611)
b) other administrative expenses	(618)	(627)
200. Net provisions for risks and charges:	8	(56)
a) commitments and financial guarantees given	-	(51)
b) other net provisions	7	(6)
210. Net value adjustments/write-backs on property, plant and equipment	(93)	(94)
220. Net value adjustments/write-backs on intangible assets	(10)	(4)
230. Other operating expenses/income	15	78
240. Operating costs	**(1,580)**	**(1,313)**
250. Gains (Losses) of equity investments	150	(12)
260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	10	(2)
270. Goodwill impairment	-	-
280. Gains (Losses) on disposals of investments	3	27
290. Profit (Loss) before tax from continuing operations	**93**	**(32)**
300. Tax expenses (income) of the year from continuing operations	11	(2)
310. Profit (Loss) after tax from continuing operations	**105**	**(34)**
320. Profit (Loss) after tax from discontinued operations	-	49
330. Profit (Loss) of the year	**105**	**15**
340. Minority profit (loss) of the year	10	6
350. Profit (Loss) for the period - attributable to the owners of Bank Austria	**115**	**20**

Earnings per share in 2021 amounted to €0.50, compared with €0.09 in the previous year.

Consolidated Statement of Comprehensive Income

Consolidated statement of comprehensive income

(€ million)

ITEMS	YEAR 2021	YEAR 2020
PROFIT (LOSS) FOR THE PERIOD	**105**	**15**
Other comprehensive income after tax not reclassified to profit or loss	**77**	**(100)**
Equity instruments designated at fair value through other comprehensive income	20	9
Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)	-	-
Hedge accounting of equity instruments designated at fair value through other comprehensive income	-	-
Property, plant and equipment	7	2
Intangible assets	-	-
Defined-benefit plans	32	(101)
Non-current assets and disposal groups classified as held for sale	-	(5)
Portion of valuation reserves from investments valued at equity method	18	(6)
Other comprehensive income after tax reclassified to profit or loss	**(215)**	**23**
Foreign investments hedging	-	-
Foreign exchange differences	-	-
Cash flow hedging	(20)	(4)
Hedging instruments (non-designated items)	-	-
Financial assets (different from equity instruments) at fair value through other comprehensive income	(194)	33
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	(1)	(6)
Total other comprehensive income after tax	**(138)**	**(77)**
COMPREHENSIVE INCOME	**(33)**	**(62)**
Minority consolidated comprehensive income	10	6
Parent Company's consolidated comprehensive income	**(23)**	**(56)**

Earnings per share (in €, basic and diluted)

(€)

POSITIONS	YEAR 2021	YEAR 2020
Earnings per share from profit (loss) after taxes from continuing operations	(0.10)	(0.45)
Earnings per share from profit (loss) after taxes from discontinued operations	-	0.21

Consolidated Statement of Financial Position

Consolidated balance sheet

(€ million)

	AMOUNTS AS AT		
ASSETS	31.12.2021	31.12.2020 ADJUSTED 1)	31.12.2020 AS PUBLISHED
10. Cash and cash balances	456	944	95
20. Financial assets at fair value through profit or loss:	1,961	2,334	2,334
a) financial assets held for trading	976	1,205	1,205
b) financial assets designated at fair value	160	117	117
c) other financial assets mandatorily at fair value	825	1,011	1,011
30. Financial assets at fair value through other comprehensive income	12,428	12,909	12,909
40. Financial assets at amortised cost:	97,723	95,326	96,175
a) loans and advances to banks	29,439	33,994	34,843
b) loans and advances to customers	68,284	61,332	61,332
50. Hedging derivatives	1,306	1,995	1,995
60. Changes in fair value of portfolio hedged items (+/-)	195	748	748
70. Equity investments	2,415	2,250	2,250
80. Insurance reserves charged to reinsurers	-	-	-
90. Property, plant and equipment	905	948	948
100. Intangible assets	6	5	5
of which: goodwill	-	-	-
110. Tax assets:	710	634	634
a) current	22	5	5
b) deferred	687	629	629
120. Non-current assets and disposal groups classified as held for sale	4	81	81
130. Other assets	296	337	337
Total assets	**118,404**	**118,510**	**118,510**

1) The comparative figures for 2020 have been adjusted and include a reclassification of loans and advances to banks and central banks on demand (excluding minimum reserve) from the item financial assets at amortized cost to the item cash and cash balances in the amount of €849 million. For further explanations, please refer to Part A - Accounting policies - Section A.2 - Basis of preparation of the financial statements. (Corresponds to 1.1.2021).

Consolidated Statement of Financial Position

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 31.12.2021	31.12.2020 ADJUSTED [1]	31.12.2020 AS PUBLISHED
10. Financial liabilities at amortised cost:	101,502	101,023	101,023
a) deposits from banks	27,097	26,972	26,972
b) deposits from customers	64,643	61,497	61,497
c) debt securities in issue	9,763	12,554	12,554
20. Financial liabilities held for trading	1,029	1,264	1,264
30. Financial liabilities designated at fair value	61	61	61
40. Hedging derivatives	1,400	1,976	1,976
50. Value adjustment of hedged financial liabilities (+/-)	116	477	477
60. Tax liabilities:	43	43	43
a) current	37	38	38
b) deferred	6	5	5
70. Liabilities associated with assets classified as held for sale	-	40	40
80. Other liabilities	944	831	831
90. Provision for employee severance pay	-	-	-
100. Provisions for risks and charges:	4,370	4,432	4,432
a) commitments and guarantees given	233	227	227
b) post-retirement benefit obligations	3,757	4,009	4,009
c) other provisions for risks and charges	380	196	196
110. Technical reserves	-	-	-
120. Valuation reserves	(1,902)	(1,763)	(1,763)
130. Redeemable shares	-	-	-
140. Equity instruments	600	-	-
150. Reserves	4,279	4,246	4,246
160. Share premium	4,135	4,136	4,136
170. Share capital	1,681	1,681	1,681
180. Treasury shares (-)	-	-	-
190. Minority shareholders' equity (+/-)	31	40	40
200. Profit (Loss) of the year (+/-)	115	20	20
Total liabilities and shareholders' equity	**118,404**	**118,510**	**118,510**

1) The comparative figures for 2020 have been adjusted and include a reclassification of loans and advances to banks and central banks on demand (excluding minimum reserve) from the item financial assets at amortized cost to the item cash and cash balances in the amount of €849 million. For further explanations, please refer to Part A - Accounting policies - Section A.2 - Basis of preparation of the financial statements. (Corresponds to 1.1.2021).

Consolidated Statement of Changes in Equity

Statement of changes in equity as at 31.12.2021

(€ million)

	BALANCE AS AT 31.21.2020	ALLOCATION OF PROFIT FROM PREVIOUS YEAR		CHANGES IN THE PERIOD					SHAREHOLDERS' EQUITY GROUP AS AT 31.12.2021
					SHAREHOLDERS' EQUITY TRANSACTIONS				
		RESERVES	DIVIDENDS AND OTHER ALLOCATIONS	CHANGES IN RESERVES	CHANGES IN CONSOLIDATION SCOPE	OTHER	TOTAL	COMPREHENSIVE INCOME	
Issued capital:									
a) ordinary shares	1,681	-	-	-	-	-	-	-	1,681
b) other shares	-	-	-	-	-	-	-	-	-
Share premium	4,136	-	-	-	-	(2)	(2)	-	4,135
Reserves:			-						
a) other reserve	4,248	20	-	12	(1)	-	(1)	-	4,280
b) foreign currency reserve	(2)	-	-	-	1	-	1	-	(1)
Revaluation reserves:	(1,763)	-	-	(1)	-	-	-	(138)	(1,902)
a) Cashflow Hedge Reserve	21	-	-	-	-	-	-	(20)	-
b) Revaluation Reserve FA @FVTOCI	353	-	-	-	-	-	-	(174)	179
c) Revaluation Reserve associates and joint ventures	-	-	-	(1)	-	-	-	17	17
d) Revaluation reserve tangible assets	64	-	-	(1)	-	-	-	7	71
e) Pension and similar liabilities IAS 19	(2,201)	-	-	-	-	-	-	32	(2,169)
f) Revaluation reserve: non - current assets classified held-for-sale	-	-	-	1	-	-	-	-	1
Equity instruments	-	-	-	-	-	600	600	-	600
Net profit or loss for the period	20	(20)	-	-	-	-	-	115	115
Shareholders' Equity Group	**8,320**	**-**	**-**	**11**	**-**	**598**	**598**	**(23)**	**8,908**
Shareholders' Equity minorities	40	-	-	-	(3)	5	2	(10)	31
Total Shareholders' Equity	**8,360**	**-**	**-**	**11**	**(3)**	**603**	**600**	**(33)**	**8,939**

Consolidated Statement of Changes in Equity

Statement of changes in equity as at 31.12.2020

(€ million)

	BALANCE AS AT 31.21.2019	ALLOCATION OF PROFIT FROM PREVIOUS YEAR		CHANGES IN THE PERIOD					SHAREHOLDERS' EQUITY GROUP AS AT 31.12.2020
				CHANGES IN RESERVES	SHAREHOLDERS' EQUITY TRANSACTIONS			COMPREHENSIVE INCOME	
		RESERVES	DIVIDENDS AND OTHER ALLOCATIONS		CHANGES IN CONSOLIDATION SCOPE	OTHER	TOTAL		
Issued capital: a) ordinary shares	1,681	-	-	-	-	-	-	-	1,681
b) other shares	-	-	-	-	-	-	-	-	-
Share premium	4,136	-	-	-	-	1	1	-	4,136
Reserves: a) other reserve	3,605	698	(44)	(12)	-	-	-	-	4,248
b) foreign currency reserve	(1)	-	-	(1)	-	-	-	-	(2)
Revaluation reserves:	(1,682)	-	-	(5)	-	-	-	(77)	(1,763)
a) Cashflow Hedge Reserve	25	-	-	-	-	-	-	(4)	21
b) Revaluation Reserve FA @FVTOCI	311	-	-	-	-	-	-	42	353
c) Revaluation Reserve associates and joint ventures	16	-	-	(5)	-	-	-	(11)	(0)
d) Revaluation reserve tangible assets	67	-	-	(5)	-	-	-	2	64
e) Pension and similar liabilities IAS 19	(2,100)	-	-	-	-	-	-	(101)	(2,201)
f) Revaluation reserve: non - current assets classified held-for-sale	-	-	-	5	-	-	-	(5)	-
Net profit or loss for the period	698	(698)	-		-	-	-	20	20
Shareholders' Equity Group	**8,438**	**-**	**(44)**	**(18)**	**-**	**1**	**1**	**(57)**	**8,320**
Shareholders' Equity minorities	48	-	(1)		(1)	-	(1)	(6)	40
Total Shareholders' Equity	**8,486**	**-**	**(45)**	**(18)**	**(1)**	**1**	**-**	**(63)**	**8,360**

The net profit for 2020, attributable to the group as well as to the minorities, has been reclassified from column “Changes in Reserves” to “Comprehensive Income”.

Consolidated Statement of Cash Flows

Statement of Cash Flows

(€ million)

	AS AT		
	31.12.2021	31.12.2020 ADJUSTED [1]	31.12.2020 AS PUBLISHED
A. OPERATING ACTIVITIES			
1. Non-cash items included in net profit and adjustments to reconcile net profit to cash flows from operating activities:	**604**	**567**	**567**
- profit (loss) of the period (+/-)	105	15	15
- gains/losses on financial assets held for trading and on other financial assets/liabilities at fair value through profit or loss (-/+)	(47)	(20)	(20)
- gains (losses) on hedge accounting (-/+)	1	(1)	(1)
- net losses/recoveries on impairments (+/-)	273	427	427
- net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-)	94	100	100
- net provisions for risks and charges (incl. personnel) and other expenses/income (+/-)	(175)	(57)	(57)
- unpaid duties, taxes and tax credits (+/-)	(12)	1	1
- impairments/write-backs after tax on discontinued operations (+/-)	-	19	19
- other adjustments (+/-)	366	83	83
2. Liquidity generated/absorbed by financial assets:	**(1,927)**	**(16,235)**	**(17,084)**
- financial assets held for trading	47	36	36
- financial assets designated at fair value	(52)	(116)	(116)
- other financial assets mandatorily at fair value	183	200	200
- financial assets at fair value through other comprehensive income	256	2,074	2,074
- financial assets at amortised cost	(2,607)	(18,468)	(19,317)
- other assets	246	40	40
3. Liquidity generated/absorbed by financial liabilities:	**728**	**16,312**	**16,312**
- financial liabilities at amortised cost [2]	978	16,867	16,867
- financial liabilities held for trading	-	-	-
- financial liabilities designated at fair value	5	(46)	(46)
- other liabilities	(255)	(509)	(509)
Net liquidity generated/absorbed by operating activities	**(594)**	**644**	**(206)**
B. INVESTMENT ACTIVITIES			
1. Liquidity generated by:	**86**	**206**	**206**
- sales of equity investments	-	86	86
- collected dividends on equity investments	38	27	27
- sales of property, plant and equipment	48	80	80
- sales of intangible assets	-	-	-
- sales of subsidiaries and business units (less cash disposed)	-	14	14
2. Liquidity absorbed by:	**(78)**	**(108)**	**(108)**
- purchases of equity investments	(12)	-	-
- purchases of property, plant and equipment	(63)	(104)	(104)
- purchases of intangible assets	(3)	(4)	(4)
- purchases of subsidiaries and business units (less cash acquired)	-	-	-
Net liquidity generated/absorbed by investment activities	**9**	**98**	**98**

1) The comparative figures for 2020 have been adjusted by increasing cash and cash equivalents at the end of the period by €849 million and reducing cash flows from operating activities in the item financial assets at amortized cost. For further explanations, please refer to Part A - Accounting policies - Section A.2 - Basis of preparation of the financial statements. (Corresponds to 1.1.2021)
2) In the 2020 financial year, raising and placement of the volume taken up under TLTRO III.

Consolidated Statement of Cash Flows

(€ million)

	AS AT		
	31.12.2021	31.12.2020 ADJUSTED [1]	31.12.2020 AS PUBLISHED
C. FUNDING ACTIVITIES			
- issue/purchase of equity instruments	600	-	-
- dividend distribution to shareholders and non-controlling interests	-	(45)	(45)
- sale/purchase of minority control	-	-	-
- proceeds from issues of subordinated liabilities	-	2	2
- payments for repayment of subordinated liabilities	(503)	(25)	(25)
Net liquidity generated/absorbed by funding activities	**97**	**(68)**	**(68)**
NET LIQUIDITY GENERATED/ABSORBED IN THE YEAR	**(488)**	**674**	**(175)**
CASH AND CASH EQUIVALENTS AT END OF PREVIOUS PERIOD	**944**	**270**	**270**
Cash flows from operating activities	(594)	644	(206)
Cash flows from investment activities	9	98	98
Cash flows from funding activities	97	(68)	(68)
Effects of changes in scope of consolidation	-	-	-
Effects of exchange rate changes	-	-	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**456**	**944**	**95**
PAYMENTS FOR TAXES, INTEREST AND DIVIDENDS			
Income taxes received (+)/ paid (–) from operating activities	(1)	-	-
Interest received	1,285	1,308	1,308
Interest paid	(421)	(401)	(401)
Dividends received	38	27	27

1) The comparative figures for 2020 have been adjusted by increasing cash and cash equivalents at the end of the period by €849 million and reducing cash flows from operating activities in the item financial assets at amortized cost. For further explanations, please refer to Part A - Accounting policies - Section A.2 - Basis of preparation of the financial statements. (Corresponds to 1.1.2021)
2) In the 2020 financial year, raising and placement of the volume taken up under TLTRO III.

In December 2021, UniCredit Bank Austria AG issued an additional core capital instrument in the amount of €600 million in the form of a Tier 1 issue (AT1 bond). This was fully subscribed by the parent company UniCredit S.p.A. and reported under "Net liquidity generated/absorbed by funding activities".
In addition to the cash outflows for repayment of subordinated liabilities of -€503 million reported in the cash flow statement, the measurement of subordinated liabilities at the balance sheet date resulted in effects of -€28 million and foreign currency translation in the amount of €1 million.

Notes to the Consolidated Financial Statements

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

A – Accounting methods

A – Accounting methods

A.1 – Information on the company

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

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

The consolidated financial statements of Bank Austria for the 2021 financial year and the comparative information have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), and endorsed by the European Commission up to 31 December 2021, pursuant to EU Regulation 1606/2002. SIC and IFRIC interpretations and the disclosure requirements according to Section 245a UGB (Austrian Business Code) and Section 59a BWG (Austrian Banking Act) as well as the guidelines specified by the parent company UniCredit S.p.A. in their Accounting Manual are regarded as binding on the Group.

The following documents have been used to interpret and support the application of IFRSs, even though they have not all been endorsed by the European Commission:

- the Framework for the Preparation and Presentation of Financial Statements issued by the IASB in 2010;
- Implementation Guidance, Basis for Conclusions and any other documents prepared by the IASB or the IFRS Interpretations Committee supplementing the IFRS;
- documents from the European Securities and Markets Authority (ESMA) and the Consob (Italian Companies and Exchange Commission) concerning the use of specific IFRS regulations and the required publications based on the COVID-19 pandemic; in particular, the ESMA publications from 25 March 2020, 20 May 2020, as well as 28 October 2020, 6 January 2021, 29 October 2021 and 15 December 2021 apply;
- interpretative documents on the application of IFRS in Austria prepared by the Austrian Financial Reporting and Advisory Committee (AFRAC.

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

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

These consolidated accounts have been prepared on the assumption that the business is a going concern in accordance with IAS 1, as there is no uncertainty as to the company's ability to continue its business operations. This is reinforced by the excellent capital base of the Bank Austria Group with a regulatory common equity tier 1 capital ratio and total capital ratio of 16.8% and 20.5% respectively as at 31 December 2021 (2020: 20.1% and 22.3% respectively) as well as a very good liquidity position on the part of Bank Austria AG (LCR as at 31 December 2021: 170.8%, previous year: 191.7%).

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

Based on the publication of the 7th update of Bank of Italy Circular 262, some tables with a reporting date of 31 December 2021 have been adjusted. The figures in the tables as at 31 December 2020 have also been adapted accordingly with retroactive effect.

The most significant changes relate to the presentation of current accounts and sight deposits with banks and central banks (with exclusion of the mandatory reserve) separately in the cash and cash balances item (reallocation of €849.9 million before and €849.4 million after impairment losses), which also changed the composition of the liquid asset funds accordingly. In addition, financial assets with purchased or originated credit-impaired financial assets ("*POCIs*") are also presented separately by credit rating stages (€19.0 million before and €16.5 million after the deduction of impairment losses).

A – Accounting methods

The effects of separately presenting purchased or originated credit-impaired financial assets can be seen from the respective tables.

The relevant tables in Parts B – Notes to the income statement, C – Notes to the balance sheet and E – Risk report are marked accordingly.

Multi-year plan - "UniCredit Unlocked"

In December 2021, UniCredit S.p.A. announced the new strategic plan "UniCredit Unlocked", which includes the following three interconnected levers for further improving financial success: cost savings combined with investments in digital and data transformation and business development; optimal capital allocation, and an increase in operating income of approximately 2% per annum. Based on the new strategic plans set out by UniCredit S.p.A., provisions for risks and charges or restructuring expenses were recognised for the measures relating to Bank Austria in 2021, which primarily include the following:

- Necessary personnel expenses for temporary assistance and early retirement models, which continue to be implemented on a socially responsible and voluntary basis. Selected employees who reach the statutory retirement age (early retirement or normal pension) in 2028 or 2029 will receive an offer from the bank to leave early on a voluntary basis with assistance to bridge the period until they reach the statutory retirement age. The calculation of the restructuring provision was based on assumptions regarding the acceptance rate, which are based on experience from similar programmes in the past. These restructuring expenses are reported under payroll costs – other employee benefits in the amount of €-279.1 million (previous year: €0.0 million).
- One-off expenses for onerous contracts or from contracts with expected lower economic benefits in future periods are reported under other operating income and expenses in the amount of €-17.0 million (previous year: €0.0 million)
- Extraordinary write-downs on property, plant and equipment are reported under impairment/write-backs on property, plant and equipment in the amount of €-13.8 million (previous year: €0.0 million) and other operating income and expenses in the amount of €-24.3 million (previous year: €0.0 million).

The uncertainties and estimates from the multi-year plan have been taken into account as appropriate in accounting for the respective items.

Risk and uncertainty due to use of estimated figures

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

The parameters used to estimate the above-mentioned figures in the balance sheet, income statement and the statement of comprehensive income could change rapidly in ways that are currently unforeseeable, not least also due to the COVID-19 pandemic, such that effects on future carrying amounts cannot be ruled out. More details can be found in Part E – Risk report – Section E.2 – Credit risk.

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

Uncertainty affecting estimates is generally inherent in the measurement of:

- fair value of financial instruments not listed in active markets (A.7);
- loans and receivables, investments and, in general, any other financial assets/liabilities (C);
- post-employment benefit obligations and other employee benefits (A.6.7.1);
- provisions for risks and charges, contingent liabilities and obligations (A.6.7, C.20);
- other intangible assets (A.6.3, C.9);
- impairments of financial instruments (A.5.3.3);
- deferred tax assets (C.10);
- Property, plant and equipment (A.6.2, C.8);
- Impairment test of investments in subsidiaries, associates and other companies (A.5.4).

A – Accounting methods

The reason for this uncertainty is, along with the COVID-19 pandemic, the fact that the measurement of these items is mainly dependent on both the evolution of socio-economic conditions and the performance of the financial markets, which affect interest rates, securities prices, actuarial assumptions and the creditworthiness of borrowers and counterparties. With regard to assessing credit risks, it must be noted that the estimate of IFRS 9 is based on forward-looking information and, in particular, on the development of macroeconomic scenarios that are used when calculating the risk provision. Further information can be found in part A – 5.3.3. Impairment of financial instruments and Part E – Risk report – Section E.2 – Credit risk.

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

A.3 – Consolidation principles

This section outlines the consolidation criteria and principles used to prepare the consolidated financial statements on 31 December 2021.

Consolidated Accounts

The financial information in the consolidated financial statements includes the parent company, UniCredit Bank Austria AG and its subsidiaries, joint ventures and associates as at 31 December 2021.

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

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

Subsidiaries

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

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

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

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

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

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

A – Accounting methods

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

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

Associates
These are entities over which an investor has significant influence and which are not subsidiaries or joint ventures.
It is presumed that:
- the investor has significant influence if the investor holds, directly or indirectly, at least 20 per cent of the voting power of an investee;
- is able to exercise significant influence through:
  - Representation on the board of directors and/or supervisory body or equivalent governing body of the investee;
  - participation in policy-making process, including participation in decisions about dividends or other distributions;
  - material transactions between the investor and the investee.

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

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

A – Accounting methods

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

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

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

Changes to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"
On 26 September 2019, 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:

- 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 are now set to be implemented gradually by January 2022 as scheduled.

At 31 December 2021, the majority of derivatives were converted to the new benchmark rate, if available. The table shows the nominal values remaining at the balance sheet date with a variable interest rate tied to an index affected by the benchmark reform.

(million €, notional amounts)

		INDEX USD LIBOR	INDEX CHF LIBOR	INDEX JPY LIBOR	OTHER INDICES
Fair Value Hedge	Assets	1,983	-	1,035	61
	Liabilities	501	-	-	-
Cash Flow Hedge	Assets	480	1,137	46	50
	Liabilities	-	-	-	-

Changes to IFRS 4 Insurance Contracts - Postponement of IFRS 9
Following the EFRAG Board meeting on 6 July 2020, the European Financial Reporting Advisory Group (EFRAG) issued a final acceptance recommendation on the "extension to the temporary exemption from the application of IFRS 9 (Amendments to IFRS 4)", published by the IASB on 25 June 2020. The final acceptance of the announcement took place on 15 December 2020. These changes do not apply to Bank Austria.

A – Accounting methods

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

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.

Amendment to IFRS 16 Covid-19-related rent concessions

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

The amendment relating to the Covid-19 rent concessions (Amendment to IFRS 16) amends IFRS 16 to:

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

In response to the continuing effects of the COVID-19 pandemic, on 31 March 2021 the IASB amended IFRS 16 Leases to allow the practical expedients to be applied for a further year. The amendments extend the practical expedient for rent concessions to reduce lease payments originally due on or before 30 June 2022. Previously, only rent concessions to reduce lease payments due on or before 30 June 2021 were covered by the expedient.

The expedient provisions for rent concessions to reduce lease payments on or before 30 June 2021 have already been adopted by the EU. The EU endorsement of the deadline extension was granted on 30 August 2021.

Bank Austria does not apply the expedient provisions.

A – Accounting methods

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.

The following standards and amendments have not yet been adopted by the EU at the time of preparing the 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 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.

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

Amendments to IAS 12 Income Taxes
On 7 May 2021, the IASB published an amendment to IAS 12 Income Taxes. The amendment to IAS 12 narrows the scope of the initial recognition 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.

A – Accounting methods

A.5 – Significant accounting policies

A.5.1 – Business combinations

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

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

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

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

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

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

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

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

A.5.2 – Foreign currency translation

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

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

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

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

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

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

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

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

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

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

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

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

Exchange rates used for foreign currency translation*)

(Exchange rate in currency/€)

		2021		2020		CHANGE IN %	
		AVERAGE	END OF REPORTING PERIOD	AVERAGE	END OF REPORTING PERIOD	AVERAGE	END OF REPORTING PERIOD
US Dollar	USD	1.1827	1.1326	1.1422	1.2271	3.55%	-7.70%
British Pound	GBP	0.8596	0.8403	0.8897	0.8990	-3.38%	-6.53%
Japanese Yen	JPY	129.8770	130.3800	121.8460	126.4900	6.59%	3.08%
Swiss Franc	CHF	1.0812	1.0331	1.0705	1.0802	0.99%	-4.36%

*) The main exchange rates are listed.

A – Accounting methods

A.5.3 – Financial instruments

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

Initial recognition and measurement

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

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

Classification and subsequent assessment of financial assets

In a first step, portfolios of Bank Austria's core business are allocated to one of the following business models:

- Hold: Management of financial assets with the objective of collecting contractual cash flows through principal and interest payments over the term of the instruments. For these financial instruments, sales are not part of management's stated intention.
- Hold and Sell: includes financial assets that are managed both by collecting contractual cash flows and by selling financial assets. This "hold and sell" business model includes a number of sales, with a greater number and frequency than the "hold" business model.
- Other: Those portfolios held by Bank Austria for trading purposes with the aim of realizing cash flows through a sale. This business model is also used for portfolios that are managed on a fair value basis and whose performance is assessed on the basis of fair values. Derivatives are always allocated to this business model unless they are designated as hedging instruments in an effective hedging relationship.

The assessment of the business model is based on the following factors:

- Sales behavior: available information on how cash flows have been realized in the past. These are typically observable through the activities the bank undertakes to achieve the objective of the business model. The timing, frequency, and reason for a sale are included in the analysis of sales behavior.
- Internal reporting structure: how the performance of the business model and the financial assets held under that business model are assessed and reported to management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, how those risks are managed;
- The manner in which management is remunerated; for example, whether remuneration is based on the fair value of the financial assets under management or on contractual cash flows. If the compensation is based on changes in fair value, the instrument would qualify for either a "hold and sell" or "other" business model. If, on the other hand, the compensation is based on interest and/or recognized provisions for loan losses, this would indicate the "hold" business model.

In addition to determining the "business model" criterion, an analysis of the characteristics of the cash flows of the financial asset ("Solely Payments of Principal and Interest Test / SPPI Test") is required for the classification of financial assets into the corresponding measurement categories of IFRS 9.

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Bank Austria has developed processes and systems to determine the cash flows of loans and debt instruments (SPPI test) in order to subsequently determine whether the contractual cash flows permit subsequent measurement "at amortized cost" (in the "hold" business model) or "at fair value through other comprehensive income" (in the "hold and sell" business model) if the SPPI result is positive ("pass")) or require measurement at fair value through profit or loss (if the SPPI test results in a negative outcome ("fail")) .

The assessment of this SPPI criterion depends on the respective product and contract characteristics. The analysis is performed using a software solution developed by the UniCredit Group ("SPPI tool") as well as information from external data providers.

Derecognition
Before evaluating whether, and to what extent, derecognition is appropriate, under IFRS 9 an entity should determine whether the relevant conditions apply to a financial asset in its entirety or to a part of a financial asset. The standard is applied to a part of financial assets being transferred if, and only if, the part being considered for derecognition meets one of the following conditions:
- the part comprises only specifically identified cash flows from a financial asset (or a group of assets), e. g. interest cash flows from an asset
- the part comprises a clearly identified percentage of the cash flows from a financial asset, e.g., a 90 per cent share of all cash flows from an asset
- the part comprises only a fully proportionate (pro rata) share of specifically identified cash flow, e.g. a 90 per cent share of interest cash flows from an asset
- In all other cases, the standard is applied to the financial asset in its entirety (or to the group of similar financial assets in their entirety

A financial asset must be derecognised when the contractual rights to the cash flows from the financial asset expire or the contractual rights to receive the cash flows of the financial asset are transferred to a non-Group counterparty. Rights to cash flow are considered to be transferred even if contractual rights to receive the asset’s cash flow are retained but there is an obligation to pay this cash flow to one or more entities and all the following conditions are fulfilled (pass-through agreement):
- The Group is obliged to transfer all cash flows received in the future, and may not invest them, except for liquidity invested for the short period between the date of receipt and that of payment, provided that the interest accrued in that period is also paid.
- There is no obligation on the Group to pay amounts not received from the original asset.
- Sale or pledge of the original asset is not allowed, unless it secures the obligation to pay cash flow.

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

Conversely, if the entity substantially retains all the risks and rewards of ownership of the asset (or group of assets), the entity must continue to recognise the transferred asset (or the group of assets). In this case, it is necessary to recognise a liability corresponding to the amount received under the transfer and subsequently recognise all income accruing on the asset or expense accruing on the liability. If the entity retains at least the power of disposal, the asset (or group of assets) shall remain in the balance sheet as part of the entity's ongoing exposure.

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

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

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

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A.5.3.2 – Categories of financial instruments

Financial assets valued at amortised cost

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

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

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

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

Upon disposal, the accumulated profits and losses are also recognised in the item “Profits and losses on disposals of financial assets at amortised cost”. Amounts that result from the adjustment of the carrying amounts of the financial assets, before the deduction of accumulated amortisations, are recognised in the item “Income/expenses due to contractual changes (without derecognition)”. The effects of contractual changes on the expected loss are recorded in contrast in the item “Impairments on financial assets at amortised cost”.

Financial assets at fair value through profit or loss

a) Financial assets held for trading

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

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

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

b) Financial assets designated at fair value through profit or loss

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

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

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

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

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

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

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

In the case of debt instruments, the collection of interest income takes place using the effective interest method and thus analogous to the treatment of instruments recognised at amortised cost. Gains and losses arising from changes in fair value are recognised in the statement of comprehensive income ("other comprehensive income") and shown in the statement of financial position in the balance sheet under accumulated other comprehensive income. Furthermore, the impairment regulations of IFRS 9 must be considered for these instruments. Upon de-recognition of the financial asset, the amount previously accumulated in other comprehensive income is reclassified in the income statement ("recycling").

For equity securities, gains and losses arising from changes in fair value are recognised in the statement of comprehensive income ("other comprehensive income") and shown in the equity items "valuation reserve" in the balance sheet. The cumulative amount recognised in other comprehensive income (as opposed to debt instruments) is never reclassified to the income statement and reclassified to "other reserves" at the time of de-recognition. Dividends received from these instruments are reported in the profit and loss account.

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

An embedded derivative is considered a component of a structured contract that also includes a non-derivative host contract. As a result, part of the cash flows of the compound financial instrument are subject to fluctuations similar to those of a free-standing derivative. If the host contract falls within the shape of a financial asset in the area of application of IFRS 9, then the entire contract must be measured in this way.

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

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

If an embedded derivative is spun-off, the basic contract must be treated according to the IFRS provisions, and the derivative must initially be assessed at fair value. As a result, changes to the fair value are recognised in the profit and loss account for the period.

Financial liabilities valued at amortised cost

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

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

Financial liabilities held for trading

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

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

Financial liabilities designated at fair value

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

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

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

A.5.3.3 – Depreciation of financial instruments

Bank Austria has implemented internal guidelines for the recording, administration and valuation of loans, which govern both value adjustments and write-offs or partial write-offs of loans.
The impairment model for recognition of expected credit losses is to be applied to all debt instruments that are measured at either "amortised cost" or "at fair value through other comprehensive income, in equity", and also to off-balance sheet instruments such as guarantees and lending commitments.

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

- Stage 1 includes all newly added financial instruments, and those for which no significant increase in the default risk since the initial recognition has been determined and instruments with a low default risk ("low credit risk exemption" for transactions with an "investment grade" credit rating – specifically, an IFRS 9 twelve-month probability of default below 30 basis points).
- Stage 2 includes instruments for which a significant increase in risk has been identified since the initial recognition, but in which there have been no failures yet, and are therefore classified as "performing", as well as instruments without a PD at the time of access.
- Stage 3 is for the non-performing portfolio, which is made up of unusual risk positions pursuant to Article 178 of Regulation (EU) No. 575/2013.

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

Bank Austria applies the same definition of performing and non-performing as is used for regulatory purposes.

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

Impairment losses for Stage 1 and 2 (Performing Loans)

For Stage 1 instruments, a credit loss equal to the expected 12-month credit loss ("1-year ECL") is recognised. For Stage 2 and 3 instruments, on the other hand, a credit loss amounting to the expected lifetime credit loss ("lifetime ECL") is recognised. The credit risk parameters used are generally based on the regulatory IRB models and are adapted in relation to IFRS9-specific requirements (e.g. consideration of future-oriented macroeconomic information).

The stage transfer criteria (between Stage 1 and Stage 2) form a central component of the impairment regulations and determine when a significant increase in credit risk ("SICR") has occurred since initial recognition. These include both relative and absolute criteria. The significant criteria for a transfer from Stage 1 to Stage 2 include:

- **Quantitative transfer criteria**: A transaction-based relative comparison between probability of default (PD) at the reporting date and that at initial recognition using internal models. The threshold values are defined using a complex statistical procedure that takes into account the probability of default, the age and residual term of the loan (the variable residual term was re-recognised as part of the 2021 recalibration of the transfer criteria) and the historical default behavior of the segment in question. Each month, the probability of default as at the observation date is compared with the probability of default at the start of business. The comparison is based on the PD profile for the entire term of the transactions. The limit from which deterioration is considered significant is determined for each individual transaction, using a function which applies the PD at the time of the initial recognition as most important parameter. The higher the PD is at the start of business, the lower the relative tolerated deterioration is, which leads to a shift into Stage 2. The functions are determined for various sub-portfolios and are calibrated differently. This calibration is based on the long-term rate of default, including the forbearance portfolio share and items where payment is delayed by at least 30 days. The quantitative calibration of the Stage transfer criteria is designed to ensure that a corresponding share of the sub-portfolio will be classified as Stage 2 for average economic situations. This share may increase or decrease, depending on the relevant economy. Transactions for which the probability of default has at least tripled (PD over the entire residual term) are classified as Stage 2 regardless of the function described above, as are transactions with a probability of default of 20% or more (IRB PD). Conversely, all transactions with a PD below 30 basis points (12-month PD) are classified as Stage 1.
- **Qualitative criteria**: All quantitative criteria are supplemented by a number of qualitative criteria, any one of which will lead to a Stage 2 classification: "30-day arrears", "forbearance" and certain "watch list cases".
- **Stage upgrade**: If the PD of the transaction has improved sufficiently again by the next reporting date and no qualitative Stage 2 criteria apply, it is transferred back to Stage 1. However, a shift from Stage 2 to Stage 1 may only be made if the transaction would consistently have been assigned to Stage 1 on the previous three monthly reporting dates.
- **Special portfolios in Stage 2**: Foreign currency loans in the retail banking segment, taking into account the inherent risks since initial recognition in Stage 2.
- **Portfolios in Stage 1**: Internal transactions within the UniCredit Group are in Stage 1 unless individually assigned to Stage 2 at the transaction level.
- The COVID-specific factors/criteria that were added to the internal criteria in 2020 continued to apply in 2021 (see also Section E2 – Assessment of the loss potential resulting from COVID-19).

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Some of the above Stage criteria were first introduced across the Group in the fourth quarter of 2021. The adjustments also resulted from a discussion with the ECB. The key adjustments include the introduction of a rule whereby a tripling of the probability of default must always lead to a Stage 2 classification, as well as transactions with a probability of default of 20% or more. These two changes have not led to any significant increases in impairments compared to the previous Group-wide Stage transfer criteria, but they are a better match for the ECB's expectations in the European environment. Another adjustment was the introduction of a good conduct period such that an upgrade to Stage 1 is only permitted if the transaction would consistently have been assigned to Stage 1 on the preceding three monthly reporting dates. This ensures that a Stage upgrade only gives rise to impairment reductions if they have been confirmed to be sustainable through this good conduct period. Finally, a further extension of the low risk credit exemption (LCRE) was introduced to cover all loans with a probability of customer default below 30 basis points (Stage 1 assignment). Overall, the effects leading to increases in impairments were predominant.

Impairment Losses for Stage 3 (Non-Performing Loans)

Stage 3 is assigned to the defaulted portfolio, the non-performing assets. Impairments are formed at customer level as follows, depending on the amount of the customer advances:

Specific write-downs

Customers with a total exposure of more than €2 million (based on Group of Connected Clients, GCC) are transferred to the restructuring management (NPE Operational Management & Monitoring) as soon as there are first concrete indications of a possible default. In the event of these engagements, designated as "significant" due to the credit amount, the responsible restructuring manager calculates the impairment requirement on a case-by-case basis, for the first time when taking over the case and subsequently, on a quarterly basis. The calculation is based on weighted scenarios of expected future cash flows. The amount of impairment corresponds to the difference between the carrying amount of the loans and receivables and the present value of the expected cash flows (repayments and interest payments), discounted by the original effective interest rate.

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

Portfolio-based specific provisioning method

UniCredit Bank Austria AG applies a parameter-based method for the calculation of a portfolio-based specific provisioning method ("Pauschale Einzelwertberichtigung" – PEWB) for defaulted assets grouped by similar credit risk characteristics and with no significant exposure (lower than €2 million) at the GCC (Group of Connected Clients) level. By decision of the restructuring management, customers who belong to a GCC over €2 million can also be allocated to this method, provided the individual customer exposure does not exceed €1 million. Depending on the customer segment, the amount of the exposure and collateral, the credit rating and the duration of the default, the provisioning need is automatically determined and recognised. The parameters used to calculate the loss rate are re-estimated and back-tested annually.
If necessary, the value adjustment can also be determined by means of a specific provisioning method.

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

For defaulted instruments, forward-looking information is also considered based on the application of multiple scenarios, which, in the case of specific provisioning, make use of specific probabilities for each customer.

Write-offs of Non-Performing Loans

With regard to IFRS 9, non-performing loan portfolios are analysed, and the following characteristics regarding depreciation events are identified:

- No factual expectation regarding the recovery due to the high credit age and the economic/legal situation.
- Lack of recoverability due to insolvency proceedings, legal action/execution.
- Significant difficulties in the recovery of a guarantee due to the economic/legal framework.

Credit exposures which can no longer be viewed as recoverable are written off by reducing the gross carrying amount of the receivable in good time. If only a determinable share of the current credit exposure is seen as being realisable, the non-recoverable residual amount is written off. The modalities of the writedowns to be made are specified in detail in the internal policy for individual portfolios. Once a writedown has been made, it constitutes a derecognition and can therefore no longer be written up. In addition to the time and amount of the write-off, the related process, the competency limits for the amounts, the monitoring and the reporting are regulated in the internal guidelines, among other things. Full or partial writedowns do not represent a loss of legal title to the recoverability of the credit. If the legal claim is forfeited externally, derecognition takes place, which can no longer be written up.

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In summary, writedown takes place if a financial asset cannot reasonably be assessed to be fully or partially realisable (IFRS 9, 5.4.4).

Purchased or originated credit-impaired financial assets ("POCIs")
Under IFRS 9, loans and receivables measured at amortized cost or at fair value through other comprehensive income and classified as non-performing instruments at the time of acquisition are classified as purchased or originated credit impaired ("POCI").
In Bank Austria, "POCI" loans include new loans for defaulted customers as well as permanently converted foreign currency loans. FX conversions are treated as a significant modification.

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

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

The modelling of the multi-year PDs includes a "point in time" adjustment of the observed cumulative default rates with consideration of future-oriented macroeconomic information. The conservativity margins in the recovery rates included in the regulatory "through the cycle" LGD are adjusted according to IFRS 9 requirements so that they reflect the current expectations in consideration of forward-looking, macroeconomic information when discounting with the effective interest rate.

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

The acceptance procedure by the bank supervisory authority is followed by changes to the implementation of regulatory IRB models. This can result in an interim phase where the essential effects of planned IRB model changes can already be estimated; however, the technical implementation of the calculation of the equity requirement can only be done after the approval by the authority. For IFRS 9 purposes, effects such as these are anticipated in any case if the interim phase goes beyond a balance sheet date and if the changes significantly affect the calculation of the ECL. This essentially applies to changes in the average level of credit risk parameters resulting from IRB model recalibrations. It involves anticipating the expected changes to the IRB models for IFRS9 purposes by way of an approximation. Since the application of the new local PD models in July 2021 means that the majority of customers have the new IRB ratings, this anticipation is now only applied to customers for whom the new individual rating has not yet been carried out by December 2021. The use of the new LGD model, which is set to take place in 2022, was taken into account in Q4 2021 for IFRS 9 by means of an approximation.

Special features of the group of foreign currency loans
The foreign currency credit portfolio, or repayment vehicle credit portfolio, with final maturity in the retail customer segment was analysed collectively as a special group of financial instruments, with the result that the entire portfolio (following the application of IFRS 9) was assigned to Stage 2, and the modelling of the expected credit loss considers some additional specific factors that are not relevant for the remaining credit portfolio. The vast majority of this portfolio relates to loans denominated in Swiss francs (see also Section E.6 - Currency risk).

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

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

- A scenario-weighted adjustment of the lifetime EAD is made, based inter alia on the long-term exchange rate development of the Swiss Franc and is continuously adjusted.
- Certain components of the regulatory PD models are adapted to the PD curve criteria used for IFRS 9. Because the majority of the foreign currency loans are paid off at maturity, the probability of default is not reduced according to the residual term but is instead based on the total term.
- A special surcharge was applied to the LGD in recent years; this was replaced in 2021 by a calibration based on the new LGD model.

Consideration of forward-looking information

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

The inclusion of forward-looking macroeconomic information is consistent with other macroeconomic forecasting techniques used in the UniCredit Group (e.g. taking into account macroeconomic forecasts of expected credit losses within the EBA Stress Test and the ICAAP), using independent UniCredit Research functionalities. This results in the creation of a unified starting point, which is adjusted to meet each of the now divergent regulatory requirements, using internally developed scenarios. The respective macroscenarios are modelled by the UniCredit Group unit responsible for stress tests, with regard to their effect on the credit risk parameters (“multifactor model”). This leads to adjustments of the parameter on the multi-year horizon of the scenario. For subsequent terms, the parameters of the base scenario are gradually approximated to their original values.

In November 2021, the bank selected three macroscenarios based on the economic environment in order to determine the forward-looking information: a basic scenario, a positive scenario and a negative scenario. The basic scenario is considered the most likely and therefore forms a central reference point. The positive and negative scenarios represent possible alternative developments, which are better or worse than the basic scenario. All three scenarios are based on expected economic growth of 5% in the eurozone and 4% in Austria in 2021, and the average unemployment rate in Austria for 2021 as a whole is 6.5%.

Basic scenario:

The economic recovery continues, provided that Covid-19 can continue to be controlled with vaccines and the economic damage caused by future waves of Covid-19 gets progressively smaller. Financial policy will gradually normalise but continue to provide support if necessary, and many households are able to draw on the savings accumulated in the pandemic. The big economies will remain on a solid expansion path in 2022, followed by a slowdown in growth rates towards their longer-term potential in 2023 and 2024. The current sharp rise in inflation proves to be mainly temporary. The Fed and the ECB gradually reduce their stimulus to the economy through bond purchases. However, financing conditions remain favourable, especially in the eurozone, where the economic recovery has not advanced as far and where inflation is lower than in the United States.

Economic growth in the eurozone is 4.3% in 2022, having been at 5% in 2021. In Austria, after an increase of 4% in 2021, growth in 2022 is at 5.1%, significantly above that of the eurozone.

The "base effect" due to the sharp energy price rises in 2021 and the resolution of pandemic-related imbalances between supply and demand due to disrupted supply chains result in a decline in inflation in 2022. In the eurozone, inflation falls below the ECB target of 2% to an average of 1.8% in 2022 and 1.7% in 2023 and 2024. In Austria, inflation is slightly higher at 2.1% in 2022 and 1.9% in the following two years.

Negative scenario:

The assumption in this scenario is that a new Covid-19 variant causes a severe wave of the pandemic in the United States and Europe. Governments are once again forced to severely restrict personal mobility and economic life. Despite low vaccination rates, we expect measures in the United States to be less strong than in eurozone countries, as in previous Covid-19 waves. The measures have a particularly strong impact on private demand, which is significantly weaker than in the basic scenario. Governments maintain an expansive fiscal policy in order to cushion the social impact of the pandemic. The ECB continues to provide favourable financing conditions through bond purchases.

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In this scenario, GDP growth in the eurozone in 2022 is 2.6%, significantly lower than in the basic scenario. Growth then weakens to 0.4% in 2023 and 0.7% in 2024. In Austria, after economic growth of 3.3% in 2022, the new wave of the pandemic has an even greater impact, reducing it to 0.1% and 0.5% in 2023 and 2024 respectively.

The price-dampening effects due to weak demand and the widening of production gaps have a greater impact than the inflationary effects of ongoing supply chain disruptions. In combination with lower oil prices, this leads to a drop in inflation in this scenario. In the forecast period from 2022 to 2024, inflation in the eurozone is at or just below 1.5%. In Austria, inflation is 1.9% in 2022 and 1.5% and 1.6% respectively in the two years that follow.

Positive scenario:
The positive scenario assumes that higher vaccination rates will lead to greater confidence and thus to higher economic growth than is assumed in the basic scenario. The pace of recovery proves to be exceptionally robust as households reduce their savings and companies resume the capital expenditure that was previously on hold. Driven by higher demand, GDP returns to the pre-crisis trend line in late 2022. Governments gradually reduce their support measures and there is also less need for an expansive monetary policy.

In this scenario, eurozone GDP grows by 5.8% in 2022, and by 3.6% and 2.5% in 2023 and 2024 respectively. In Austria, growth from 2022 to 2024 increases over and above that of the eurozone, to 6.6%, 4.2% and 2.6% respectively in each of the three years.

Boosted by price increases in the sectors hardest hit by the pandemic, core inflation rises. At the same time, supply chain problems persist for an extended period. Over the forecast period from 2022 to 2024, overall inflation in the eurozone oscillates around the ECB target at around 2%. Price increases in Austria are higher. Inflation in 2022 is 2.5% and then falls slightly to 2.4% and 2.3% respectively in the following two years.

Probabilities of occurrence:
We have determined the following probabilities of occurrence for the three scenarios: 55% for the basic scenario, 40% for the negative scenario and 5% for the positive scenario. The progress of the pandemic, which depends on the possible emergence of new Covid-19 variants and the vaccination rate, remains pivotal for determining economic performance in the years from 2022 to 2024. In the basic scenario (55% probability), it is assumed that the vaccines will continue to be highly effective and that the booster vaccines will be accepted by a large majority, and new Covid-19 waves will therefore progressively decrease in size. In the negative scenario (40% probability), new Covid-19 variants can bypass the protection afforded by the vaccines, meaning that strict measures are again required to contain the virus. In the positive scenario (5% probability), the negative effects of the COVID-19 crisis disappear by the end of 2022 and GDP growth is above the pre-crisis growth trend.

Sensitivity analysis
As explained above, the consideration of forward-looking information is an important element when calculating impairment losses, with the macrodependency model of the Group used here acting as a multi-factor model and considering the changes of multiple macrofactors as a whole. To be able to interpret sensitivities easily, we therefore show this sensitivity as a whole in the alternative scenarios explained above (this means the factors are changed simultaneously to the respective overall extent and not just by 1%). Moreover, the impairments of Stages 1 and 2 have been calculated individually with the basic, positive and negative scenario. The impact of the negative scenario is slightly more than 4% of the ECL, and that of the positive scenario is slightly less than 4% of the Level 1 & 2 ECL.

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

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

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

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Internal processes ensure that the regulations from IFRS9 are used correctly. This relates in particular to the process for determining the expected credit losses and the associated technical accounting representation of the credit risk provisions. Adaptations are simulated accordingly and subjected to a plausibility check in terms of their respective effects. The results are shown accordingly in detail and presented to the FCRC (Financial and Credit Risks Committee) for feedback. Significant model changes and scenario assumptions are highlighted here and require the explicit approval of the FCRC, with the corresponding protocols also presented to the Management Board. Further notes on IRB amendments and COVID-specific adjustments are provided in Section E2 (Credit risk).

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

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

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

A modification that leads to the derecognition of the original and the recognition of a new contract, is considered to be significant, if, in case of a renegotiation (amongst other things to avoid customer migration), cash flows change due to an extension of the duration, changes in the interest rate, currency or others. However, if the market value of the old instrument is equivalent to the carrying amount of the amended contract, no derecognition is required and the effective interest rate brought about by the modification is adjusted.

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

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

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

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

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

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

Hedge Accounting
The bank uses hedging instruments to hedge market risks (interest-rate, currency and other price risks) in underlying transactions. Hedge accounting is applied for most of these security instruments.
Hedging derivatives are initially recognised at the settlement date and are valued at their fair value.

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

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

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

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

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

Hedging derivatives are measured at fair value. Specifically:

- **Micro Fair Value Hedge** – Any changes in the market value of the hedging derivative are recognised in the profit and loss account, under “Fair value adjustments in hedge accounting”. Profit or loss from the change in the hedged risk in the underlying transaction is also recognised in the same item and at the same time changes the carrying amount of the hedged underlying transaction as a “basis adjustment”. If the hedging relationship is terminated for reasons other than the sale of the hedged underlying transaction, this is measured according to the original criterion dictated by the accounting standard applied to the relevant portfolio. In the case of an interest-bearing underlying transaction, the “basic adjustment” is amortised over the remaining term of the underlying transaction as interest income or interest expenditure. The difference in fair value of the hedging derivative since the latest effectiveness testing date is recognised in profit or loss under the item “Fair value adjustments in hedge accounting”. If the hedged item is sold or repaid, the portion of fair value which is still unamortised is at once recognised through profit or loss in the item “Gains and losses on disposal or repurchase”.
  The micro fair value hedge at Bank Austria serves to hedge changes in market value from individual fixed-interest items in the assets or liabilities side against changes in the market interest rate. This hedging therefore in particular takes place with interest swaps, caps, floors and swaptions. When initiating the hedge relationship, the prospective efficacy is verified using a critical terms match. Subsequently, ongoing efficiency is proven by a retrospective efficacy test. If changes in market value from an underlying transaction and hedge derivative of the hedge relationship are outside of the 80/125% efficiency corridor in the retrospective consideration, the hedge relationship must be wound up and the instruments balanced separately. The expedients adopted by the IASB as part of the IBOR reform in the event of a benchmark rate conversion are applied to the micro fair value hedge. Although a benchmark rate conversion represents a contractual adjustment, it is not regarded as a modification result. Ineffectiveness arising in the wake of the change is to be recorded as such. Once the conversion has been completed, the measurement of effectiveness may be restarted.
- **Cash Flow Hedge** – the effective part of the market value of the hedging transaction (e.g.: cross-currency swaps, interest rate swaps), is recognised at equity in other comprehensive income under “Revaluation reserves” according to IAS 39”. The ineffective portion of the gain or loss is recognised through profit or loss in the item “Fair value adjustments in hedge accounting”. If a cash flow hedge is no longer considered effective or is terminated for other reasons, the accumulated value gain or loss of the hedge recorded until that point shall remain under revaluation reserves until the hedged future transaction occurs or is no longer considered probable. In the first case, the recorded valuation results upon the occurrence of the hedged future transaction are recorded in each item in which the valuation effect of the hedged transaction is reflected, or they change, provided the transaction leads to an asset or liability being recorded. In the last case, the valuations results recorded in the reserve will be transferred into the profit and loss account and will be recognised under the item “Fair value adjustments in hedge accounting”. The fair value changes recorded in item “Revaluation reserves” are also disclosed in the Statement of Comprehensive Income.
  Cash flow hedges are used by Bank Austria for protecting future variable cash flows against changes in market rates. They hedge the exposure to variability in cash flows which result from assets or liabilities or from planned transactions and have an effect on profit or loss. Changes in the fair values of derivatives designated as hedging instruments are divided into a portion that is determined to be an effective hedge, and into an ineffective portion. The effective portion of any gain or loss on the hedging instrument is included in the cash flow hedge reserve and recognised in profit or loss in the same period in which the change in the value of the underlying transaction is recognised in profit or loss. This neutralises the effect on profit or loss. The effectiveness of cash flow hedges is measured on a regular basis in accordance with IAS 39.

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

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

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

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

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

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

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

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

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

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

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

Loan securitisations
Loans and receivables also include loans securitised.

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

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

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

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

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

- **Phase 1 planning period** (2022–2024; in individual cases until 2025):
  For 2022, annual net profit and for the valuation of financial institutions, also risk-weighted assets were used according to forecast figures for 2022, while for the following years, values according to the currently available multi-year plan, which usually extends to 2024, were used. Any planning data available for subsequent years beyond this was used.
- **Phase 2** (from end of planning period until 2029):
  Within this phase, the growth rate converges on the anticipated sustainable long-term economic growth of the euro area of 2% (unchanged from the previous year).
- **Phase 3 – perpetual annuity**:
  Calculation of the present value of a perpetual annuity on the assumption of a long-term growth rate of 2%, which takes into account the sustained long-term economic growth expected by UniCredit Bank Austria AG for the euro area.

The impairment test was performed on the basis of the multi-year plans provided. Unless the specific circumstances or the business model result in a higher value, UniCredit Bank Austria AG uses a target CET1 capital ratio of 12.0% (previous year: 11.5%) for banks. The cash flows are discounted using the rate of cost of capital which is determined on the basis of the long-term risk-free interest rate, the market risk premium for Austria (in consideration of the recommendations of the Austrian Chamber of Tax Consultants and Auditors) and an appropriate beta rate. The discount rate is a nominal rate after taxes.

A – Accounting methods

Bank Austria holds a stake in 3 Austrian regional banks (Oberbank, BKS Bank AG (BKS), Bank für Tirol und Vorarlberg (BTV), known collectively as the "3-Banks-Group"), which are accounted for "at equity" in the consolidated financial statements of Bank Austria. In the consolidated income statement, the Group's share of the profit and loss of associates is reported in the item "Profit (loss) on equity investments" and explained in more detail in Section B.16 – Profit (loss) on equity investments. Shares in associates are reported in the consolidated balance sheet under "Investments in associates and joint ventures", and the corresponding details are provided in Section C.7 – Investments in associates and joint ventures. As at 31 December 2021, it was assessed whether there was any indication based on external or internal information sources that the investments could be impaired. It was also assessed whether there is any indication that an impairment that has been recognised in an earlier period no longer exists or may have decreased. If such an indication was identified, an impairment test was carried out in accordance with IAS 36.

As at 31 December 2021, there was an evaluation of the indications for an impairment or the reversal of an impairment recognised in previous periods for the three Austrian regional banks, in which the carrying amount was compared against the fair value (less disposal costs). In the case that the fair value (less disposal costs) was less than the carrying amount or, in the case of an existing impairment from the past, where the fair value (less disposal costs) was greater than the carrying amount, the value in use (ViU) was calculated using a discounted cash flow (DCF) model based on the multi-year plans (MYPs) provided by the companies.

In the case of Oberbank, it was determined that the fair value (less disposal costs) was greater than the carrying amount, confirming the sustainability of Oberbank's carrying amount. However, it should be noted that impairments have been recognised in the past in the case of Oberbank. As a result, a quotation on the market that is higher than the carrying amount could indicate the need for an impairment reversal. In this context, an impairment test was carried out in December 2021 on the basis of the multi-year plan received. In the case of BKS and BTV, their fair values (less disposal costs) were less than their respective carrying amounts. An impairment test was therefore performed by calculating the value in use.

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

- **"Basic scenario":**
  The value in use was calculated on the basis of the information from the multi-year plans provided by Oberbank, BTV and BKS. The planning period extends until 2024 except in the case of BTV, for which planning data was available up to 2025.
  For phase 2 (from the end of the planning period to 2029), which also covers the transition period for the application of CRR3, the effects of this application were incorporated into the plan for all three companies.
- **"Alternative scenario":**
  This negative scenario was developed on the assumption that the economic recovery would be weakened in the eurozone by new Covid-19 variants and low vaccination rates. The alternative scenario essentially differs in terms of the definition of expected credit losses and their effects due to the reciprocal participations.

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

As the fair value at the measurement date was below the value in use, the value in use was used for the measurement.

3-Banken - Impairment Test

(€ million)

LEGAL ENTITY	SHARE	CARRYING VALUE BEFORE 4Q21 IMPAIRMENT [1]	CARRYING VALUE AFTER 4Q21 IMPAIRMENT [1) 2)]	PROPORTIONAL MARKET CAPITALIZATION [2]
Oberbank	27.2%	867.1	909.8	876.9
BTV	47.4%	785.0	699.2	509.6
BKS	29.8%	322.5	359.7	195.7

1) Figures including profit share 2021
2) As at 31 December 2021

The result of the impairment test carried out in 4Q21 for the three banks showed an impairment loss of €-85.8 million for BTV and a reversal of impairment of €79.9 million (of which BKS €+37.2 million, Oberbank €+42.7 million) in 4Q21. The previously recognised impairment of Oberbank, which amounted to €52.4 million, had to be adjusted as a result of deemed disposals of the share in Oberbank, leading to a maximum possible reversal of just €42.7 million.

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

As the parameters and data used to test carrying amounts for impairment are significantly influenced by the overall economic environment and by market conditions, which may be subject to rapid unpredictable changes, the results of future impairment tests may differ from those which were used for the 2021 financial statements.

A – Accounting methods

A.6 – Information on other financial statement line items

A.6.1 – Cash and cash equivalents

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

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

The item includes:
- land
- Buildings
- furniture and fixtures
- plant and machinery
- other machinery and equipment

and is divided between
- assets used in the business and
- assets held as investments.

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

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

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

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

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

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

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

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

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

A – Accounting methods

As in the previous year, useful life continues to be assessed in Bank Austria as follows:
- Buildings: max. 50 years
- Moveable installations: max. 25 years
- Electronic equipment: max. 15 years
- Other: max. 10 years

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

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

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

A.6.3. – Intangible assets

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

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

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

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

The valuation results of assets and groups of assets held for sale, which are booked as offsetting items in the other valuation changes in equity, are not reflected in the P&L statement.

A.6.5 – Income tax

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

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

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

A – Accounting methods

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

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

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

The new multi-year plan formed the basis for the impairment analysis of deferred tax assets. It should be noted that assumptions have been made in the tax impairment analysis that could change in the event of a change in the economic and other framework conditions and thus have an effect on the income tax handling.

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

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

Pursuant to the group taxation rules introduced in Austria, Bank Austria has formed a group of companies. 11 Group members (2020: 12) have a profit and loss transfer agreement and there is a tax compensation agreement with 148 Group members (2020: 153). These agreements and arrangements do not include foreign companies.

A.6.6 – Other assets

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

A.6.7 – Other liabilities, targeted longer-term refinancing operations (TLTRO), provisions for risks and charges, and contingent liabilities

A.6.7.1 – Long-term former employee benefits

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

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

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

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

A – Accounting methods

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

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

The claims arising from the provisions for social capital that employees can assert have different durations. The following durations (weighted) were calculated as of 31 December 2021:
- Pension: 13.13 years
- Severance: 7.94 years
- Anniversary bonus: 4.82 years

The present value of pension obligations and severance-payment obligations as well as anniversary bonuses is determined with due regard to internal service regulations, on basis of the following actuarial assumptions:
- Discount rate: 1.00% p.a. (2020: 0.65% p.a.)
  The interest rate was calculated by the UniCredit Group based on the DBO cash flow determined by Mercer and taking as a basis the UniCredit Yield Curve. As at 31 December 2021, the duration of the pension plan is 13.13 years (2020: 13.35 years); the weighted duration for pension, severance and long-term service plans is 12.5 years (2020: 12.9 years)
- Salary increase: 2.48% (2020: 2.21%);
- Pension increase (BA-ASVG): 1.74% p.a. (2020: 1.43% p.a.), calculated on the basis of the effective average real pension increases over the last 19 years
- Pension increase (other): 2.24% p.a. (2020: 1.96% p.a.), calculated on the basis of the effective average real pension increases, taking into account a long-term expected inflation rate of 1.97%.
- No discount for staff turnover
- AVÖ-2018 P mortality tables for employees (*Aktuarverein Österreich*, mortality tables for employees) (2018: AVÖ-2018 P for employees)

Sensitivity analysis

(€ millions)

		EFFECT ON DEFINED BENEFIT OBLIGATION	
		31.12.2021	31.12.2020
Discount rate	-0.25%	120	132
	0.25%	(113)	(125)
Salary increase rate	-0.25%	(6)	(7)
	0.25%	7	6
Pension increase rate	-0.25%	(106)	(116)
	0.25%	112	123

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

A.6.7.2 – „Targeted Longer-Term Refinancing Operations" (TLTRO)

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

A – Accounting methods

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

UniCredit Bank Austria 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 2021 financial year, interest income from the TLTRO programmes of around €57.7 million (December 2020: €26.9 million) was reported under interest income in addition to the average interest rate of the deposit facility.

The corresponding profits are therefore taken into account when calculating the interest rate yields of these refinancing instruments in accordance with IFRS 9. The launch of forward-looking, "success-dependent" payments as part of the ECB TLTRO programme are treated as changes to market parameters and the interest rates are therefore calculated according to the "effective interest rate method" which distributes the interest rate profits across the application term of the effective interest rate. 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 -0.99% 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.

A.6.7.3 – Other provisions

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

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

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

Provisions are reviewed periodically and adjusted to reflect the current best estimate. If it becomes clear that it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.
Provisions are used only for expenses for which they were originally recognised. Allocations made in the year are recognised in profit or loss and include increases due to the passage of time; they are also net of any reversal.
“Other provisions” also include obligations relating to benefits due to agents, specifically supplementary customer portfolio payments, merit payments, contractual payments and payments under non-competition agreements, which are measured as per defined benefit plans; accordingly these obligations are calculated using the projected unit credit method (see above under retirement payments and similar obligations).

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

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

A – Accounting methods

A.6.7.4 – Share-based payments

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

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

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

A.6.7.5 – Other long-term employee benefits

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

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

A.6.8 – Equity

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

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

In December 2021, UniCredit Bank Austria AG issued an additional tier 1 capital instrument of €600 million in the form of a tier 1 issue (AT1 bonds). This was fully subscribed by the parent company UniCredit S.p.A.
By issuing this instrument attributable to equity capital, the bank is further improving its strong capital resources to ensure it is prepared for future crisis scenarios and to allow it to meet stricter regulatory requirements.

The instrument complies with the provisions of Article 52 of Regulation (EU) 2019/876 (CRR II) amending Regulation (EU) 575/2013 and is therefore attributable to additional tier 1 capital. It may be used to meet the minimum requirement for regulatory own funds and eligible liabilities (MREL) set out in Regulation (EU) 806/2014, amended by (EU) 2019/877 (SRMR II).

The bond has an unlimited term, is directly issued, subordinated and unsecured and can only be redeemed by the issuer.
The issuer has the right to cancel the interest at any time and at its own discretion.
All or part of the instrument is to be written down if the common equity tier 1 ratio under the CRR falls below a lower limit of 5.125% on a single institute or consolidated basis.
Under certain conditions, it may be written up to the original issue volume again, but in any event there must be a net profit and there must be no trigger event.

The issuer first has the option to redeem the issue after five years, and the initial interest is 4.750%. From 3 June 2027, the interest rate corresponds to the five-year mid-market swap rate of +4.900%.

The instrument is recognised in regulatory capital as additional tier 1 capital and interest is recognised as appropriation of earnings. It is the issuer's responsibility to reach a decision regarding a payout.

For further details, please see additional disclosures in Part F Consolidated equity capital and supervisory equity requirement.

A – Accounting methods

A.6.9 – Net interest

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

Interest also includes the net credit or debit balance of differentials and margins on financial derivatives.

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

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

A.6.10 – Fees and commissions

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

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

A.6.11 – Dividends

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

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

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

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

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

A – Accounting methods

A.6.14 – Impairments

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

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

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

A.6.16 – Profit (loss) on equity investments

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

A.6.17 – Gains and losses on disposal of investments

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

A – Accounting methods

A.7 – Information on fair value

A.7.1 – General overview

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

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

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

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

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

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

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

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

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

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

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

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

A – Accounting methods

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

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

A.7.2. – Fair value hierarchy

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

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

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

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

(€ million)

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	AMOUNTS AS AT 31.12.2021			AMOUNTS AS AT 31.12.2020		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets at fair value through profit or loss	160	1,595	206	117	1,930	287
a) Financial assets held for trading	-	975	1	-	1,201	4
b) Financial assets designated at fair value	160	-	-	117	-	-
c) Financial assets mandatorily at fair value	-	620	205	-	728	283
2. Financial assets at fair value through other comprehensive income	9,574	2,119	734	10,988	1,832	89
3. Hedging derivatives	-	1,306	-	-	1,995	-
4. Property, plant and equipment	-	-	385	-	-	394
5. Intangible assets	-	-	-	-	-	-
Total	**9,734**	**5,021**	**1,326**	**11,105**	**5,756**	**769**
1. Financial liabilities held for trading	-	1,028	-	-	1,260	3
2. Financial liabilities designated at fair value	-	60	1	-	60	1
3. Hedging derivatives	-	1,400	-	-	1,976	-
Total	**-**	**2,489**	**1**	**-**	**3,297**	**4**

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

(€ million)

	CHANGES IN 2021							
	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS							
	TOTAL	OF WHICH: A) FINANCIAL ASSETS HELD FOR TRADING	OF WHICH: B) FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	OF WHICH: C) FINANCIAL ASSETS MANDATORILY AT FAIR VALUE	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	HEDGING DERIVATIVES	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
1. Opening balances	**287**	**4**	**-**	**283**	**89**	**-**	**394**	**-**
2. Increases	**92**	**1**	**-**	**91**	**735**	**-**	**40**	**-**
2.1 Purchases	1	1	-	-	1	-	-	-
2.2 Profits recognised in	-	-	-	-	23	-	35	-
2.2.1 Income statement	-	-	-	-	-	-	17	-
- of which unrealised gains	-	-	-	-	-	-	*17*	-
2.2.2 Equity	X	X	X	X	23	-	18	-
2.3 Transfers from other levels	90	-	-	90	676	-	-	-
2.4 Other increases	1	-	-	1	35	-	5	-
3. Decreases	**172**	**3**	**-**	**169**	**90**	**-**	**49**	**-**
3.1 Sales	6	3	-	3	1	-	27	-
3.2 Redemptions	-	-	-	-	34	-	-	-
3.3 Losses recognised in	5	-	-	5	22	-	17	-
3.3.1 Income statement	5	-	-	5	-	-	10	-
- of which unrealised losses	*5*	-	-	*5*	-	-	*7*	-
3.3.2 Equity	X	X	X	X	22	-	6	-
3.4 Transfers to other levels	128	-	-	128	-	-	-	-
3.5 Other decreases	34	-	-	34	34	-	5	-
of which: business combinations	-	-	-	-	-	-	-	-
4. Closing balances	**206**	**1**	**-**	**205**	**734**	**-**	**385**	**-**

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

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

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

(€ million)

	CHANGES IN 2021			CHANGES IN 2020		
	FINANCIAL LIABILITIES HELD FOR TRADING	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	HEDGING DERIVATIVES	FINANCIAL LIABILITIES HELD FOR TRADING	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	HEDGING DERIVATIVES
1. Opening balances	**3**	**1**	**-**	**18**	**1**	**-**
2. Increases	**-**	**-**	**-**	**2**	**-**	**-**
2.1 Issuance	-	-	-	2	-	-
2.2 Losses recognised in	-	-	-	-	-	-
2.2.1 Income statement	-	-	-	-	-	-
- of which unrealised losses	-	-	-	-	-	-
2.2.2 Equity	X	-	-	X	-	-
2.3 Transfers from other levels	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-
3. Decreases	**3**	**-**	**-**	**17**	**-**	**-**
3.1 Redemptions	3	-	-	17	-	-
3.2 Purchases	-	-	-	-	-	-
3.3 Profits recognised in	-	-	-	-	-	-
3.3.1 Income statement	-	-	-	-	-	-
- of which unrealised gains	-	-	-	-	-	-
3.3.2 Equity	X	-	-	X	-	-
3.4 Transfers to other levels	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-
4. Closing balances	**-**	**1**	**-**	**3**	**1**	**-**

Increases/decreases in financial liabilities are recognised in the income statement in the following items:
- Result from liabilities held for trading;
- Fair value adjustments in hedge accounting;
- Net income from financial liabilities at fair value through profit or loss.

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

For the 2021 financial year, transfers of €34 million were made from Level 2 to Level 1. There were no transfers from Level 1 to Level 2.

A.7.3 – Day-One Profit/Loss

In accordance with IFRS 9, a Day-One Profit/Loss is considered to exist if the transaction value differs from the fair value. The fair value of financial instruments, other than those designated at fair value through profit or loss, at their recognition date is set as equal to the amount collected or paid. For financial instruments held for trading (see Part A.5.3.2 above) and instruments designated at fair value (see Part A.5.3.2 above), any difference from the amount collected or paid is posted under the appropriate items of the income statement.

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A.7.4 – Additional information on fair value

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

Fixed income securities
Fixed income securities are priced in a two-tier process depending on the liquidity in the respective market. Liquid instruments in active markets are valued at their market price. Holdings of such instruments are therefore reported in Level 1 within the fair value hierarchy. Instruments not traded in active markets are marked to model based on implied credit spread curves derived from Level 1 instruments. The model maximises the use of observable input and minimises the use of unobservable inputs. Depending on the liquidity of the risk premium curve used, securities are reported in Level 2 or Level 3; they are classified in Level 3 if a significant, unobservable risk premium is used when no comparable risk premium curves are available or in the case of complex bonds. Fair-Value Accounting includes fair-value adjustments to account for liquidity and model deficiencies due to the lack of observable market data for Level 2 and Level 3 holdings.

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

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

Asset-backed Securities
Bank Austria's strategic ABS portfolio was fully disposed of in 2021, after the sale of the last bond in October 2021.

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

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

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

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

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

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

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Fair value adjustments

The fundamental fair value assessments have to be adjusted for factors not included in the base NPV that a market participant would consider in order to arrive at the derivative instruments fair value. Such adjustments, within the Bank Austria Group, include:

- Credit and Debit Valuation Adjustment (CVA/DVA)
- Funding Valuation Adjustment (FuVA)
- Model risk
- Close-out risk
- Market liquidity risk
- Other adjustments

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

Credit and Debit Valuation Adjustment (CVA/DVA)

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

UniCredit CVA/DVA methodology is based on the following input:

- Expected exposure profiles derived by simulation techniques
- PD and information on sector and country or region of customers
- CDS availability for customers

In general, a bilateral CVA calculation based on market-implied values for PD and LGD (CDS) is used for performing counterparts. There are exceptions for Specific Wrong Way Risk, which are calculated on a unilateral basis. In 2021, the use of market-implied PDs and LGDs (CDS) was converted to new, improved sector/rating/region-specific CDS curves from MARKIT.

In the case of non-performing counterparts, a bilateral CVA calculation was also carried out on the basis of credit spread curves corresponding to a stress situation on the part of the customer.

Funding Valuation Adjustment

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

The FuVA methodology of Bank Austria is based on the following input:

- Expected exposure profiles derived by simulation techniques
- PD and sectoral information of customers
- CDS availability for customers
- Funding spread

Model risk

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

Close-out risk

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

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

Description of the fair value measurement techniques used by the entity in Level 3 of the fair value hierarchy

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

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

In addition to daily marking to market or marking to model, Independent Price Verification (IPV) shall be performed. During the Independent Price Verification (IPV), a fair value is determined for each illiquid instrument using the pricing model. The sensitivity analysis for Level 3 positions with respect to the unobservable model input is based on the following categories of model inputs:
Credit spreads (SP): for instruments exposed to issuer risk the unobservable input is mainly the issuer credit spread.
Interest rates (IR): In the absence of liquid interest rate swap markets, the term structure of the return curve of available instruments, primarily government bonds, is used.
Equity (EQ): in the absence of active markets, approximate values are used.
The reasonable alternative estimate for the model input is disclosed in the column "Range".

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

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.

[1] The sensitivity related to the LGD of the CVA adjustment of counterparties in default according to internal guidelines amounts to €0.2 million.

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(€ million)

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	AS AT 31.12.2021 FAIR VALUE ASSETS LEVEL 3	FAIR VALUE MOVEMENTS GIVEN REASONABLE POSSIBLE ALTERNATIVES	
1. Financial assets at fair value through profit or loss	206	+/-	0.2
a) Financial assets held for trading	1	+/-	0.0
b) Financial assets designated at fair value	-	+/-	-
c) Financial assets mandatorily at fair value	205	+/-	0.2
2. Financial assets at fair value through other comprehensive income	734	+/-	0.3
3. Hedging derivatives	-	+/-	-
4. Property, plant and equipment	385	+/-	-
5. Intangible assets	-	+/-	-
Total A	**1,326**	**+/-**	**0.5**
1. Financial liabilities held for trading	-	+/-	0.0
2. Financial liabilities designated at fair value	1	+/-	-
3. Hedging derivatives	-	+/-	-
Total B	**1**	**+/-**	**0.0**

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

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

Option pricing model

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

Discounted cash flow

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

Hazard rate model

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

Market approach

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

Adjusted net asset value

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

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

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

Volatility

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

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

Correlation

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

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

Dividends

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

Interest rate curve

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

Credit spreads

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

Loss Given Default (LGD)/recovery rate

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

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Prepayment rate (PR)
The PR is the estimated rate at which forecast prepayments of principal of the related debt instrument are expected to occur. Voluntary non-scheduled payments (early repayments) change the future cash flows for the investor and thus also the fair value of the instrument. The greater the change in early repayment, the greater the change in the weighted average maturity of the instrument; this affects the valuation positively or negatively, depending on the type of instrument and the direction of the change in the weighted average maturity.

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

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

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

Loans
The fair value of loans and receivables with customers and banks measured at amortised cost is mainly determined using a risk-adjusted net present value approach.

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

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

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

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

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

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

Cash and cash balances
Cash and cash balances are reported in the consolidated balance sheet at amortised cost.

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

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

PRODUCT CATEGORIES			VALUATION TECHNIQUES	UNOBSERVABLE PARAMETERS	UNCERTANITY RANGE	
Derivatives	Financial Instruments	Equity & Commodities	Option Pricing Model	Volatility	3%	15%
				Correlation	2%	29%
			Option Pricing Model/ Discounted Cash Flows	Dividends Yield	1%	26%
		Foreign Exchange	Option Pricing Model	Volatility	0%	66%
			Discounted Cash	Interest rate (bps)	0.32	140.81
		Interest Rate	Discounted Cash	Swap Rate (bps)	0.32	140.81
			Option Pricing Model	Interest Rate Volatility	0%	29%
				Correlation	0%	20%
	Credit Derivatives		Hazard Rate Model	Credit Spread (bps)	1	28.93
				Recovery rate	0%	5%
Debt Securities and Loans		Corporate/ Government/Other	Market Approach	Credit Spread (bps)	1	100.18
Equity Securities		Unlisted Equity & Holdings	Market Approach	Price (% of used value)	0%	3%
Units in Investment Funds		Real Estate & Other Funds	Adjusted NAV		1%	11%

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A.8 – Group of consolidated companies and changes in the group of consolidated companies of Bank Austria Group in 2021

A.8.1 – Information on fully consolidated companies

Investments in subsidiaries (consolidated line by line)

			2021		2020	
NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	HOLDING %	VOTING RIGHTS % *)	HOLDING %	VOTING RIGHTS % *)
"BF NINE" Holding GmbH	VIENNA	EUR 35.000	100.00		100.00	
Allegro Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
ALMS Leasing GmbH.	VIENNA	EUR 36.000	100.00		100.00	
Alpine Cayman Islands Ltd.	GEORGE-TOWN		Disposal on 31.05.2021		100.00	
ALV Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
ANTARES Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Arno Grundstücksverwaltungs Gesellschaft m.b.H.	VIENNA	EUR 36.337	100.00		100.00	
Austria Leasing GmbH	VIENNA	EUR 36.336	100.00		100.00	
BA Alpine Holdings Inc.	WILMINGTON		Disposal on 01.06.2021		100.00	
BA Betriebsobjekte GmbH	VIENNA		Merger on 27.09.2021		100.00	
BA CA SECUND Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
BA Eurolease Beteiligungsgesellschaft m.b.H.	VIENNA	EUR 363.364	100.00		100.00	
BA GebäudevermietungsgmbH	VIENNA	EUR 36.336	100.00		100.00	
BA GVG-Holding GmbH	VIENNA	EUR 18.168	100.00		100.00	
BA/CA-Leasing Beteiligungen GmbH	VIENNA	EUR 454.000	100.00		100.00	
BA-CA Andante Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
BACA CENA Immobilien Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
BA-CA Finance (Cayman) Limited	GEORGE-TOWN		Disposal on 31.05.2021		100.00	
BA-CA Finance II (Cayman) Limited	GEORGE-TOWN		Disposal on 31.05.2021		100.00	
BACA HYDRA Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
BACA KommunalLeasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
BA-CA Leasing Drei Garagen GmbH	VIENNA	EUR 35.000	100.00		100.00	
BA-CA Leasing MAR Immobilien Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
BACA Leasing und Beteiligungsmanagement GmbH	VIENNA	EUR 18.287	100.00		100.00	
BA-CA Markets & Investment Beteiligung Ges.m.b.H.	VIENNA	EUR 127.177	100.00		100.00	
BA-CA Presto Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
BA-CA Wien Mitte Holding GmbH	VIENNA		Disposal on 01.06.2021		100.00	
BAL CARINA Immobilien Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
BAL HESTIA Immobilien Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
BAL HORUS Immobilien Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
BAL HYPNOS Immobilien Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
BAL LETO Immobilien Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
BAL OSIRIS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	

*) Voting rights are shown only if different from the percentage of holding and/or if there has been a change.

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NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2021 HOLDING %	2021 VOTING RIGHTS % *)	2020 HOLDING %	2020 VOTING RIGHTS % *)
BAL SOBEK Immobilien Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
Bank Austria Creditanstalt Leasing Immobilienanlagen GmbH	VIENNA	EUR 36.500	100.00		100.00	
Bank Austria Finanzservice GmbH	VIENNA	EUR 490.542	100.00		100.00	
BAHBETA Ingatlanhasznosito Kft.	BUDAPEST	HUF 30.000.000	100.00		100.00	
Bank Austria Leasing ARGO Immobilien Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
Bank Austria Leasing HERA Immobilien Leasing GmbH	VIENNA	EUR 36.337	100.00		100.00	
Bank Austria Leasing Ikarus Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Bank Austria Leasing MEDEA Immobilien Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
Bank Austria Real Invest Client Investment GmbH	VIENNA	EUR 145.500	94.95		94.95	
Bank Austria Real Invest Immobilien-Kapitalanlage GmbH	VIENNA	EUR 5.000.000	94.95		94.95	
Bank Austria Real Invest Immobilien-Management GmbH	VIENNA	EUR 10.900.500	94.95		94.95	
Bank Austria Wohnbaubank AG	VIENNA	EUR 18.765.944	100.00		100.00	
Baulandentwicklung Gdst 1682/8 GmbH & Co OEG	VIENNA	EUR 58.000	100.00		100.00	
Beteiligungsverwaltungsgesellschaft der Bank Austria Creditanstalt Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
Brewo Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36.337	100.00		100.00	
CABET-Holding GmbH	VIENNA	EUR 290.909	100.00		100.00	
CABO Beteiligungsgesellschaft m.b.H.	VIENNA	EUR 35.000	100.00		100.00	
CA-Leasing Senioren Park GmbH	VIENNA	EUR 36.500	100.00		100.00	
CA-ZETA Real Estate Development Limited Liability Company	BUDAPEST	HUF 3.000.000	100.00		100.00	
CALG 307 Mobilien Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
CALG 443 Grundstückverwaltung GmbH	VIENNA	EUR 36.336	100.00		100.00	
CALG 445 Grundstückverwaltung GmbH	VIENNA	EUR 18.168	100.00		100.00	
CALG 451 Grundstückverwaltung GmbH	VIENNA	EUR 36.500	100.00		100.00	
CALG Alpha Grundstückverwaltung GmbH	VIENNA	EUR 36.500	100.00		100.00	
CALG Anlagen Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
CALG Anlagen Leasing GmbH & CO Grundstückvermietung und -verwaltung KG	MUNICH	EUR 2.326.378	99.90		99.90	
CALG Delta Grundstückverwaltung GmbH	VIENNA	EUR 36.336	100.00		100.00	
CALG Gamma Grundstückverwaltung GmbH	VIENNA	EUR 36.337	100.00		100.00	
CALG Grundstückverwaltung GmbH	VIENNA	EUR 36.500	100.00		100.00	
CALG Immobilien Leasing GmbH	VIENNA	EUR 254.355	100.00		100.00	
CALG Minal Grundstückverwaltung GmbH	VIENNA	EUR 18.286	100.00		100.00	
card complete Service Bank AG	VIENNA	EUR 6.000.000	50.10		50.10	
Castellani Leasing Gmbh	VIENNA	EUR 1.800.000	100.00		100.00	
Charade Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Chefren Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
Civitas Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	

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NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2021 HOLDING %	2021 VOTING RIGHTS % *)	2020 HOLDING %	2020 VOTING RIGHTS % *)
Communa - Leasing Grundstücksverwaltungsgesellschaft m.b.H.	VIENNA	EUR 36.337	100.00		100.00	
Contra Leasing-Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
DC Bank AG	VIENNA	EUR 5.000.000	50.10		50.10	
DC elektronische Zahlungssysteme GmbH	VIENNA		Disposal on 01.06.2021		50.10	
Diners Club CS s.r.o.	BRATISLAVA		Disposal on 01.11.2021		50.10	
Diners Club Polska Sp.z.o.o.	WARSCHAW		Disposal on 01.11.2021		50.10	
DiRana Liegenschaftsverwertungsgesellschaft m.b.H.	VIENNA	EUR 17.500	100.00		100.00	
DLV Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
DUODEC Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Eurolease ANUBIS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Eurolease ISIS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Eurolease MARDUK Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Eurolease RA Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Eurolease RAMSES Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.336	100.00		100.00	
Expanda Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
FactorBank Aktiengesellschaft	VIENNA	EUR 3.000.000	100.00		100.00	
FMZ Savaria Szolgáltató Korlátolt Felelösség Tarsaság	BUDAPEST	HUF 3.000.000	75.00		75.00	
FMZ Sigma Projektentwicklungs GmbH	VIENNA	EUR 35.000	100.00		100.00	
Folia Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.336	100.00		100.00	
Fugato Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.336	100.00		100.00	
GALA Grundstückverwaltung Gesellschaft m.b.H.	VIENNA	EUR 27.434	100.00		100.00	
Gebäudeleasing Grundstücksverwaltungsgesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Gemeindeleasing Grundstückverwaltung Gesellschaft m.b.H.	VIENNA	EUR 18.332	100.00		100.00	
Grundstücksverwaltung Linz-Mitte GmbH	VIENNA	EUR 35.000	100.00		100.00	
HERKU Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
HONEU Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.336	100.00		100.00	
Human Resources Service and Development GmbH	VIENNA		Disposal on 01.02.2021		100.00	
Immobilien Holding GmbH	VIENNA		Merger on 29.09.2021		100.00	
Immobilien Rating GmbH in Liqu.	VIENNA		Sold on 09.01.2021		100.00	
Immobilienleasing Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	

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NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2021 HOLDING %	2021 VOTING RIGHTS % *)	2020 HOLDING %	2020 VOTING RIGHTS % *)
INTRO Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.336	100.00		100.00	
ISB Universale Bau GmbH	BERLIN	EUR 6.288.890	100.00		100.00	
Jausern-Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.336	100.00		100.00	
Kaiserwasser Bau- und Errichtungs GmbH und Co OG	VIENNA	EUR 36.336	99.80		99.80	
KSG Karten-Verrechnungs- und Servicegesellschaft m.b.H.	VIENNA		Disposal on 01.06.2021		50.10	
Kutra Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36.337	100.00		100.00	
Lagermax Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
Lagev Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
LARGO Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
LEASFINANZ Alpha Assetvermietung GmbH	VIENNA	EUR 35.000	100.00		100.00	
LEASFINANZ Bank GmbH	VIENNA	EUR 36.500	100.00		100.00	
LEASFINANZ GmbH	VIENNA	EUR 218.019	100.00		100.00	
Legato Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Lelev Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
LINO Hotel-Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
Lipark Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Liva Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
M. A. V. 7., Bank Austria Leasing Bauträger GmbH & Co.OG.	VIENNA	EUR 3.707	100.00		100.00	
MBC Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Menuett Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36.337	100.00		100.00	
MM Omega Projektentwicklungs GmbH	VIENNA	EUR 35.000	100.00		100.00	
Mögra Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Nage Lokalvermietungsgesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
NÖ. HYPO LEASING ASTRICTA Grundstückvermietungs Gesellschaft m.b.H.	VIENNA	EUR 36.337	95.00		95.00	
Oct Z Immobilien Leasing Gesellschaft m.b.H	VIENNA	EUR 36.500	100.00		100.00	
UniCredit OK1 Leasing GmbH	VIENNA	EUR 35.000	100.00		Added to scope of consolidation on 29.02.2020	
OLG Handels- und Beteiligungsverwaltungsgesellschaft m.b.H.	VIENNA	EUR 36.336	100.00		100.00	
Palais Rothschild Vermietungs GmbH & Co OG	VIENNA	EUR 2.180.185	100.00		100.00	
FINN Arsenal Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
Paytria Unternehmensbeteiligungen Gmbh	VIENNA	EUR 36.336	100.00		100.00	

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NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2021 HOLDING %	2021 VOTING RIGHTS % *)	2020 HOLDING %	2020 VOTING RIGHTS % *)
PELOPS Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.337	100.00		100.00	
Piana Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
POLLUX Immobilien GmbH	VIENNA	EUR 36.500	100.00		100.00	
Posato Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Prelude Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
PRO WOHNBAU GmbH	VIENNA		Merger on 23.04.2021		100.00	
Projekt-Lease Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
QUADEC Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Quart Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Quint Z Immobilien Leasing Gesellschaft m.b.H	VIENNA	EUR 36.500	100.00		100.00	
RANA-Liegenschaftsverwertung GmbH	VIENNA	EUR 72.700	99.90		99.90	
Real Invest Europe d BA RI KAG	VIENNA		75.64		75.64	
Real Invest Immobilien GmbH in Liqu.	VIENNA		Disposal on 01.02.2021		94.00	
Real-Lease Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Real-Rent Leasing Gesellschaft m.b.H.	VIENNA	EUR 73.000	100.00		100.00	
Regev Realitätenverwertungsgesellschaft m.b.H.	VIENNA	EUR 726.728	100.00		100.00	
Schoellerbank Aktiengesellschaft	VIENNA	EUR 20.000.000	100.00		100.00	
Schoellerbank Invest AG	SALZBURG	EUR 2.543.549	100.00		100.00	
SECA-Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
SEDEC Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Sext Z Immobilien Leasing Gesellschaft m.b.H	VIENNA	EUR 36.500	100.00		100.00	
Sigma Leasing GmbH	VIENNA	EUR 18.286	100.00		100.00	
Sonata Leasing-Gesellschaft m.b.H.	VIENNA	EUR 36.336	100.00		100.00	
UniCredit Sterneck Leasing GmbH	VIENNA	EUR 35.000	100.00		Added to scope of consolidation on 29.02.2020	
Spectrum Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36.336	100.00		100.00	
Stewe Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36.337	100.00		100.00	
Success 2015 B.V.	AMSTERDAM	EUR 1	100.00		100.00	
Terz Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
TREDEC Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Treuconsult Beteiligungsgesellschaft m.b.H.	VIENNA		Disposal on 01.06.2021		94.95	
UCLA Immo-Beteiligungsholding Gmbh & Co KG	VIENNA	EUR 10.000	100.00		100.00	
Ufficium Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.337	100.00		100.00	
Unicom Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	

*) Voting rights are shown only if different from the percentage of holding and/or if there has been a change.

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			2021		2020	
NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	HOLDING %	VOTING RIGHTS % *)	HOLDING %	VOTING RIGHTS % *)
UniCredit AURORA Leasing GmbH	VIENNA	EUR 219.000	100.00		100.00	
UniCredit Bank Austria AG	VIENNA	EUR 1.681.033.521	100.00		100.00	
UniCredit Center am Kaiserwasser GmbH	VIENNA	EUR 35.000	100.00		100.00	
UniCredit Garagen Errichtung und Verwertung GmbH	VIENNA	EUR 57.000	100.00		100.00	
UniCredit KFZ Leasing GmbH	VIENNA	EUR 648.000	100.00		100.00	
UniCredit Leasing (Austria) GmbH	VIENNA	EUR 17.296.134	100.00		100.00	
UCLA Am Winterhafen 11 Immobilienleasing GmbH & Co OG	VIENNA	EUR	Added to scope of consolidation on 01.02.2021			
BAH-OMEGA Zrt. "v.a."	BUDAPEST	HUF 70.000.000	100.00		100.00	
BAH-KAPPA Kft. "v.a."	BUDAPEST		Disposal on 01.02.2021		100.00	
UniCredit Leasing Technikum GmbH	VIENNA	EUR 35.000	100.00		100.00	
UniCredit Leasing Versicherungsservice GmbH & Co KG	VIENNA	EUR 36.500	100.00		100.00	
UniCredit Leasing Alpha Assetvermietung GmbH	VIENNA	EUR 35.000	100.00		100.00	
UniCredit Luna Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
UniCredit Mobilien und KFZ Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
UniCredit Pegasus Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
UniCredit Polaris Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
Alpha Rent doo Beograd	BELGRAD	RSD 3.285.948.900	100.00		100.00	
UniCredit TechRent Leasing GmbH	VIENNA	EUR 36.336	100.00		100.00	
UniCredit Zega Leasing GmbH	VIENNA	EUR 36.500	100.00		100.00	
UNIVERSALE International Realitäten GmbH	VIENNA	EUR 32.715.000	100.00		100.00	
Vape Communa Leasinggesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
WÖM Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36.336	100.00		100.00	
Z Leasing Alfa Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Z Leasing ARKTUR Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Z Leasing AURIGA Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Z Leasing CORVUS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Z Leasing DORADO Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Z Leasing DRACO Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Z Leasing Gama Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Z Leasing GEMINI Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Z Leasing HEBE Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Z Leasing HERCULES Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Z Leasing IPSILON Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Z Leasing Ita Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	

*) Voting rights are shown only if different from the percentage of holding and/or if there has been a change.

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NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2021 HOLDING %	2021 VOTING RIGHTS % *)	2020 HOLDING %	2020 VOTING RIGHTS % *)
Z Leasing JANUS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Z Leasing KALLISTO Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Z Leasing KAPA Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Z Leasing LYRA Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Z Leasing NEREIDE Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Z Leasing OMEGA Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Z Leasing PERSEUS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Z Leasing SCORPIUS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Z Leasing TAURUS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 73.000	100.00		100.00	
Z Leasing VENUS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Z Leasing VOLANS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36.500	100.00		100.00	
Zapadni Trgovacki Centar d.o.o.	RIJEKA	HRK 20.000	100.00		100.00	
Unicredit Gustra Leasing GmbH	VIENNA	EUR 35.000	100.00		100.00	
Unicredit Hamred Leasing GmbH	VIENNA	EUR 35.000	100.00		100.00	

*) Voting rights are shown only if different from the percentage of holding and/or if there has been a change.

A.8.2 – Breakdown of minority interests

Non-controlling interests

(€ million)

	31.12.2021	31.12.2020
card complete Service Bank AG	20	21
DC Bank AG 1)	4	9
Other entities	5	13
Consolidation adjustments	2	(3)
TOTAL	**31**	**40**

1) Reclassified from “held for sale” to “held for use”.

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Investments in subsidiaries with material non-controlling interests, 2021

NAME	TOTAL ASSETS	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	FINANCIAL LIABILITIES	SHAREHOLDERS' EQUITY	SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	NON-CONTROLLING INTERESTS %
card complete Service Bank AG	701,864	89,208	537,013	70,345	409,777	39,580	19,750	49.90

Investments in subsidiaries with material non-controlling interests, 2020

NAME	TOTAL ASSETS	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	FINANCIAL LIABILITIES	SHAREHOLDERS' EQUITY	SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	NON-CONTROLLING INTERESTS %
card complete Service Bank AG	518,336	-	455,555	57,454	234,511	41,412	20,665	49.90

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(€ thousand)

NET INTEREST MARGIN	OPERATING INCOME	OPERATING COSTS	TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	TOTAL PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	PROFIT (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS	NET PROFIT OR LOSS (1)	OCI (2)	COMPREHENSIVE INCOME (3) = (1) + (2)	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	DIVIDENDS PAID TO NON-CONTROLLING INTERESTS
5,691	58,735	(67,511)	(12,656)	(12,685)	-	(12,685)	229	(12,456)	(6,216)	-

(€ thousand)

NET INTEREST MARGIN	OPERATING INCOME	OPERATING COSTS	TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	TOTAL PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	PROFIT (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS	NET PROFIT OR LOSS (1)	OCI (2)	COMPREHENSIVE INCOME (3) = (1) + (2)	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	DIVIDENDS PAID TO NON-CONTROLLING INTERESTS
6,438	61,276	(64,085)	(20,075)	(16,670)	-	(16,670)	91	(16,579)	(8,273)	-

A – Accounting methods

A.8.3 - Joint Ventures and associated companies

NAME	METHOD OF ACCOUNTING	MAIN OFFICE/ OPERATIONAL HQ	NATURE OF RELATIONSHIP	DATE OF PUBLICATION 1)
Bank für Tirol und Vorarlberg Aktiengesellschaft	At equity	INNSBRUCK	1	30/09/2021
BKS Bank AG	At equity	KLAGENFURT	1	30/09/2021
CBD International Sp.z.o.o.	At equity	WARSCHAW	5	31/12/2020
Fides Leasing GmbH	Joint Venture	VIENNA	2	31/12/2021
HETA BA Leasing Süd GmbH	Joint Venture	KLAGENFURT	2	31/12/2021
NOTARTREUHANDBANK AG	At equity	VIENNA	1	30/09/2021
Oberbank AG	At equity	LINZ	1	30/09/2021
Oesterreichische Kontrollbank Aktiengesellschaft	At equity	VIENNA	1	30/09/2021
Österreichische Wertpapierdaten Service GmbH	At equity	VIENNA	3	31/12/2020
Palatin Grundstückverwaltungs Gesellschaft m.b.H.	Joint Venture	ST. PÖLTEN	2	31/12/2021
PSA Payment Services Austria GmbH	At equity	VIENNA	2	31/12/2020
"UNI" Gebäudemanagement GmbH	At equity	LINZ	5	30/09/2021
WKBG Wiener Kreditbürgschafts- und Beteiligungsbank AG	At equity	VIENNA	1	31/12/2020

1) The most recent financial statements used for consolidation.

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

A – Accounting methods

(€ thousand)

2021				2020			
ISSUED CAPITAL	HOLDING %	VOTING RIGHTS %	CARRYING AMOUNT € THSD	ISSUED CAPITAL	HOLDING %	VOTING RIGHTS %	CARRYING AMOUNT € THSD
EUR 68.062.500	47.38	47.38	699,213	EUR 68.062.500	47.38	46.85	741,742
EUR 85.885.800	29.78	29.78	359,656	EUR 85.885.800	29.78	29.78	289,191
PLN 100.500	49.75		1,821	PLN 100.500	49.75		1,213
EUR 36.000	50.00		207	EUR 36.000	50.00		170
EUR 36.500	50.00		1,134	EUR 36.500	50.00		1,134
EUR 8.030.000	25.00		10,973	EUR 8.030.000	25.00		11,045
EUR 105.864.000	27.17	27.17	909,830	EUR 105.402.000	27.17	27.17	800,471
EUR 130.000.000	49.15		407,004	EUR 130.000.000	49.15		390,523
EUR 100.000	29.30		77	EUR 100.000	29.30		69
EUR 36.336	50.00		74	EUR 36.336	50.00		83
EUR 285.000	24.00		7,669	EUR 285.000	24.00		6,588
EUR 18.168	50.00		118	EUR 18.168	50.00		87
EUR 9.205.109	21.54		5,911	EUR 9.205.109	21.54		6,079

Voting rights are shown only if different from the percentage of holding and/or if there has been a change.

A – Accounting methods

Investments in associates and joint ventures: accounting information 2021*)

NAME	TOTAL ASSETS	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	NON-FINANCIAL ASSETS	FINANCIAL LIABILITIES
Under significant influence					
BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT	13,953,848	2,820,246	10,631,052	502,550	11,795,774
BKS BANK AG	10,434,958	1,380,324	8,887,403	167,231	8,839,662
NOTARTREUHANDBANK AG	2,796,903	3	2,793,496	3,404	2,743,273
OBERBANK AG	26,851,067	4,299,208	22,052,195	499,664	22,833,570
OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT	32,944,861	671,404	32,160,807	112,650	30,666,984

*) Data as at 30.09.2021

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

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

*) Data as at 30.09.2020

A – Accounting methods

(€ thousand)

NON-FINANCIAL LIABILITIES	NET EQUITY	TOTAL REVENUES	NET INTEREST MARGIN	OPERATING COSTS	TAX EXPENSE (INCOME)	PROFIT (LOSS)	PROFIT (LOSS) AFTER REVALUATION RESERVE	DIVIDENDS RECEIVED
332,519	1,825,556	342,284	133,176	(82,256)	(437)	80,924	87,143	1,935
218,893	1,376,403	290,805	132,621	(82,148)	(12,687)	99,093	113,978	1,535
9,738	43,892	13,448	8,762	(7,030)	(1,497)	4,604	4,604	1,223
826,449	3,191,048	687,845	337,387	(215,635)	(49,598)	233,738	259,995	7,196
1,449,791	828,086	425,713	112,643	(77,479)	(24,002)	60,152	66,248	16,081

(€ thousand)

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

A – Accounting methods

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

	CONSOLIDATED COMPANIES	COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD	TOTAL
Opening balance	**209**	**13**	**222**
Additions	**1**	**-**	**1**
Newly established companies	-	-	-
Acquired companies	1	-	1
Other changes	-	-	-
Changes in UniCredit Group	-	-	-
Disposals	**-17**	**-**	**-17**
Companies sold or liquidated	-1	-	-1
Mergers	-3	-	-3
Changes in UniCredit Group	-13	-	-13
CLOSING BALANCE	**193**	**13**	**206**

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

A – Accounting methods

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

NAME	MAIN OFFICE/ OPERATIONAL HQ	HOLDING %
"Neue Heimat" Gemeinnützige Wohnungs-und Siedlungsgesellschaft, Gesellschaft mit beschränkter Haftung	Wiener Neustadt	27.00
"MARTIANEZ COMERCIAL, SOCIEDAD ANONIMA"	Puerto de la Cruz	100.00
AI BETEILIGUNGS GMBH	Vienna	100.00
Alpine Cayman Islands Ltd.	Grand Cayman	100.00
BAH-Kappa Kft. "V.A."	Budapest	100.00
BA Alpine Holdiings, Inc.	Wilmington County	100.00
BA WORLDWIDE FUND MANAGEMENT LTD	Tortola	94.95
BA-CA Investor Beteiligungs GmbH	Vienna	89.26
BA-CA Wien Mitte Holding	Vienna	100.00
Bank Austria Real Invest Asset Management GmbH	Vienna	94.95
DC elektronische Zahlungssysteme GmbH	Vienna	50.10
Diners Club CS, s.r.o.	Bratislava	50.10
Diners Club Polska Sp.z.o.o.	Warsaw	50.10
ELINT Gesellschaft m.b.H. in Liqu.	Vienna	89.26
GEWOG Gemeinnützige Wohnungsbau-Gesellschaft m.b.H.	Vienna	25.00
Human Resources Services and Development GmbH	Vienna	100.00
Palais Rothschild Vermietungs GmbH	Vienna	100.00
RAMSES-Immobilienholding GmbH	Vienna	100.00
Real Invest Immobilien GmbH in Liqu.	Vienna	95.00
RE-St.Marx Holding GmbH	Vienna	100.00
Treuconsult Beteiligungsgesellschaft m.b.H.	Vienna	94.95

*) Inclusion of companies is based on quantitative criteria (e.g.: total assets < €10 million, possibility of realisation of profit) and qualitative criteria (e.g.: strategic relevance).

A – Accounting methods

Exposure towards unconsolidated structured entities

Exposure towards unconsolidated investment funds

Units in investment funds

(€ million)

EXPOSURE TYPE	CATEGORY	31.12.2021 BOOK VALUE	31.12.2021 NOMINAL VALUE	31.12.2021 FAIR VALUE	31.12.2020 BOOK VALUE	31.12.2020 NOMINAL VALUE	31.12.2020 FAIR VALUE
Units in investment funds	Financial assets mandatorily at fair value through P&L	18	14	18	13	22	13
	Held for trading	-	-	-	-	-	-
TOTAL		**18**	**14**	**18**	**13**	**22**	**13**

Other exposure towards unconsolidated investment funds

Assets

(€ million)

EXPOSURE TYPE	CATEGORY	31.12.2021 BOOK VALUE	31.12.2021 NOMINAL VALUE	31.12.2020 BOOK VALUE	31.12.2020 NOMINAL VALUE
Loans and receivables	Financial assets at amortised cost with customers and financial assets mandatorily at FV through profit or loss	282	282	179	179
Credit derivatives	Held for trading	-	-	-	-
Other derivatives	Held for trading	1	17	2	49
Guarantees	Off-balance sheet	-	-	-	-
Credit lines revocable	Off-balance sheet	-	1,837	-	1,784
Credit lines irrevocable	Off-balance sheet	-	137	-	137
TOTAL		**283**	**2,273**	**181**	**2,149**

Liabilities

(€ million)

EXPOSURE TYPE	CATEGORY	31.12.2021 BOOK VALUE	31.12.2020 BOOK VALUE
Deposits	Financial liabilities at amortised cost: b) Loans and receivables with customers	1,154	1,068
Other derivatives (no credit risk)	Liabilities	-	-
TOTAL		**1,154**	**964**

Income from unconsolidated structured entities

In 2021, Bank Austria Group generated income from fees and commissions from unconsolidated investment funds in the amount of €41 million (previous year: €35 million).

A – Accounting methods

Disclosures of material restrictions

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

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

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

B – Notes to the income statement

B – Notes to the income statement

B.1 – Interest income/Interest expense

B.1.1 Interest income and similar revenues: breakdown

(€ million)

ITEMS/TYPES	YEAR 2021 DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL	YEAR 2020 TOTAL
1. Financial assets at fair value through profit or loss	**3**	**39**	**250**	**292**	**287**
1.1 Financial assets held for trading	-	-	250	250	239
1.2 Financial assets designated at fair value	1	-	-	1	-
1.3 Other financial assets mandatorily at fair value	1	39	-	40	47
2. Financial assets at fair value through other comprehensive income	**108**	**-**	**X**	**108**	**130**
3. Financial assets at amortised cost	**(1)**	**789**	**X**	**788**	**893**
3.1 Loans and advances to banks	(3)	26	X	24	16
3.2 Loans and advances to customers	1	762	X	764	877
4. Hedging derivatives	**X**	**X**	**(130)**	**(130)**	**(117)**
5. Other assets	**X**	**X**	**13**	**13**	**14**
6. Financial liabilities	**X**	**X**	**X**	**215**	**100**
Total	**110**	**827**	**133**	**1,285**	**1,308**
of which: interest income on impaired financial assets	*-*	*40*	*-*	*40*	*42*
of which: interest income on financial lease	*X*	*47*	*X*	*47*	*54*

The comparative figures for 2020 have been adjusted. For further explanations, please refer to Part A Accounting policies - Section A.2 - Basis of preparation of the financial statements.

Interest income of €1,111 million was recognized applying effective interest method.

Total interest income for financial assets not measured at fair value through profit or loss amounts to €908 million (previous: €1,037 million). Interest income from currency-denominated financial assets amounts to €97 million (previous year: €141 million).

Income received on deposits (liabilities) of €215 million (previous year: €101 million) is reported under interest and similar income and is mainly attributable to participation in TLTRO III (Targeted Longer-Term Refinancing Operations) of the ECB and the successful implementation of Excess Liquidity Fee.

Interest income due to the passage of time on impaired financial assets classified in Stage 3 amounts to €40 million (previous year: €42 million), of which €11 million (previous year: €11 million) resulted from unwinding of time value.

B – Notes to the income statement

B.1.2 Interest expenses and similar charges: breakdown

(€ million)

ITEMS/TYPES	YEAR 2021 DEBTS	YEAR 2021 SECURITIES	YEAR 2021 OTHER TRANSACTIONS	YEAR 2021 TOTAL	YEAR 2020 TOTAL
1. Financial liabilities at amortised cost	**(88)**	**(145)**	**X**	**(233)**	**(323)**
1.1 Deposits from central banks	-	X	X	-	-
1.2 Deposits from banks	(28)	X	X	(28)	(72)
1.3 Deposits from customers	(60)	X	X	(60)	(40)
1.4 Debt securities in issue	X	(145)	X	(145)	(211)
2. Financial liabilities held for trading	**-**	**-**	**(251)**	**(251)**	**(238)**
3. Financial liabilities designated at fair value	**-**	**-**	**-**	**-**	**-**
4. Other liabilities and funds	**X**	**X**	**(1)**	**(1)**	**(1)**
5. Hedging derivatives	**X**	**X**	**202**	**202**	**236**
6. Financial assets	**X**	**X**	**X**	**(138)**	**(75)**
Total	**(88)**	**(145)**	**(50)**	**(421)**	**(401)**
of which: interest expenses on lease liabilities	*(9)*	*X*	*X*	*(9)*	*(10)*

Interest expense of €371 million was recognized applying effective interest method.

Total interest expense for liabilities not measured at fair value through profit or loss amounts to -€234 million (previous year: -€324 million).
Interest expense on financial liabilities denominated in foreign currencies amounts to -€86 million (previous year: -€46 million).
Expenses incurred for receivables (assets) amounting to -€138 million (previous year: -€76 million) are reported under interest and similar expenses.
These are mainly attributable to participation in TLTRO III (Targeted Longer-Term Refinancing Operations) of the ECB.

B – Notes to the income statement

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

B.2.1 Fees and commissions income: breakdown

(€ million)

TYPE OF SERVICES/VALUES	YEAR 2021	YEAR 2020
a) Financial Instruments	56	47
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	4	6
2.1 Reception and transmission of orders of financial instruments	4	6
2.2 Execution of orders on behalf of customers	-	-
3. Other fees related to activities linked to financial instruments	52	41
of which: proprietary Trading	-	-
of which: individual portfolio management	*52*	*41*
b) Corporate Finance	8	9
1. M&A advisory	-	-
2. Treasury services	-	-
3. Other fee and commission income in relation to corporate finance activities	8	9
c) Fee based advice	20	15
d) Clearing and settlement	-	-
e) Collective portfolio management	143	83
f) Custody and administration of securities	94	87
1. Custodian Bank	86	77
2. Other fee and commission income in relation to corporate finance activities	9	10
g) Central administrative services for collective investment	-	-
h) Fiduciary transactions	-	-
i) Payment services	83	78
1. Current accounts	1	-
2. Credit cards	2	-
3. Debits cards and other card payments	20	18
4. Transfers and other payment orders	46	44
5. Other fees in relation to payment services	14	15
j) Distribution of third-party services	78	108
1.Collective portfolio management	54	87
2. Insurance products	22	18
3. Other products	2	2
of which: individual portfolio management	-	-
k) Structured finance	-	-
l) Loan securitization servicing activities	-	-
m) Loan commitment given	-	-
n) Financial guarantees	37	38
of which: credit derivatives	-	-
o) Lending transaction	72	68
of which: factoring services	*3*	*3*
p) Currency trading	2	2
q) Commodities	-	-
r) Other fee income	298	299
of which: management of sharing multilateral trading facilities	-	-
of which: management of organized trading systems	-	-
Total	**891**	**835**

The comparative figures for 2020 have been adjusted. For further explanations, please refer to Part A Accounting policies - Section A.2 - Basis of preparation of the financial statements.

B – Notes to the income statement

B.2.2 Fees and commissions expenses: breakdown

(€ million)

SERVICES/VALUES	YEAR 2021	YEAR 2020
a) Financial instruments	(2)	(2)
of which: trading in financial instruments	*(2)*	*(2)*
of which: placement of financial instruments	-	-
of which: individual Portfolio management	-	-
- own portfolio	-	-
- third party portfolio	-	-
b) Clearing and settlement	-	-
c) Portfolio management: collective	(18)	(15)
1. Own portfolio	(4)	(3)
2. Third party portfolio	(14)	(11)
d) Custody and Admnistration	(32)	(30)
e) Collection and payments services	(111)	(104)
of which: debit credit card service and other payment cards	*(100)*	*(85)*
f) Loan securitization servicing activities	-	-
g) Loan commitment given	-	-
h) Financial guarantees received	(1)	(2)
of which: credit derivatives	-	-
i) Off - site distribution of financial instruments, products and services	(26)	(23)
j) Currency trading	-	-
k) Other commission expenses	(4)	(5)
Total	**(194)**	**(182)**

The comparative figures for 2020 have been adjusted. For further explanations, please refer to Part A Accounting policies - Section A.2 - Basis of preparation of the financial statements.

In comparison to 2020 figure, which was particularly impacted by the COVID-19 pandemic, net fee and commission income increased by 7% to €697 million. While net fee and commission income from asset management showed significant year-on-year growth, the contribution from payment-related transaction services, which has been impacted since the start of the COVID-19 pandemic by measures such as repeated lockdowns, particularly in the cards business, was on a par with the previous year.

B.3 – Dividend income and similar revenues

B.3.1 Dividend income and similar revenues

(€ million)

	YEAR 2021		YEAR 2020	
ITEMS/REVENUES	DIVIDENDS	SIMILAR REVENUES	DIVIDENDS	SIMILAR REVENUES
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily at fair value	-	-	-	-
C. Financial assets at fair value through other comprehensive income	5	-	4	-
D. Equity investments	10	-	1	-
Total	**16**	**-**	**5**	**-**
Total dividends and similar revenues		**16**		**5**

Dividends received from non-consolidated companies were reported under the position D. Equity investments.

B – Notes to the income statement

B.4 – Net trading income

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

(€ million)

TRANSACTIONS/P&L ITEMS	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A + B) + (C + D)]
1. Financial assets held for trading	**-**	**1**	**-**	**-**	**1**
1.1 Debt securities	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-
1.3 Units in investment funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	1	-	-	1
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Deposits	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**27**
4. Derivatives	**52**	**-**	**-**	**-**	**54**
4.1 Financial derivatives	52	-	-	-	54
- On debt securities and interest rates	52	-	-	-	52
- On equity securities and share indices	-	-	-	-	-
- On currency and gold	X	X	X	X	2
- Other	1	-	-	-	1
4.2 Credit derivatives	-	-	-	-	-
of which: economic hedges linked to the fair value option	*X*	*X*	*X*	*X*	-
Total 31.12.2021	**52**	**1**	**-**	**-**	**82**
Total 31.12.2020	**28**	**2**	**-**	**-**	**55**

B – Notes to the income statement

B.5 – Fair value adjustments in hedge accounting

B.5.1 Fair value adjustments in hedge accounting

(€ million)

P&L COMPONENT/VALUES	YEAR 2021	YEAR 2020
A. Gains on		
A.1 Fair value hedging instruments	510	84
A.2 Hedged financial assets (in fair value hedge relationship)	-	135
A.3 Hedged financial liabilities (in fair value hedge relationship)	191	53
A.4 Cash-flow hedging derivatives	-	-
A.5 Assets and liabilities denominated in currency	-	-
Total gains on hedging activities (A)	**701**	**272**
B. Losses on		
B.1 Fair value hedging instruments	(510)	(271)
B.2 Hedged financial assets (in fair value hedge relationship)	(192)	-
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)	**(702)**	**(271)**
C. Net hedging result (A – B)	**(1)**	**1**
of which: net gains (losses) of hedge accounting on net positions	-	-

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

B.6.1 Gains (Losses) on disposal/repurchase

(€ million)

	YEAR 2021			YEAR 2020		
ITEMS/P&L ITEMS	GAINS	LOSSES	NET PROFIT	GAINS	LOSSES	NET PROFIT
A. Financial assets						
1. Financial assets at amortised cost	6	-	6	-	-	-
1.1 Loans and advances to banks	-	-	-	-	-	-
1.2 Loans and advances to customers	6	-	6	-	-	-
2. Financial assets at fair value through other comprehensive income	8	-	8	5	(1)	4
2.1 Debt securities	8	-	8	5	(1)	4
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**14**	**-**	**14**	**5**	**(1)**	**4**
B. Financial liabilities at amortised cost						
1. Deposits from banks	-	-	-	1	-	1
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities in issue	-	(2)	(1)	-	-	-
Total liabilities (B)	**-**	**(2)**	**(1)**	**1**	**-**	**1**
Total financial assets/liabilities			**12**			**5**

B – Notes to the income statement

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

B.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	**-**	**-**	**(9)**	**-**	**(9)**
1.1 Debt securities	-	-	(9)	-	(9)
1.2 Loans	-	-	-	-	-
2. Financial liabilities	**77**	**-**	**(72)**	**-**	**5**
2.1 Debt securities	-	-	-	-	-
2.2 Deposits from banks	77	-	(72)	-	5
2.3 Deposits from customers	-	-	-	-	-
3. Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**-**
Total 31.12.2021	**77**	**-**	**(81)**	**-**	**(4)**
Total 31.12.2020	**40**	**-**	**(43)**	**-**	**(3)**

B.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	**8**	**16**	**(10)**	**(2)**	**12**
1.1 Debt securities	-	11	(3)	-	7
1.2 Equity securities	-	-	-	-	-
1.3 Units in investment funds	-	6	(2)	-	4
1.4 Loans	8	-	(6)	(2)	-
2. Financial assets: exchange differences	**X**	**X**	**X**	**X**	**-**
Total 31.12.2021	**8**	**16**	**(10)**	**(2)**	**12**
Total 31.12.2020	**11**	**1**	**(15)**	**(3)**	**(6)**

B – Notes to the income statement

B.8 – Impairments

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

(€ million)

	YEAR 2021											YEAR 2020
	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	**(1)**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**1**
- Loans	-	-	-	-	-	-	1	-	-	-	-	1
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
B. Loans and advances to customers	**(41)**	**(284)**	**(8)**	**(176)**	**-**	**(1)**	**45**	**165**	**132**	**1**	**(166)**	**(348)**
- Loans	(41)	(283)	(8)	(176)	-	(1)	45	165	132	1	(166)	(347)
- Debt securities	-	(1)	-	-	-	-	-	-	-	-	-	-
Total	**(41)**	**(284)**	**(8)**	**(176)**	**-**	**(1)**	**46**	**165**	**132**	**1**	**(166)**	**(347)**

The comparative figures for 2020 have been adjusted. For further explanations, please refer to Part A Accounting policies - Section A.2 - Basis of preparation of the financial statements.

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

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

(€ million)

	YEAR 2021											YEAR 2020
	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. Debt securities	**-**	**(1)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**
B. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Loans and advances to customers	-	-	-	-	-	-	-	-	-	-	-	-
- Loans and advances to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**(1)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**

B – Notes to the income statement

B.9 – Payroll costs

B.9.1 Staff expenses

(€ million)

TYPE OF EXPENSES/VALUES	YEAR 2021	YEAR 2020
1) Employees	**(914)**	**(658)**
a) Wages and salaries	(464)	(460)
b) Social charges	(117)	(113)
c) Severance pay	-	-
d) Social security costs	-	-
e) Allocation to employee severance pay provision	-	-
f) Provision for retirements and similar provisions	(21)	(52)
- Defined contribution	-	-
- Defined benefit	(22)	(51)
g) Payments to external pension funds	(15)	(15)
- Defined contribution	(14)	(14)
- Defined benefit	(1)	(1)
h) Costs arising from share-based payments	(3)	(2)
i) Other employee benefits	(293)	(16)
2) Other staff	**(9)**	**(2)**
3) Directors and Statutory Auditors	**-**	**-**
4) Early retirement costs	**-**	**-**
5) Recoveries of payments for second employees to other companies	**53**	**57**
4) Early retirement costs	**(11)**	**(8)**
Total	**(880)**	**(611)**

B.9.2 Defined benefit company retirement funds: costs and revenues

(€ million)

	YEAR 2021	YEAR 2020
Current service cost	(13)	(12)
Settlement gains (losses)	16	-
Past service cost	-	-
Interest cost on the DBO	(25)	(39)
Interest income on plan assets	-	-
Other costs/revenues	-	-
Administrative expenses paid through plan assets	-	-
Total recognised in profit or loss	**(22)**	**(51)**

B.9.3 Other employee benefits

(€ million)

	YEAR 2021	YEAR 2020
- Seniority premiums	(2)	(4)
- Leaving incentives	(279)	(1)
- Other	(12)	(11)
Total	**(293)**	**(16)**

In the reporting year, a restructuring provision of -€279.1 million (previous year: €0.0 million) was included in connection with the measures planned for Bank Austria as a result of the strategic plan 2022-2024 ***"UniCredit Unlocked"*** communicated in December 2021. The provision includes necessary expenses in the personnel area for early leave on a voluntary basis with assistance to bridge the period until reaching the statutory retirement age. For further explanations, please refer to Part A Accounting policies - Section A.2 - Basis of preparation of the financial statements - Multi-year plan - ***"UniCredit Unlocked"***.

B – Notes to the income statement

B.10 – Other administrative expenses

B.10.1 Other administrative expenses

(€ million)

TYPE OF EXPENSES/SECTORS	YEAR 2021	YEAR 2020
1) Indirect taxes and duties	**(3)**	**(66)**
1a. Settled	(3)	(66)
1b. Unsettled	-	-
2) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)	**(110)**	**(81)**
3) Guarantee fee for DTA conversion	**-**	**-**
4) Miscellaneous costs and expenses	**(505)**	**(480)**
a) Advertising marketing and communication	(26)	(27)
b) Expenses relating to credit risk	(4)	(4)
c) Indirect expenses relating to personnel	(6)	(5)
d) Information & Communication Technology expenses	(252)	(238)
Lease of ICT equipment and software	(1)	(1)
Software expenses: lease and maintenance	(8)	(10)
ICT communication systems	(6)	(5)
Services ICT in outsourcing	(228)	(212)
Financial information providers	(10)	(10)
e) Consulting and professional services	(24)	(27)
Consulting	(18)	(18)
Legal expenses	(6)	(8)
f) Real estate expenses	(35)	(38)
Rentals of premises	(3)	(3)
Utilities	(9)	(9)
Other real estate expenses	(22)	(26)
g) Operating costs	(159)	(143)
Surveillance and security services	(3)	(4)
Money counting services and transport	(5)	(6)
Printing and stationery	(4)	(4)
Postage and transport of documents	(19)	(18)
Administrative and logistic services	(98)	(97)
Insurance	(3)	(3)
Association dues and fees and contributions to the administrative expenses deposit guarantee funds	(10)	(10)
Other administrative expenses - other	(17)	-
Total (1+2+3+4)	**(618)**	**(627)**

Bank levies and contribution to resolution funds and deposit guarantee schemes decreased overall to -€112 million (-€146 million in the previous year). Of the total amount, €59 million and €51 million were allocated to the deposit guarantee schemes and to resolution funds, respectively, and €3 million to the bank levy (compared with €66 million in the previous year, which for the last time included a pro-rata special payment of €46 million due to the new regulation of the Austrian bank levy in 2016).

Deposit guarantee schemes contribution increased significantly compared with the prior-year figure, triggered by insolvencies (in particular Commerzialbank Mattersburg and Autobank) and the subsequent withdrawal of market participants from the deposit guarantee schemes for banks.

B – Notes to the income statement

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

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

(€ million)

	PROVISIONS	REALLOCATION SURPLUS	TOTAL 31.12.2021	TOTAL 31.12.2020
Loan commitments	(48)	51	**3**	**(21)**
Financial guarantees given	(27)	25	**(2)**	**(29)**

B.12 – Net provisions for risks and charges

B.12.1 Net provisions for risks and charges

(€ million)

	YEAR 2021			YEAR 2020
ASSETS/P&L ITEMS	PROVISIONS	REALLOCATION SURPLUS	TOTAL	TOTAL
1. Other provisions				
1.1 Legal disputes	(10)	14	4	(5)
1.2 Staff costs	-	-	-	-
1.3 Other	2	1	3	-
Total	**(8)**	**15**	**7**	**(6)**

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

B.13.1 Net value adjustments/write-backs on property, plant and equipment

(€ million)

	YEAR 2021				YEAR 2020			
ASSETS/INCOME ITEMS	DEPRECIATION (A)	IMPAIRMENT LOSSES (B)	WRITE-BACKS (C)	NET PROFIT (A+B-C)	DEPRECIATION (A)	IMPAIRMENT LOSSES (B)	WRITE-BACKS (C)	NET PROFIT (A+B-C)
A. Property, plant and equipment								
A.1 Used in the business	**(80)**	**(14)**	**-**	**(93)**	**(87)**	**(1)**	**-**	**(87)**
- Owned	(47)	(1)	-	(48)	(54)	(1)	-	(54)
- Right of use of Leased Assets	(33)	(13)	-	(46)	(33)	-	-	(33)
A.2 Held for investment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Owned	-	-	-	-	-	-	-	-
- Right of use of Leased Assets	-	-	-	-	-	-	-	-
A.3 Inventories	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total A	**(80)**	**(14)**	**-**	**(93)**	**(87)**	**(1)**	**-**	**(88)**
B. Non-current assets and groups of assets held for sale	**X**	**-**	**-**	**-**	**X**	**(6)**	**-**	**(6)**
- Used in the business	X	-	-	-	X	(6)	-	(6)
- Held for investments	X	-	-	-	X	-	-	-
- Inventories	X	-	-	-	X	-	-	-
TOTAL A + B	**(80)**	**(14)**	**-**	**(93)**	**(87)**	**(7)**	**-**	**(94)**

B – Notes to the income statement

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

B.14.1 Net value adjustments/write-backs on intangible assets

(€ million)

ASSETS/INCOME ITEMS	YEAR 2021 AMORTISATION (A)	IMPAIRMENT LOSSES (B)	WRITE-BACKS (C)	NET PROFIT (A+B-C)
A. Intangible assets				
of which: software	*(7)*	*(3)*	-	*(10)*
A.1 Owned	**(8)**	**(3)**	**-**	**(10)**
- Generated internally by the company	-	-	-	-
- Other	(8)	(3)	-	(10)
A.2 Right of use of Leased Assets	**-**	**-**	**-**	**-**
Total	**(8)**	**(3)**	**-**	**(10)**

B.14.1 Net value adjustments/write-backs on intangible assets

(€ million)

ASSETS/INCOME ITEMS	YEAR 2020 AMORTISATION (A)	IMPAIRMENT LOSSES (B)	WRITE-BACKS (C)	NET PROFIT (A+B-C)
A. Intangible assets				
of which: software	-	-	-	-
A.1 Owned	**(4)**	**-**	**-**	**(4)**
- Generated internally by the company	-	-	-	-
- Other	(4)	-	-	(4)
A.2 Right of use of Leased Assets	**-**	**-**	**-**	**-**
Total	**(4)**	**-**	**-**	**(4)**

B.15 – Other operating income and expenses

B.15.1 Other operating expenses

(€ million)

TYPE OF EXPENSE/VALUES	YEAR 2021	YEAR 2020
Costs for operating leases	-	-
Non-deductible tax and other fiscal charges	-	-
Write-downs on leasehold improvements	(36)	(12)
Costs relating to the specific service of financial leasing	-	-
Other	(42)	(29)
Total of other operating expenses	**(79)**	**(42)**

B – Notes to the income statement

B.15.2 Other operating income

(€ million)

TYPE OF REVENUE/VALUES	YEAR 2021	YEAR 2020
A) Recovery of costs	**2**	**-**
B) Other revenues	**91**	**120**
Revenues from administrative services	19	19
Revenues from operating leases	47	59
Recovery of miscellaneous costs paid in previous years	5	3
Revenues on financial leases activities	-	-
Other	20	38
Total of other operating income (A+B)	**94**	**120**

The comparative figures for 2020 have been adjusted. For further explanations, please refer to Part A Accounting policies - Section A.2 - Basis of preparation of the financial statements.

B.16 – Profit (loss) on equity investments

16.1 Gains (Losses) of equity investments

(€ million)

	YEAR 2021	YEAR 2020
Jointly owned companies - Equity		
Income	**-**	
Revaluations		
Net profit		
Companies under significant influence		
Income	**243**	**98**
Revaluations	163	98
Gains on disposal		
Write-backs	80	
Other gains		
Expenses	**(93)**	**(110)**
Write-downs		
Impairment losses	(93)	(110)
Losses on disposal		
Other expenses		
Net profit	**150**	**(12)**
Total	**150**	**(12)**

Profits of associates amounts to €163 million, substantially exceeding the previous year's figure by €65 million. This item includes pro rata profits from companies subject to significant influence, mainly the 3 Banken Group and Oesterreichische Kontrollbank.

The Write-backs in the financial year 2021 relate to BKS €37.2 million and Oberbank €42.7 million.

The impairment losses in the 2021 financial year relate to BTV -€85.8 million and non-consolidated subsidiaries -€7 million. In the 2020 financial year, the impairment loss at BKS amounted to -€72.7 million and at BTV to -€37.5 million.

B – Notes to the income statement

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

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

(€ million)

ASSETS/INCOME COMPONENTS	YEAR 2021				
			EXCHANGE DIFFERENCES		
	REVALUATIONS (A)	WRITEDOWNS (B)	POSITIVE (C)	NEGATIVE (D)	NET PROFIT (A-B+C-D)
A. Property, plant and equipment	**17**	**(7)**	**-**	**-**	**10**
A.1 Used in the business	**2**	**(1)**	**-**	**-**	**1**
- Owned	2	(1)	-	-	1
- Right of use of Leased Assets	-	-	-	-	-
A.2 Held for investment	**16**	**(6)**	**-**	**-**	**10**
- Owned	16	(6)	-	-	10
- Right of use of Leased Assets	-	-	-	-	-
A.3 Inventories	**-**	**-**	**-**	**-**	**-**
B. Intangible assets	**-**	**-**	**-**	**-**	**-**
B.1 Owned	**-**	**-**	**-**	**-**	**-**
- Generated internally by the company	-	-	-	-	-
- Other	-	-	-	-	-
B.2 Right of use of Leased Assets	**-**	**-**	**-**	**-**	**-**
Total	**17**	**(7)**	**-**	**-**	**10**

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

(€ million)

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

B – Notes to the income statement

B.18 – Gains and losses on disposal of investments

B.18.1 Gains and losses on disposal of investments: breakdown

(€ million)

P&L ITEMS/SECTORS	YEAR 2021	YEAR 2020
A. Property		
- Gains on disposal	4	14
- Losses on disposal	-	-
B. Other assets		
- Gains on disposal	3	14
- Losses on disposal	(4)	-
Net Profit	**3**	**27**

B.19 – Income tax

B.19.1 Tax expense (income) relating to profit or loss from continuing operations

(€ million)

P&L ITEMS/SECTORS		YEAR 2021	YEAR 2020
1.	Current taxes (-)	(27)	(20)
2.	Change of current taxes of previous years (+/-)	6	2
3.	Reduction of current taxes for the year (+)	18	39
3.a	Reduction of current taxes for the year due tax credit under Law 214/2011 (+)	-	-
4.	Change of deferred tax assets (+/-) *)	15	34
5.	Change of deferred tax liabilities (+/-)	-	(57)
6.	**Tax expenses for the year (-) (-1+/-2+3+/-4+/-5)**	**11**	**(2)**

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

At UniCredit Bank Austria AG, deferred tax assets of €11 million (previous year: €34 million) were offset outside profit or loss for the period in shareholders' equity, primarily due to the recognition of actuarial gains and losses on pension and severance obligations in the current year.

19.2 Reconciliation of theoretical tax charge to actual tax charge

(€ millions)

	YEAR 2021	YEAR 2020
Total profit of loss before tax from continuing operations	**93**	**(32)**
Applicable tax rate	25%	25%
Theoretical tax	**(23)**	**8**
Different tax rates	-	-
Non-taxable income	3	5
Non-deductible expenses	(6)	(10)
Different fiscal laws	-	-
Previous years and changes in tax rates	(1)	2
a) effects on current tax	-	-
b) effects on deferred tax	(1)	2
Valuation adjustments and non-recognition of deferred taxes	41	(6)
Amortisation of goodwill	-	-
Non-taxable foreign income	-	-
Other differences	(2)	(2)
Recognized taxes on income	**11**	**(2)**

B – Notes to the income statement

B.20 – Profit after tax from discontinued operations

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

(€ million)

P&L ITEMS	YEAR 2021	YEAR 2020
1. Income	-	8
2. Expenses	-	(3)
3. Valuation of discontinued operations and related liabilities	-	(1)
4. Profit (Loss) on disposal	-	64
5. Tax	-	(19)
Profit (Loss)	**-**	**49**

The 2020 financial year includes the results of Immobilien Holding GmbH.

B.21 – Earnings per share

21.1 Earnings per share

	YEAR 2021	YEAR 2020
Net profit or loss attributable to the ordinary shareholders of UniCredit Bank Austria AG in € million	115	20
from continuing operations	115	(29)
from discontinued operations	-	49
Weighted average number of ordinary shares (in million) outstanding in the reporting period	231,2	231,2
Basic/diluted earnings per share in €	**0,50**	**0,09**
from continuing operations	0,50	(0,12)
from discontinued operations	-	21.00

21.2 Comprehensive earnings per share

	YEAR 2021	YEAR 2020
Comprehensive income attributable to the ordinary shareholders of UniCredit Bank Austria AG in €	(23)	(56)
from continuing operations	(23)	(105)
from discontinued operations	-	49
Weighted average number of ordinary shares (in million) outstanding in the reporting period	231,2	231,2
Basic/diluted comprehensive earnings per share in €	**(0,10)**	**(0,24)**
from continuing operations	(0,10)	(0,45)
from discontinued operations	-	0,21

During the reporting period, no financial instruments with a dilutive effect on the bearer shares were outstanding. Therefore, basic earnings per share in accordance with IAS 33 equal diluted earnings per share in accordance with IAS 33. Earnings per share are calculated based on the average number of shares outstanding (2021: 231.2 million shares; 2020: 231.2 million shares).

B – Notes to the income statement

B.22 – Appropriation of profits

The net income for the fiscal year from 1 January 2021 to 31 December 2021 amounts to €206,757,502.96 and corresponds to the distributable profit. The Executive Board proposes to the Annual General Meeting to distribute a dividend of €0.26 per eligible share on the share capital of €1,681,033,521.40. With 231,228,820 shares, the distribution therefore amounts to €60,119,493.20.

In addition, the Management Board shall also suggest carrying the remainder of €146,638,009.76 forward.

C – Notes to the statement of financial position

Assets

Liabilities and Equity

C – Notes to the statement of financial position

C.1 – Cash and cash balances

C.1.1 Cash and cash balances: breakdown

(€ million)

	AMOUNTS AS AT	
	31.12.2021	31.12.2020
a) Cash	87	95
b) Current accounts and demand deposits with Central Banks	87	177
c) Current accounts and demand deposits with Banks	282	673
Total	**456**	**944**

The comparative figures for 2020 have been adjusted. For further explanations, please refer to Part A Accounting policies - Section A.2 - Basis of preparation of the financial statements.

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

C.2.1 Financial assets held for trading: breakdown by product

(€ million)

	AMOUNTS AS AT 31.12.2021			AMOUNTS AS AT 31.12.2020		
ITEMS/VALUES	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
A. Financial assets (non-derivatives)						
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**
3. Units in investment funds	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Reverse Repos	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments						
1. Financial derivatives	**-**	**975**	**1**	**-**	**1,201**	**3**
1.1 Trading	-	845	1	-	1,116	3
1.2 Linked to fair value option	-	130	-	-	85	-
1.3 Other	-	-	-	-	-	-
2. Credit derivatives	**-**	**-**	**1**	**-**	**-**	**-**
2.1 Trading	-	-	-	-	-	-
2.2 Linked to fair value option	-	-	1	-	-	-
2.3 Other	-	-	-	-	-	-
Total (B)	**-**	**975**	**1**	**-**	**1,201**	**4**
Total (A+B)	**-**	**975**	**1**	**-**	**1,201**	**4**
Total Level 1, Level 2 and Level 3			**976**			**1,205**

C – Notes to the statement of financial position

C.2.2 Financial assets at fair value through profit or loss: other financial assets mandatorily at fair value

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 31.12.2021			AMOUNTS AS AT 31.12.2020		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**-**	**4**	**87**	**-**	**88**	**6**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	4	87	-	88	6
2. Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**
3. Units in investment funds	**-**	**1**	**4**	**-**	**6**	**7**
4. Loans	**-**	**615**	**114**	**-**	**634**	**270**
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	615	114	-	634	270
Total	**-**	**620**	**205**	**-**	**728**	**283**
Total Level 1, Level 2 and Level 3			**825**			**1,011**

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

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 31.12.2021	AMOUNTS AS AT 31.12.2020
1. Equity instruments	**-**	**-**
of which: banks	-	-
of which: other financial companies	-	-
of which: non-financial companies	-	-
2. Debt securities	**91**	**94**
a) Central banks	-	-
b) Governments and other Public Sector Entities	78	82
c) Banks	-	-
d) Other financial companies	12	12
of which: insurance companies	*12*	*12*
e) Non-financial companies	-	-
3. Units in investment funds	**5**	**13**
4. Loans and advances	**730**	**905**
a) Central banks	-	-
b) Governments and other Public Sector Entities	-	-
c) Banks	-	-
d) Other financial companies	9	11
of which: insurance companies	-	-
e) Non-financial companies	436	566
f) Households	284	327
Total	**825**	**1,011**

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

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

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 31.12.2021			AMOUNTS AS AT 31.12.2020		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**9,574**	**2,094**	**621**	**10,988**	**1,788**	**22**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other	9,574	2,094	621	10,988	1,788	22
2. Equity instruments	**-**	**25**	**114**	**-**	**45**	**67**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**9,574**	**2,119**	**734**	**10,988**	**1,832**	**89**
Total Level 1, Level 2 and Level 3			**12,428**			**12,909**

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

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 31.12.2021	31.12.2020
1. Debt securities	**12,289**	**12,797**
a) Central Banks	-	-
b) Governments and other Public Sector Entities	9,761	10,685
c) Banks	2,280	1,822
d) Other financial companies	72	68
of which: insurance companies	-	-
e) Non-financial companies	176	222
2. Equity instruments	**139**	**112**
a) Banks	-	-
b) Other issuers	139	112
- Other financial companies	59	52
of which: insurance companies	*26*	*23*
- Non-financial companies	76	57
- Other	4	2
3. Loans and advances	**-**	**-**
a) Central Banks	-	-
b) Governments and other Public Sector Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**12,428**	**12,909**

C – Notes to the statement of financial position

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

(€ million)

	GROSS VALUE					TOTAL ACCUMULATED IMPAIRMENTS				
	STAGE 1									
		OF WHICH: INSTRUMENTS WITH LOW CREDIT RISK EXEMPTION	STAGE 2	STAGE 3	POCI ASSETS	STAGE 1	STAGE 2	STAGE 3	POCI ASSETS	PARTIAL ACCUMULATED WRITE-OFFS
Debt securities	12,215	12,215	75	-	-	1	1	-	-	-
Loans and advances	-	-	-	-	-	-	-	-	-	-
Total 31.12.2021	**12,215**	**12,215**	**75**	**-**	**-**	**1**	**1**	**-**	**-**	**-**
Total 31.12.2020	**12,798**	**12,798**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**-**

C.4 – Financial assets at amortised cost

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

(€ million)

	AMOUNTS AS AT 31.12.2021						AMOUNTS AS AT 31.12.2020					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
TYPE OF TRANSACTIONS/VALUES	STAGE 1 AND STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	LEVEL 1	LEVEL 2	LEVEL 3	STAGE 1 AND STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	LEVEL 1	LEVEL 2	LEVEL 3
A. Loans and advances to Central Banks	**22,224**	**-**	**-**	**-**	**-**	**22,224**	**28,056**	**-**	**-**	**-**	**1**	**28,055**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserves	21,624	-	-	X	X	X	28,055	-	-	X	X	X
3. Reverse repos	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	600	-	-	X	X	X	1	-	-	X	X	X
B. Loans and advances to banks	**7,215**	**-**	**-**	**828**	**6,253**	**145**	**5,938**	**-**	**-**	**274**	**5,387**	**321**
1. Loans	6,322	-	-	-	6,203	145	5,084	-	-	-	5,012	114
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2 Time deposits	4,048	-	-	X	X	X	4,011	-	-	X	X	X
1.3 Other loans	2,274	-	-	X	X	X	1,073	-	-	X	X	X
- Reverse repos	1,531	-	-	X	X	X	230	-	-	X	X	X
- Lease Loans	-	-	-	X	X	X	-	-	-	X	X	X
- Other	743	-	-	X	X	X	843	-	-	X	X	X
2. Debt securities	893	-	-	828	50	-	854	-	-	274	375	207
2.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other	893	-	-	828	50	-	854	-	-	274	375	207
Total	**29,439**	**-**	**-**	**828**	**6,253**	**22,368**	**33,994**	**-**	**-**	**274**	**5,388**	**28,376**
Total Level 1, Level 2 and Level 3						**29,449**						**34,038**

The comparative figures for 2020 have been adjusted. For further explanations, please refer to Part A Accounting policies - Section A.2 - Basis of preparation of the financial statements.

C – Notes to the statement of financial position

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 31.12.2021						AMOUNTS AS AT 31.12.2020					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
	STAGE 1 AND STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	LEVEL 1	LEVEL 2	LEVEL 3	STAGE 1 AND STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	LEVEL 1	LEVEL 2	LEVEL 3
1. Loans	**65,209**	**1,031**	**13**	**-**	**30,131**	**37,548**	**58,824**	**1,135**	**16**	**-**	**23,098**	**37,729**
1.1 Current accounts	5,093	136	-	X	X	X	5,269	147	1	X	X	X
1.2 Reverse repos	568	-	-	X	X	X	-	-	-	X	X	X
1.3 Mortgages	14,017	49	-	X	X	X	13,118	49	-	X	X	X
1.4 Credit cards and personal loans, including wage assignment	817	44	1	X	X	X	728	37	1	X	X	X
1.5 Lease loans	1,705	82	-	X	X	X	1,986	81	-	X	X	X
1.6 Factoring	2,165	10	-	X	X	X	1,870	6	-	X	X	X
1.7 Other loans	40,843	711	13	X	X	X	35,852	816	15	X	X	X
2. Debt securities	**2,030**	**-**	**-**	**1,726**	**150**	**134**	**1,347**	**9**	**-**	**1,033**	**259**	**85**
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	2,030	-	-	1,726	150	134	1,347	9	-	1,033	259	85
Total	**67,239**	**1,031**	**13**	**1,726**	**30,282**	**37,682**	**60,171**	**1,144**	**16**	**1,033**	**23,357**	**37,814**
Total Level 1, Level 2 and Level 3						**69,690**						**62,205**

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 31.12.2021			AMOUNTS AS AT 31.12.2020		
	STAGE 1 OR STAGE 2	STAGE 3	POCI ASSETS	STAGE 1 OR STAGE 2	STAGE 3	POCI ASSETS
1. Debt securities	**2,030**	**-**	**-**	**1,347**	**9**	**-**
a) Governments and other Public Sector Entities	1,734	-	-	1,022	-	-
b) Other financial companies	70	-	-	102	9	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	227	-	-	223	-	-
2. Loans	**65,209**	**1,031**	**13**	**58,824**	**1,135**	**16**
a) Governments and other Public Sector Entities	8,197	111	-	6,366	158	-
b) Other financial companies	2,858	2	-	2,772	22	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	35,177	622	12	31,458	668	14
d) Households	18,976	295	1	18,228	287	3
Total	**67,239**	**1,031**	**13**	**60,171**	**1,144**	**16**

C.4.4 Financial assets at amortised cost: gross value and total accumulated impairments

(€ million)

	GROSS VALUE					TOTAL ACCUMULATED IMPAIRMENTS				PARTIAL ACCUMULATED WRITE-OFFS(*)
	STAGE 1									
		OF WHICH: INSTRUMENTS WITH LOW CREDIT RISK EXEMPTION	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	STAGE 1	STAGE 2	STAGE 3	POCI ASSETS	
1. Debt securities	2,836	2,836	88	-	-	-	1	-	-	-
2. Loans	69,090	2,513	25,192	2,010	16	61	466	979	3	69
Total 31.12.2021	**71,926**	**5,349**	**25,280**	**2,010**	**16**	**61**	**466**	**979**	**3**	**69**
Total 31.12.2020	**75,645**	**2,194**	**18,933**	**2,148**	**19**	**65**	**349**	**1,004**	**2**	**87**

The comparative figures for 2020 have been adjusted. For further explanations, please refer to Part A Accounting policies - Section A.2 - Basis of preparation of the financial statements.

C – Notes to the statement of financial position

C.5 – Hedging derivatives (assets)

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

(€ million)

	AMOUNTS AS AT 31.12.2021				AMOUNTS AS AT 31.12.2020			
	FAIR VALUE			NOTIONAL AMOUNT	FAIR VALUE			NOTIONAL AMOUNT
	LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3	
A. Financial derivatives	**-**	**1,306**	**-**	**40,774**	**-**	**1,995**	**-**	**55,693**
1) Fair value	-	1,275	-	38,573	-	1,924	-	50,130
2) Cash flows	-	31	-	2,201	-	71	-	5,562
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**1,306**	**-**	**40,774**	**-**	**1,995**	**-**	**55,693**
Total Level 1, Level 2 and Level 3			**1,306**				**1,995**	

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

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

(€ million)

CHANGES TO HEDGED ASSETS/GROUP COMPONENTS	AMOUNTS AS AT 31.12.2021	AMOUNTS AS AT 31.12.2020
1. Positive changes	**859**	**1,466**
1.1 Of specific portfolios	859	1,466
a) Financial assets at amortised cost	859	1,466
b) Financial assets at fair value through other comprehensive income	-	-
1.2 Overall	-	-
2. Negative changes	**665**	**719**
2.1 Of specific portfolios	665	719
a) Financial assets at amortised cost	665	719
b) Financial assets at fair value through other comprehensive income	-	-
2.2 Overall	-	-
Total	**195**	**748**

C – Notes to the statement of financial position

C.7 – Investments in associates and joint ventures

C.7.1 Investments in associates and joint ventures

(€ million)

	CHANGES IN	
	31.12.2021	31.12.2020
A. Opening balance as at 1 January	**2,250**	**2,319**
B. Increases	**243**	**98**
B.1 Purchases	-	-
B.2 Write-backs	80	-
B.3 Revaluation	163	98
B.4 Other changes	16	-
C. Decreases	**(77)**	**(168)**
C.1 Sales	-	-
C.2 Write-downs	-	-
C.3 Impairment	(93)	(110)
C.4 Other changes	-	(58)
D. Closing balance as at 31 December	**2,415**	**2,250**

The Write-backs in the financial year 2021 are related to companies valued at Equity method, namely to BKS in the amount of €37.2 million and to Oberbank in the amount of €42.7 million.

Profits of associates amounts to €163 million, substantially exceeding the previous year's figure by €65 million. This item includes pro rata profits from companies subject to significant influence, mainly the 3 Banken Group and Oesterreichische Kontrollbank.

The impairment losses in the 2021 financial year relate to BTV -€85.8 million and non-consolidated subsidiaries -€7 million.

The other changes are mainly attributable to the non-consolidated subsidiaries.

C.8 – Property, plant and equipment

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

(€ million)

	AMOUNTS AS AT	
ASSETS/VALUES	31.12.2021	31.12.2020
1. Owned assets	**231**	**232**
a) Land	-	-
b) Buildings	-	-
c) Office furniture and fitting	27	31
d) Electronic systems	15	20
e) Other	189	181
2. Right of use of Leased Assets	**289**	**323**
a) Land	-	1
b) Buildings	283	316
c) Office furniture and fitting	-	-
d) Electronic systems	-	-
e) Other	6	6
Total	**520**	**554**
of which: obtained by the enforcement of collateral	-	-

C – Notes to the statement of financial position

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

(€ million)

ASSETS/VALUES	AMOUNTS AS AT 31.12.2021			AMOUNTS AS AT 31.12.2020		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Owned assets	**-**	**-**	**152**	**-**	**-**	**146**
a) Land	-	-	55	-	-	47
b) Buildings	-	-	97	-	-	100
c) Office furniture and fitting	-	-	-	-	-	-
d) Electronic systems	-	-	-	-	-	-
e) Other	-	-	-	-	-	-
2. Right of use of Leased Assets	**-**	**-**	**-**	**-**	**-**	**-**
a) Land	-	-	-	-	-	-
b) Buildings	-	-	-	-	-	-
c) Office furniture and fitting	-	-	-	-	-	-
d) Electronic systems	-	-	-	-	-	-
e) Other	-	-	-	-	-	-
Total	**-**	**-**	**152**	**-**	**-**	**146**
of which: obtained by the enforcement of collateral	-	-	-	-	-	-
Total Level 1, Level 2 and Level 3			**152**			**146**

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

(€ million)

ASSETS/VALUES	AMOUNTS AS AT 31.12.2021			AMOUNTS AS AT 31.12.2020		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Owned assets	**-**	**-**	**233**	**-**	**-**	**247**
a) Land	-	-	124	-	-	133
b) Buildings	-	-	109	-	-	115
2. Right of use of Leased Assets	**-**	**-**	**-**	**-**	**-**	**-**
a) Land	-	-	-	-	-	-
b) Buildings	-	-	-	-	-	-
Total	**-**	**-**	**233**	**-**	**-**	**247**
of which: obtained by the enforcement of collateral	-	-	*51*	-	-	*48*
Total Level 1, Level 2 and Level 3			**233**			**247**

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

(€ million)

ASSETS/VALUES	AMOUNTS AS AT	
	31.12.2021	31.12.2020
1. Inventories of property, plant and equipment obtained through the enforcement of guarantees received	**-**	**-**
a) Land	-	-
b) Buildings	-	-
c) Office furniture and fitting	-	-
d) Electronic systems	-	-
e) Other	-	-
2. Other inventories of property, plant and equipment	**-**	**-**
Total	**-**	**-**
of which: measured at fair value less costs to sell	-	-

C – Notes to the statement of financial position

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

(€ million)

	CHANGES IN 2021					
	LANDS	BUILDINGS	OFFICE FURNITURE AND FITTINGS	ELECTRONIC SYSTEMS	OTHER	TOTAL
A. Gross opening balance	**47**	**464**	**69**	**42**	**241**	**863**
A.1 Total net reduction in value	-	(49)	(38)	(22)	(54)	(163)
A.2 Net opening balance	47	415	31	20	187	700
B. Increases	**11**	**27**	**1**	**4**	**59**	**103**
B.1 Purchases	-	17	1	4	58	80
of which: business combinations	-	-	-	-	-	-
B.2 Capitalised expenditure on improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value	11	8	-	-	-	19
a) In equity	10	7	-	-	-	18
b) Through profit or loss	1	1	-	-	-	2
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfer from properties held for investment	-	-	X	X	X	-
B.7 Other changes	-	1	-	1	1	3
C. Reductions	**4**	**61**	**5**	**9**	**52**	**131**
C.1 Disposals	-	-	-	-	20	20
of which: business combinations	-	-	-	-	-	-
C.2 Depreciation	-	35	4	9	32	80
C.3 Impairment losses	-	13	1	-	-	14
a) In equity	-	-	-	-	-	-
b) Through profit or loss	-	13	1	-	-	14
C.4 Reduction of fair value	2	5	-	-	-	7
a) In equity	2	5	-	-	-	6
b) Through profit or loss	-	1	-	-	-	1
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfer to	1	2	-	-	-	3
a) Property, plant and equipment held for investment	-	-	X	X	X	-
b) Non-current assets and disposal groups classified as held for sale	1	2	-	-	-	3
C.7 Other changes	1	6	-	-	-	7
D. Net final balance	**55**	**381**	**27**	**15**	**194**	**672**
D.1 Total net reduction in value	-	*(146)*	*(33)*	*(63)*	*(75)*	*(318)*
D.2 Gross closing balance	55	527	60	78	269	989
E. Carried at cost	**46**	**94**	**-**	**-**	**-**	**140**

C – Notes to the statement of financial position

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

(€ million)

	CHANGES IN 2020					
	LANDS	BUILDINGS	OFFICE FURNITURE AND FITTINGS	ELECTRONIC SYSTEMS	OTHER	TOTAL
A. Gross opening balance	**61**	**480**	**123**	**58**	**339**	**1,061**
A.1 Total net reduction in value	-	(22)	(87)	(42)	(70)	(221)
A.2 Net opening balance	61	459	36	15	269	840
B. Increases	**5**	**33**	**3**	**17**	**82**	**139**
B.1 Purchases	-	4	1	5	79	88
of which: business combinations	-	-	-	-	-	-
B.2 Capitalised expenditure on improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value	4	9	-	-	-	13
a) In equity	3	7	-	-	-	10
b) Through profit or loss	1	2	-	-	-	3
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfer from properties held for investment	-	-	X	X	X	-
B.7 Other changes	1	20	3	11	3	38
C. Reductions	**18**	**76**	**9**	**12**	**163**	**278**
C.1 Disposals	1	7	4	-	20	31
of which: business combinations	-	-	-	-	-	-
C.2 Depreciation	-	36	5	12	34	87
C.3 Impairment losses	-	-	-	-	1	1
a) In equity	-	-	-	-	-	-
b) Through profit or loss	-	-	-	-	1	1
C.4 Reduction of fair value	4	4	-	-	-	8
a) In equity	4	2	-	-	-	6
b) Through profit or loss	-	2	-	-	-	2
C.5 Negative exchange differences	-	1	-	-	-	1
C.6 Transfer to	13	27	-	-	108	149
a) Property, plant and equipment held for investment	10	21	X	X	X	31
b) Non-current assets and disposal groups classified as held for sale	3	6	-	-	108	118
C.7 Other changes	-	1	-	-	1	2
D. Net final balance	**47**	**415**	**31**	**20**	**187**	**700**
D.1 Total net reduction in value	-	*(49)*	*(38)*	*(22)*	*(54)*	*(163)*
D.2 Gross closing balance	47	464	69	42	241	863
E. Carried at cost	**47**	**94**	**-**	**-**	**-**	**142**

C – Notes to the statement of financial position

C.8.6 Property, plant and equipment held for investment: annual changes

(€ million)

	CHANGES IN 2021			CHANGES IN 2020
	LANDS	BUILDINGS	TOTAL	TOTAL
A. Opening balances	**133**	**115**	**247**	**191**
B. Increases	**6**	**15**	**22**	**95**
B.1 Purchases	-	-	-	3
of which: business combinations	-	-	-	-
B.2 Capitalised expenditure on improvements	-	-	-	-
B.3 Increases in fair value	4	12	16	7
B.4 Write-backs	-	-	-	-
B.5 Positive exchange differences	-	-	1	-
B.6 Transfer from properties used in the business	-	-	-	31
B.7 Other changes	2	3	5	54
C. Reductions	**15**	**21**	**36**	**39**
C.1 Disposals	9	18	27	26
of which: business combinations	-	-	-	-
C.2 Depreciation	-	-	-	-
C.3 Reductions in fair value	4	2	6	11
C.4 Impairment losses	-	-	-	-
C.5 Negative exchange differences	-	-	-	1
C.6 Transfer to	1	1	1	-
a) Properties used in the business	-	-	-	-
b) Non-current assets and disposal groups classified as held for sale	1	1	1	-
C.7 Other changes	1	-	1	1
D. Closing balances	**124**	**109**	**233**	**247**
E. Measured at fair value	**-**	**-**	**-**	**-**

C – Notes to the statement of financial position

C.8.7 Inventories of property, plant and equipment regulated by IAS2: annual changes

(€ million)

	CHANGES IN 2021							
	INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT OBTAINED BY ENFORCEMENT OF COLLATERAL							
	LANDS	BUILDINGS	OFFICE FURNITURE AND FITTINGS	ELECTRONIC SYSTEMS	OTHER	OTHER INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT	TOTAL IN 2021	TOTAL IN 2020
A. Opening balances	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4**
B. Increases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2**
B.1 Purchases	-	-	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-	-	-
B.2 Write-backs	-	-	-	-	-	-	-	-
B.3 Positive exchange differences	-	-	-	-	-	-	-	-
B.4 Other changes	-	-	-	-	-	-	-	2
C. Reductions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6**
C.1 Disposals	-	-	-	-	-	-	-	3
of which: business combinations	-	-	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	-	-	-	-	-
C.3 Negative exchange differences	-	-	-	-	-	-	-	-
C.4 Other changes	-	-	-	-	-	-	-	2
D. Closing balances	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

C – Notes to the statement of financial position

C.9 – Intangible assets

C.9.1 Intangible assets: breakdown by asset type

(€ million)

ASSETS/VALUES	AMOUNTS AS AT 31.12.2021 FINITE LIFE	AMOUNTS AS AT 31.12.2021 INDEFINITE LIFE	AMOUNTS AS AT 31.12.2020 FINITE LIFE	AMOUNTS AS AT 31.12.2020 INDEFINITE LIFE
A.1 Goodwill	**X**	**-**	**X**	**-**
A.1.1 Attributable to the Group	X	-	X	-
A.1.2 Attributable to minorities	X	-	X	-
A.2 Other intangible assets	**6**	**-**	**5**	**-**
of which: software	*6*	-	*4*	-
A.2.1 Assets carried at cost	6	-	5	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	6	-	5	-
A.2.2 Assets measured at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**6**	**-**	**5**	**-**

	31.12.2021	31.12.2020
Total finite and indefinite life	**6**	**5**

C.9.2 Intangible assets: annual changes

(€ million)

	GOODWILL	OTHER INTANGIBLE ASSETS – GENERATED INTERNALLY – FINITE LIFE	OTHER INTANGIBLE ASSETS – GENERATED INTERNALLY – INDEFINITE LIFE	OTHER INTANGIBLE ASSETS – OTHER – FINITE LIFE	OTHER INTANGIBLE ASSETS – OTHER – INDEFINITE LIFE	TOTAL 31.12.2021	TOTAL 31.12.2020
A. Gross opening balance	**519**	**-**	**-**	**30**	**-**	**549**	**553**
A.1 Total net reduction in value	(519)	-	-	(24)	-	(544)	(550)
A.2 Net opening balance	**-**	**-**	**-**	**5**	**-**	**5**	**3**
B. Increases	**-**	**-**	**-**	**12**	**-**	**12**	**7**
B.1 Purchases	-	-	-	3	-	3	3
B.2 Increases in intangible assets generated internally	X	-	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-	-
- In equity	X	-	-	-	-	-	-
- Through profit or loss	X	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-	-
B.6 Other changes	-	-	-	9	-	9	3
of which: business combinations	-	-	-	-	-	-	-
C. Reduction	**-**	**-**	**-**	**12**	**-**	**12**	**4**
C.1 Disposals	-	-	-	-	-	-	-
C.2 Write-downs	-	-	-	10	-	10	4
- Amortisation	X	-	-	8	-	8	4
- Write-downs	-	-	-	3	-	3	-
- In equity	X	-	-	-	-	-	-
- Through profit or loss	-	-	-	3	-	3	-
C.3 Reduction in fair value	-	-	-	-	-	-	-
- In equity	X	-	-	-	-	-	-
- Through profit or loss	X	-	-	-	-	-	-
C.4 Transfer to non-current assets held for sale	-	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-	-
C.6 Other changes	-	-	-	1	-	1	-
of which: business combinations	-	-	-	-	-	-	-
D. Net closing balance	**-**	**-**	**-**	**6**	**-**	**6**	**5**
D.1 Total net write-down	(519)	-	-	(45)	-	(564)	(544)
E. Gross closing balance	**519**	**-**	**-**	**51**	**-**	**570**	**549**
F. Carried at cost	**-**	**-**	**-**	**-**	**-**	**-**	**-**

C – Notes to the statement of financial position

C.10 – Tax claims

10.1 Tax claims

(€ million)

	31.12.2021	31.12.2020
Deferred tax assets deriving from tax losses	**188**	**213**
Deferred tax assets deriving from temporary differences	**833**	**792**
Financial assets and liabilities (different from credits and debts)	90	70
Credits and debts with banks and clients	-	-
Hedging and hedged item revaluation	162	154
Intangible assets different from goodwill	-	-
Goodwill and equity investments	2	2
Assets and liabilities held for disposal	-	-
Other assets and other liabilities	50	37
Provisions, pension funds and similar	529	529
Other	-	-
Accounting offsetting	**(334)**	**(376)**
TOTAL	**687**	**629**

Included in assets are deferred taxes due to capitalized benefits from unused tax loss carryforwards in the amount of €188 million (prior year: €213 million). The majority of these loss carryforwards can be carried forward indefinitely.

For the assessment of the usability of the tax loss carryforwards as of 31 December 2021, the approved Multi-year plan "***UniCredit Unlocked***" for the years 2022 to 2024 was available, for tax purposes a roll-forward for subsequent years was used. On the basis of the tax projection, the deferred tax assets on loss carryforwards as of 31 December 2021 are to be regarded as recoverable, as the plan calculation already provides for the utilization of the capitalized loss carryforwards until 2024. It should be noted that assumptions have been made with regard to the utilization of the loss carryforwards, which could change in the event of a change in the economic and other underlying conditions and thus have an impact on the income tax treatment. With regard to the tax loss carryforwards attributable to the spun-off CEE operations, an appropriate allocation of the loss carryforwards was made on the basis of assumptions.

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

10.2 Tax losses carried forward

(€ million)

	31.12.2021	31.12.2020
Tax losses carried forward	1,082	1,148
Deductible temporary differences	-	-
TOTAL	**1,082**	**1,148**

The major part of tax losses carried forward comes from companies in Austria and can be carried forward without time restriction. In Austria, the annual set-off of losses carried forward is limited to 75 % of the relevant taxable profit.

C – Notes to the statement of financial position

C.11 – Non-current assets and disposal groups classified as held for sale

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

(€ million)

	AMOUNTS AS AT	
	31.12.2021	31.12.2020
A. Assets held for sale		
A.1 Financial assets	-	63
A.2 Equity investments	-	-
A.3 Property, plant and equipment	4	1
of which: obtained by the enforcement of collateral	-	-
A.4 Intangible assets	-	8
A.5 Other non-current assets	-	5
Total (A)	**4**	**77**
of which: carried at cost	-	-
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	*4*	*77*
B. Discontinued operations		
B.1 Financial assets at fair value through profit or loss	-	-
- Financial assets held for trading	-	-
- Financial assets designated at fair value	-	-
- Other financial assets mandatorily at fair value	-	-
B.2 Financial assets at fair value through other comprehensive income	-	-
B.3 Financial assets at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Property, plant and equipment	-	-
of which: obtained by the enforcement of collateral	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	5
Total (B)	**-**	**5**
of which: carried at cost	-	-
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	-	*5*
C. Liabilities associated with assets classified as held for sale		
C.1 Deposits	-	4
C.2 Securities	-	-
C.3 Other liabilities	-	23
Total (C)	**-**	**27**
of which: carried at cost	-	-
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	-	*27*
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	13
Total (D)	**-**	**13**
of which: carried at cost	-	-
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	-	*13*

C – Notes to the statement of financial position

Discontinued operations

In the financial year 2021 Immobilien Holding GmbH was merged into UNIVERSALE International Realitäten GmbH and simultaneously reclassified to continuing operations.

Non-current assets held for sale

The change in the item "Assets held for sale" is attributable to the reclassification of DC Bank AG, Diners Club CS s.r.o and Diners Club Polska Sp.z.o.o. from "held for sale" to "held to use".

C.12 – Other assets

C.12.1 Other assets: breakdown

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 31.12.2021	31.12.2020
Margin with derivatives clearers (non-interest bearing)	-	-
Gold, silver and precious metals	20	18
Accrued income and prepaid expenses other than capitalised income	2	3
Positive value of management agreements (so-called servicing assets)	-	-
Cash and other valuables held by cashier	-	-
- Current account cheques being settled, drawn on third parties	-	-
- Current account cheques payable by group banks, cleared and in the process of being debited	-	-
- Money orders, bank drafts and equivalent securities	-	-
- Coupons, securities due on demand, revenue stamps and miscellaneous valuables	-	-
Interest and changes to be debited to	7	6
- Customers	6	6
- Banks	1	-
Items in transit between branches not yet allocated to destination accounts	-	-
Items in processing	108	120
Items deemed definitive but not-attributable to other items	-	-
- Securities and coupons to be settled	-	-
- Other transactions	-	-
Adjustments for unpaid bills and notes	-	-
Tax items other than those included in item C.10 tax claims	-	6
Commercial credits pursuant to IFRS15	-	-
Other items	159	184
Total	**296**	**337**

C – Notes to the statement of financial position

C.13 – Financial liabilities at amortised cost

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 31.12.2021				AMOUNTS AS AT 31.12.2020			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
1. Deposits from central banks	**16,750**	X	X	X	**15,455**	X	X	X
2. Deposits from banks	**10,347**	X	X	X	**11,517**	X	X	X
2.1 Current accounts and demand deposits	1,265	X	X	X	1,519	X	X	X
2.2 Time deposits	6,875	X	X	X	8,607	X	X	X
2.3 Loans	1,841	X	X	X	1,086	X	X	X
2.3.1 Repos	1,832	X	X	X	1,085	X	X	X
2.3.2 Other	9	X	X	X	1	X	X	X
2.4 Liabilities relating to commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
2.5 Lease deposits	-	X	X	X	-	X	X	X
2.6 Other deposits	366	X	X	X	306	X	X	X
Total	**27,097**	**-**	**19,127**	**7,981**	**26,972**	**-**	**18,080**	**8,914**
Total Level 1, Level 2 and Level 3				**27,108**				**26,994**

The increase in deposits from central banks is mainly attributable to participation in TLTRO III (Targeted Longer-Term Refinancing Operations) of the ECB.

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 31.12.2021				AMOUNTS AS AT 31.12.2020			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
1. Current accounts and demand deposits	60,440	X	X	X	54,055	X	X	X
2. Time deposits	3,830	X	X	X	7,056	X	X	X
3. Loans	14	X	X	X	11	X	X	X
3.1 Repos	-	X	X	X	-	X	X	X
3.2 Other	14	X	X	X	11	X	X	X
4. Liabilities relating to commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
5. Lease liabilities	320	X	X	X	330	X	X	X
6. Other deposits	39	X	X	X	45	X	X	X
Total	**64,643**	**-**	**1,531**	**63,220**	**61,497**	**-**	**2,589**	**59,051**
Total Level 1, Level 2 and Level 3				**64,751**				**61,640**

C – Notes to the statement of financial position

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

(€ million)

TYPE OF SECURITIES/VALUES	AMOUNTS AS AT 31.12.2021				AMOUNTS AS AT 31.12.2020			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
A. Debt securities								
1. Bonds	9,763	4,073	6,040	-	12,391	5,763	6,973	41
1.1 Structured	701	-	701	-	755	-	734	41
1.2 Other	9,062	4,073	5,339	-	11,636	5,763	6,239	-
2. Other securities	-	-	-	-	163	-	162	-
2.1 Structured	-	-	-	-	-	-	-	-
2.2 Other	-	-	-	-	163	-	162	-
Total	**9,763**	**4,073**	**6,040**	**-**	**12,554**	**5,763**	**7,135**	**41**
Total Level 1, Level 2 and Level 3				**10,113**				**12,939**

Issued debt securities decreased significantly (-€2.8 billion) to €9.8 billion. Among other things, two major covered bond issues and various subordinated liabilities expired in the reporting period.

C.13.4 Amounts payable under finance leases

(€ million)

	31.12.2021		31.12.2020	
	CASH OUTFLOWS		CASH OUTFLOWS	
	FINANCE LEASES	OPERATING LEASES	FINANCE LEASES	OPERATING LEASES
Up to 1 year	35	-	35	-
1 year to 2 years	35	-	35	-
2 year to 3 years	34	-	35	-
3 year to 4 years	34	-	35	-
4 year to 5 years	34	-	35	-
Over 5 years	178	9	198	-
Total Lease Payments to be made	**350**	**9**	**373**	**-**
Reconciliations with deposits	(39)	-	(44)	-
Unearned finance expenses (-) (Discounting effect)	(39)	-	(44)	-
Lease deposits	**311**	**9**	**330**	**-**

C – Notes to the statement of financial position

C.14 – Financial liabilities held for trading

C.14.1 Financial liabilities held for trading: breakdown by product

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 31.12.2021					AMOUNTS AS AT 31.12.2020				
	NOMINAL VALUE	FAIR VALUE			FAIR VALUE	NOMINAL VALUE	FAIR VALUE			FAIR VALUE
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
A. Cash liabilities										
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives instruments										
1. Financial derivatives	X	-	1,028	-	X	X	-	1,260	3	X
1.1 Trading derivatives	X	-	876	-	X	X	-	1,149	3	X
1.2 Linked to fair value option	X	-	152	-	X	X	-	112	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading derivatives	X	-	-	-	X	X	-	-	-	X
2.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**-**	**1,028**	**-**	**X**	**X**	**-**	**1,260**	**3**	**X**
Total (A+B)	**X**	**-**	**1,028**	**-**	**X**	**X**	**-**	**1,260**	**3**	**X**
Total Level 1, Level 2 and Level 3				**1,029**					**1,264**	

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

C.15.1 Financial liabilities designated at fair value: breakdown by product

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 31.12.2021					AMOUNTS AS AT 31.12.2020				
	NOMINAL VALUE	FAIR VALUE			FAIR VALUE	NOMINAL VALUE	FAIR VALUE			FAIR VALUE
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
1. Deposits from banks	**1**	**-**	**-**	**1**	**1**	**1**	**-**	**-**	**1**	**1**
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	1	-	-	1	X	1	-	-	1	X
of which:										
- loan commitments given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
- financial guarantees given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
2. Deposits from customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- loan commitments given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
- financial guarantees given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
3. Debt securities	**60**	**-**	**60**	**-**	**61**	**60**	**-**	**60**	**-**	**60**
3.1 Structured	60	-	60	-	X	60	-	60	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
Total	**61**	**-**	**60**	**1**	**62**	**61**	**-**	**60**	**1**	**61**

Total Level 1, Level 2 and Level 3	**61**		**61**

C.16 – Hedging derivatives (liabilities and equity)

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

(€ million)

	AMOUNTS AS AT 31.12.2021				AMOUNTS AS AT 31.12.2020			
	NOTIONAL AMOUNT	FAIR VALUE			NOTIONAL AMOUNT	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
A. Financial derivatives	**47,139**	**-**	**1,400**	**-**	**37,435**	**-**	**1,976**	**-**
1) Fair value	43,137	-	1,319	-	34,686	-	1,905	-
2) Cash flows	4,003	-	81	-	2,749	-	71	-
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**47,139**	**-**	**1,400**	**-**	**37,435**	**-**	**1,976**	**-**

Total Level 1, Level 2 and Level 3	**1,400**		**1,976**

C – Notes to the statement of financial position

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

C.17.1 Changes to hedged financial liabilities

(€ million)

CHANGES TO HEDGED LIABILITIES/GROUP COMPONENTS	AMOUNTS AS AT	
	31.12.2021	31.12.2020
1. Positive changes to financial liabilities	213	481
2. Negative changes to financial liabilities	(97)	(3)
Total	**116**	**477**

C.18 – Tax obligations

18.1 Tax obligations

(€ million)

	31.12.2021	31.12.2020
Deferred tax liabilities deriving from temporary differences	**340**	**382**
Financial assets and liabilities (different from credits and debts)	141	205
Credits and debts with banks and clients	-	-
Hedging and hedged item revaluation	138	149
Tangible assets and intangible assets different from goodwill	24	22
Goodwill and equity investments	-	-
Assets and liabilities held for disposal	-	-
Other assets and other liabilities	34	6
Other	3	-
Accounting offsetting	**(334)**	**(376)**
TOTAL	**6**	**5**

No deferred taxes were recognised for temporary differences in connection with investments in domestic subsidiaries in the amount of €962 million (previous year: €941 million) in accordance with IAS 12.39, as their disposal is not currently planned.

C.19 – Other liabilities

C.19.1 Other liabilities: breakdown

(€ million)

ITEMS/VALUES	AMOUNTS AS AT	
	31.12.2021	31.12.2020
Liabilities in respect of financial guarantees issued	1	1
Accrued expenses and deferred income other than those to be capitalised for the financial liabilities concerned	40	42
Other liabilities due to employees	448	360
Interest and amounts to be credited to	11	12
- Customers	1	2
- Banks	10	11
Items in processing	260	262
Entries relating to securities transactions	-	11
Items deemed definitive but not attributable to other lines	96	34
- Accounts payable - suppliers	60	10
- Other entries	37	24
Tax items different from those included in item 60	2	2
Other entries	85	106
Total	**944**	**831**

For those employees who have concluded a termination agreement under previous strategic plans, an amount of €237 million (prior year €212 million) is included. Disbursements will be made until 2029.

C – Notes to the statement of financial position

C.20 – Provisions

C.20.1 Provisions for risks and charges: breakdown

(€ million)

ITEMS/COMPONENTS	AMOUNTS AS AT 31.12.2021	AMOUNTS AS AT 31.12.2020
1. Provisions for credit risk on commitments and financial guarantees given	233	227
2. Provisions for other commitments and other guarantees given	-	-
3. Pensions and other post-retirement benefit obligations	3,757	4,009
4. Other provisions for risks and charges	380	196
4.1 Legal and tax disputes	57	81
4.2 Staff expenses	261	71
4.3 Other	62	44
Total	**4,370**	**4,432**

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.

C.20.2 Provisions for risks and charges: annual changes

(€ million)

	CHANGES IN 2021: PROVISIONS FOR OTHER OFF-BALANCE SHEET COMMITMENTS AND OTHER GUARANTEES GIVEN	PENSION AND POST-RETIREMENT BENEFIT OBLIGATIONS	OTHER PROVISIONS FOR RISKS AND CHARGES	TOTAL
A. Opening Balance	**-**	**4,009**	**196**	**4,205**
B. Increases	**-**	**32**	**284**	**316**
B.1 Current service cost	-	(4)	268	265
B.2 Interest cost	-	25	-	25
B.3 Remeasurements	-	-	-	-
B.4 Other changes	-	10	16	26
of which: business combinations	-	-	-	-
C. Decreases	**-**	**284**	**100**	**384**
C.1 Payments/uses in der reporting period	-	238	22	260
C.2 Remeasurements	-	-	-	-
C.3 Other changes	-	46	78	124
of which: business combinations	-	-	-	-
D. Closing balance	**-**	**3,757**	**380**	**4,137**

The changes in pensions and similar obligations are largely attributable to the change in the parameters for calculating the provisions for pensions and severance payments and to a positive one-off effect.

In the reporting year, other provisions include a restructuring provision of €242 million related to the measures planned for Bank Austria based on the strategic plan 2022-2024 ***"UniCredit Unlocked"*** communicated in December 2021. The provision includes necessary personnel expenses for temporary assistance and early retirement models. For further explanations, please refer to Part A Accounting policies - Section A.2 - Basis of preparation of the financial statements Multi-year plan - ***"UniCredit Unlocked"***. This is offset by the utilization of personnel provisions recognized in previous years.

C – Notes to the statement of financial position

C.20.2 Provisions for risks and charges: annual changes

(€ million)

	CHANGES IN 2020			
	PROVISIONS FOR OTHER OFF-BALANCE SHEET COMMITMENTS AND OTHER GUARANTEES GIVEN	PENSION AND POST-RETIREMENT BENEFIT OBLIGATIONS	OTHER PROVISIONS FOR RISKS AND CHARGES	TOTAL
A. Opening Balance	**-**	**4,025**	**296**	**4,321**
B. Increases	**-**	**198**	**23**	**221**
B.1 Current service cost	-	12	13	26
B.2 Interest cost	-	39	-	39
B.3 Remeasurements	-	-	-	-
B.4 Other changes *)	-	146	10	156
of which: business combinations	-	-	-	-
C. Decreases	**-**	**213**	**123**	**336**
C.1 Payments/uses in der reporting period	-	208	28	236
C.2 Remeasurements	-	-	-	-
C.3 Other changes	-	5	95	100
of which: business combinations	-	-	-	-
D. Closing balance	**-**	**4,009**	**196**	**4,206**

*) Other changes in pensions and similar obligations include experience adjustments, as well as adjustments to financial and demographic assumptions, which are recognized in other comprehensive income.

C.20.3 Provisions for credit risk on commitments and financial guarantees given

(€ million)

	AMOUNTS AS AT 31.12.2021				
	PROVISIONS FOR CREDIT RISK ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN				
	STAGE 1	STAGE 2	STAGE 3	POCI ASSETS	TOTAL
Loan commitments given	8	29	58	-	96
Financial guarantees given	2	10	126	-	137
Total	**10**	**39**	**184**	**-**	**233**

C.20.3 Provisions for credit risk on commitments and financial guarantees given

(€ million)

	AMOUNTS AS AT 31.12.2020				
	PROVISIONS FOR CREDIT RISK ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN				
	STAGE 1	STAGE 2	STAGE 3	POCI ASSETS	TOTAL
Loan commitments given	12	22	59	-	93
Financial guarantees given	2	7	126	-	135
Total	**14**	**28**	**185**	**-**	**227**

The comparative figures for 2020 have been adjusted. For further explanations, please refer to Part A Accounting policies - Section A.2 - Basis of preparation of the financial statements.

C – Notes to the statement of financial position

C.20.4 Commitments and financial guarantees given

(€ million)

	AMOUNTS AS AT 31.12.2021					AMOUNTS AS AT 31.12.2020
	NOTIONAL AMOUNTS OF COMMITMENTS AND FINANCIAL GUARANTEES GIVEN					
	STAGE 1	STAGE 2	STAGE 3	POCI ASSETS	TOTAL	TOTAL
1. Loan commitments given	**18,754**	**11,551**	**176**	**-**	**30,481**	**30,605**
a) Central Banks	-	-	-	-	-	-
b) Governments and other Public Sector Entities	1,740	176	-	-	1,915	2,377
c) Banks	19	11	-	-	30	45
d) Other financial companies	2,917	1,570	-	-	4,487	4,655
e) Non-financial companies	11,931	6,623	168	-	18,722	18,484
f) Households	2,147	3,171	8	-	5,326	5,044
2. Financial guarantees given	**4,957**	**3,339**	**207**	**-**	**8,503**	**7,972**
a) Central Banks	-	-	-	-	-	-
b) Governments and other Public Sector Entities	5	2	-	-	7	9
c) Banks	555	21	-	-	576	522
d) Other financial companies	1,735	60	4	-	1,799	1,468
e) Non-financial companies	2,540	3,110	202	-	5,852	5,758
f) Households	122	146	2	-	269	214

C.20.5 Other commitments and others guarantees given

(€ million)

	AMOUNTS AS AT	
	31.12.2021	31.12.2020
	NOTIONAL AMOUNTS	NOTIONAL AMOUNTS
1. Others guarantees given	**-**	**-**
of which: non-performing loans	-	-
a) Central Banks	-	-
b) Governments and other Public Sector Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
2. Others commitments	**-**	**-**
of which: non-performing loans	-	-
a) Central Banks	-	-
b) Governments and other Public Sector Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-

C – Notes to the statement of financial position

C.21 – Equity

The Company's share capital amounts to €1,681,033,521.40 (one billion six hundred and eighty-one million thirty-three thousand five hundred and twenty-one 40/100 euros). It is divided into 10,115 (ten thousand one hundred and fifteen) registered no-par value shares with voting rights and restricted transferability and 231,218,705 (two hundred and thirty-one million two hundred and eighteen thousand seven hundred and five) registered no-par value shares with voting rights, and each no-par value share participates in the share capital to the same extent.

D – Segment reporting

D – Segment reporting

D.1 – Reconciliation of income statement to segment report

(€ million)

	AS AT	
	31.12.2021	31.12.2020 1)
Net interest (reconciled)	**864**	**906**
Net interest margin	*864*	*907*
less: Trading interest income (expenses) - Derivatives related to Regulatory Trading Book	*0*	*(1)*
less: Derivatives - economic hedges - interest component	*0*	*-*
Dividends and other income from equity investments	**179**	**103**
Dividend income and similar revenue	*16*	*5*
less: Dividends and similar revenues - on shares and other equity securities - mandatorily at FV	*(0)*	*(0)*
Profits (losses) of joint ventures and associates	*163*	*98*
Net fees and commissions (reconciled)	**697**	**660**
Net fees and commissions	*697*	*653*
Debit and credit card service	*-*	*8*
Net trading, hedging and fair value income (reconciled)	**104**	**60**
Gains (losses) on financial assets and liabilities held for trading	*82*	*55*
Gains (losses) on disposals / repurchases on financial assets at amortized cost	*6*	*0*
Gains (losses) on disposals/repurchases on OCI financial assets	*8*	*4*
Gains (losses) on disposals/repurchases on deposits	*-*	*1*
Gains (losses) on disposals/repurchases on securities in issue	*(1)*	*-*
Other operating income and expenses - Gold and Precious Metals Trading	*3*	*7*
Trading interest income (expenses) - Derivatives related to Regulatory Trading Book	*(0)*	*1*
Derivatives - economic hedges - interest component	*(0)*	*-*
Fair value adjustments in hedge accounting	*(1)*	*1*
Gains (losses) on financial liabilities designated at fair value through profit and loss	*(4)*	*(3)*
Gains (losses) on financial assets mandatorily at fair value through profit and loss	*12*	*(6)*
Dividends and similar revenues - on shares and other equity securities - mandatorily at FV	*0*	*0*
Net other expenses /income	**35**	**44**
Other net operating income	*15*	*78*
less: Recovery of expenses	*(2)*	*(0)*
less: Other operating expenses and earnings - Gold and Precious Metals Trading	*(3)*	*(7)*
less: Other operating expenses – amortization on leasehold improvements	*12*	*12*
less: Integration cost - Amortization on leasehold improvements classified as Other assets	*41*	*-*
Impairment on tangible and intangible assets – other operating leases	*(30)*	*(39)*
Received consideration regarding business relationship	*2*	*-*
OPERATING INCOME (RECONCILED)	**1,878**	**1,774**

1) Previous year's figures as published

D – Segment reporting

(€ million)

	AS AT	
	31.12.2021	31.12.2020 [1]
Payroll costs (reconciled)	**(601)**	**(611)**
Administrative costs – staff expenses	*(880)*	*(611)*
less: Integration/restructuring costs	*279*	*0*
Other administrative expenses (reconciled)	**(505)**	**(503)**
Other administrative expenses	*(618)*	*(627)*
less: Integration/restructuring costs	*15*	*(1)*
less: Ex-ante contributions to resolution funds and deposit guarantee schemes and bank levies	*112*	*146*
less: Received consideration regarding business relationship	*(2)*	*-*
Other operating expenses – amortization on leasehold improvements	*(12)*	*(12)*
Debit and credit card service	*-*	*(8)*
Recovery of expenses	**2**	**0**
Amortisation, depreciation and impairment losses on intangible and tangible assets (reconciled)	**(61)**	**(59)**
Impairment/Write-backs on property, plant and equipment	*(93)*	*(94)*
less: Impairment/write-backs of right of use	*0*	*-*
less: Impairment on tangible and intangible assets – other operating leases	*30*	*39*
less: Impaiment on tangible assets: Integration costs	*13*	*-*
Impairment/Write-backs on intangible assets	*(10)*	*(4)*
OPERATING COSTS (RECONCILED)	**(1,165)**	**(1,172)**
OPERATING PROFIT	**713**	**602**
Net write-downs on loans and provisions for guarantees and commitments	**(166)**	**(398)**
Provisions for risks and charges reserves – Other commitments	*0*	*(51)*
Impairment losses/write-backs on impairment on loans	*(166)*	*(346)*
Modification gains (losses)	*(0)*	*(1)*
NET OPERATING PROFIT	**548**	**203**
Provisions for risk and charges	**4**	**2**
Net provisions for risks and charges	*7*	*(6)*
less: Integration/restructuring costs	*7*	*0*
less: Impairment/write-backs of IFRS 5 non-current assets and disposal groups	*(11)*	*7*
Systemic charges	**(112)**	**(146)**
Ex-ante contributions to resolution funds and deposit guarantee schemes and bank levies	*(112)*	*(146)*
Integration/restructuring costs	**(355)**	**1**
Net income from investments	**9**	**(92)**
Profit (loss) on equity investments	*150*	*(12)*
less: Profits (losses) of joint ventures and associates	*(163)*	*(98)*
Impairment/write-backs of IFRS 5 non-current assets and disposal groups	*11*	*(7)*
Gains (losses) on tangible and intangible assets	*10*	*(2)*
Gains (losses) on disposal of investments	*3*	*27*
Financial assets at amortised cost – Impairment/write-backs on debt securities	*(0)*	*(0)*
Financial assets at fair value through OCI - Impairment/write-backs on debt securities	*(1)*	*0*
Impairment/write-backs of right of use	*(0)*	*-*
PROFIT BEFORE TAX	**93**	**(32)**
Income tax for the period	11	(2)
Total profit or loss after tax from discontinued operations	-	49
PROFIT (LOSS) FOR THE PERIOD	**105**	**15**
Non-controlling interests	10	6
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**115**	**20**

1) Previous year's figures as published

D – Segment reporting

D.2 – Content of segment reporting

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

In order to ensure comparability of the 2021 data with 2020, adjustments were necessary in the prior-year periods, mainly due to a shift of lines of card complete's debit and credit card services.

Segment reporting covers the following business segments (divisions):

Privatkundenbank

The Privatkundenbank (Retail Banking division) includes the customer segments Retail Banking, Premium Banking, Small Business Banking (freelancers and business customers with annual revenues of up to €3 million) and Wealth Management, whereby the Wealth Management segment is concentrated in Schoellerbank. Also included in Privatkundenbank are subsidiaries active in credit card business.

Unternehmerbank

The Unternehmerbank (Corporate Banking division) covers customers with an annual turnover of over €3 million, Real Estate, the Public Sector customer segment, leasing business including subsidiaries, Bank Austria Wohnbaubank and the Bank Austria Real Invest Group.

Corporate & Investment Banking (CIB)

The Corporate & Investment Banking business segment covers the customer segment of multinational companies and large international customers using capital market services and investment banking solutions. Corporate & Investment Banking also serves financial institutions including banks, asset managers, institutional customers and insurance companies. The product lines offered by CIB to these customers are Financing & Advisory (classic and structured lending business and capital market advisory services), Global Transaction Banking (including payment transactions, trade finance, cash management) and within Markets & Corporate Treasury Sales the services relating to customer-driven trading activities. The product specialists also support commercial banking activities of the bank's other business segments. Since the beginning of 2020, the CIB Division has also included FactorBank (formerly included in Unternehmerbank).

In line with the change of the business model at UniCredit Group level, the business divisions "Corporate & Investment Banking" and "Unternehmerbank" of Bank Austria will be combined in the new "Corporates" division in the future. The presentation of the figures of this merged new Corporates division will only start in 2022.

Corporate Center

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

D – Segment reporting

D.3 – Segment reporting 1–12 2021 / 1–12 2020

(€ million)

		PRIVATKUNDEN-BANK	UNTERNEHMER-BANK	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST)[1]	RECASTING DIFFERENCES[2]	BANK AUSTRIA GROUP[3]
Net interest	2021	382	313	293	(124)	864	-	864
	2020	413	322	282	(112)	906	-	906
Dividends and other income from equity investments	2021	3	39	-	137	179	-	179
	2020	1	20	-	81	103	-	103
Net fees and commissions	2021	464	139	87	7	697	-	697
	2020	442	127	82	1	653	8	660
Net trading, hedging and fair value income/loss	2021	12	39	41	12	104	-	104
	2020	10	21	31	(1)	60	-	60
Net other expenses/income	2021	5	11	3	15	35	-	35
	2020	2	24	0	18	44	0	44
OPERATING INCOME	**2021**	**867**	**541**	**425**	**46**	**1,878**	**-**	**1,878**
	2020	**868**	**514**	**396**	**(12)**	**1,766**	**8**	**1,774**
OPERATING COSTS	**2021**	**(764)**	**(205)**	**(169)**	**(27)**	**(1,165)**	**-**	**(1,165)**
	2020	**(747)**	**(196)**	**(166)**	**(56)**	**(1,164)**	**(8)**	**(1,172)**
OPERATING PROFIT	**2021**	**103**	**336**	**256**	**19**	**713**	**-**	**713**
	2020	**121**	**319**	**230**	**(68)**	**602**	**0**	**602**
Net write-downs of loans and for guarantees and commitments	2021	(63)	(85)	(18)	1	(166)	-	(166)
	2020	(78)	(172)	(154)	5	(398)	-	(398)
NET OPERATING PROFIT	**2021**	**40**	**250**	**238**	**19**	**548**	**-**	**548**
	2020	**43**	**147**	**77**	**(63)**	**203**	**0**	**203**
Provisions for risk and charges	2021	(5)	1	0	8	4	-	4
	2020	(9)	7	1	2	2	-	2
Systemic charges	2021	(59)	(18)	(22)	(14)	(112)	-	(112)
	2020	(50)	(31)	(38)	(27)	(146)	0	(146)
Integration/restructuring costs	2021	(18)	0	-	(337)	(355)	-	(355)
	2020	-	(0)	(0)	1	1	-	1
Net income from investments	2021	7	8	(1)	(5)	9	-	9
	2020	(6)	14	(0)	(100)	(92)	-	(92)
PROFIT BEFORE TAX	**2021**	**(35)**	**242**	**215**	**(329)**	**93**	**-**	**93**
	2020	**(23)**	**137**	**40**	**(186)**	**(32)**	**0**	**(32)**
Income tax for the period	2021	(13)	(51)	(54)	129	11	-	11
	2020	(14)	(29)	(13)	54	(2)	-	(2)
Total profit or loss after tax from discontinued operations	2021	-	-	-	-	-	-	-
	2020	-	-	-	49	49	-	49
PROFIT (LOSS) FOR THE PERIOD	**2021**	**(48)**	**191**	**162**	**(200)**	**105**	**-**	**105**
	2020	**(37)**	**108**	**27**	**(84)**	**15**	**0**	**15**
Non-controlling interests	2021	12	(1)	-	0	10	-	10
	2020	7	(1)	-	0	6	-	6
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	**2021**	**(37)**	**190**	**162**	**(199)**	**115**	**-**	**115**
	2020	**(30)**	**107**	**27**	**(84)**	**20**	**0**	**20**
Risk-weighted assets (RWA) (avg.)	**2021**	**7,849**	**10,116**	**10,986**	**4,301**	**33,252**	**-**	**33,252**
	2020	**8,573**	**9,618**	**10,083**	**5,461**	**33,735**	**-**	**33,735**
Loans to customers (eop)	**2021**	**20,393**	**25,922**	**20,416**	**238**	**66,968**	**0**	**66,968**
	2020	**19,352**	**23,969**	**17,340**	**202**	**60,863**	**0**	**60,863**
Deposits from customers (eop)	**2021**	**36,423**	**18,511**	**9,588**	**(200)**	**64,322**	**-**	**64,322**
	2020	**35,056**	**17,205**	**9,106**	**(199)**	**61,167**	**-**	**61,167**
Cost/income ratio in %	2021	88.1	37.9	39.8	n.m.	62.0	n.m.	62.0
	2020	86.1	38.0	41.8	n.m.	65.9	n.m.	66.1

1) In the segment reporting, the comparative figures for 2020 were adjusted (recast) to the scope of consolidation and the segment structure of the 2021 reporting period.
2) Reconciliation to accounting figures is shown in the column "recasting differences" and is mainly due to a shift of lines of debit and credit card services of card complete.
3) Previous year's figures as published
n.a. = not available
n.m. = not meaningful

D – Segment reporting

D.4 – Segment reporting (Quarters)

(€ million)

		PRIVATKUNDEN-BANK	UNTERNEHMER-BANK	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST)[1]
Net interest	4Q21	94	79	75	(26)	222
	3Q21	95	76	75	(27)	218
	2Q21	96	78	75	(34)	215
	1Q21	98	79	68	(36)	209
	4Q20	106	85	73	(41)	223
	3Q20	101	78	75	(30)	223
	2Q20	100	79	71	(16)	233
	1Q20	107	80	64	(24)	227
Dividends and other income from equity investments	4Q21	2	15	-	37	54
	3Q21	-	10	-	45	54
	2Q21	-	7	-	29	36
	1Q21	1	7	-	25	34
	4Q20	-	5	-	30	36
	3Q20	-	8	-	35	44
	2Q20	-	4	-	(9)	(5)
	1Q20	1	3	-	24	28
Net fees and commissions	4Q21	127	38	21	2	188
	3Q21	113	34	23	2	173
	2Q21	109	33	20	1	164
	1Q21	116	33	22	2	172
	4Q20	116	34	22	(3)	169
	3Q20	106	32	20	3	160
	2Q20	99	30	20	(3)	146
	1Q20	121	32	20	5	178
Net trading, hedging and fair value income/loss	4Q21	4	(2)	2	(2)	3
	3Q21	1	11	11	(3)	20
	2Q21	3	7	12	7	30
	1Q21	4	22	16	10	51
	4Q20	1	13	9	1	24
	3Q20	2	8	10	1	21
	2Q20	4	3	4	5	16
	1Q20	2	(3)	7	(7)	(1)
Net other expenses/income	4Q21	-	1	3	4	8
	3Q21	3	4	-	3	9
	2Q21	-	3	-	3	7
	1Q21	2	4	-	5	10
	4Q20	1	4	-	2	8
	3Q20	1	6	-	5	12
	2Q20	-	8	-	7	15
	1Q20	-	5	-	4	9

1) Quarterly figures are based on recast data, mainly due to a shift of lines of debit and credit card services of card complete.

D – Segment reporting

		PRIVATKUNDEN-BANK	UNTERNEHMER-BANK	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST)[1]
OPERATING INCOME	**4Q21**	**227**	**132**	**102**	**15**	**475**
	3Q21	**211**	**135**	**109**	**19**	**474**
	2Q21	**209**	**128**	**108**	**7**	**452**
	1Q21	**220**	**145**	**106**	**5**	**476**
	4Q20	**225**	**141**	**104**	**(10)**	**461**
	3Q20	**209**	**132**	**105**	**13**	**459**
	2Q20	**202**	**124**	**96**	**(17)**	**405**
	1Q20	**231**	**117**	**92**	**1**	**441**
OPERATING COSTS	**4Q21**	**(190)**	**(54)**	**(40)**	**(12)**	**(297)**
	3Q21	**(186)**	**(50)**	**(44)**	**(10)**	**(290)**
	2Q21	**(195)**	**(52)**	**(44)**	**(7)**	**(298)**
	1Q21	**(192)**	**(49)**	**(41)**	**2**	**(280)**
	4Q20	**(194)**	**(47)**	**(42)**	**(14)**	**(298)**
	3Q20	**(182)**	**(48)**	**(41)**	**(12)**	**(283)**
	2Q20	**(182)**	**(50)**	**(41)**	**(12)**	**(284)**
	1Q20	**(189)**	**(50)**	**(42)**	**(18)**	**(300)**
OPERATING PROFIT	**4Q21**	**37**	**78**	**62**	**3**	**179**
	3Q21	**25**	**86**	**65**	**9**	**184**
	2Q21	**14**	**76**	**64**	**-**	**154**
	1Q21	**28**	**96**	**65**	**7**	**196**
	4Q20	**31**	**94**	**61**	**(24)**	**163**
	3Q20	**28**	**84**	**64**	**1**	**176**
	2Q20	**20**	**75**	**55**	**(28)**	**121**
	1Q20	**42**	**66**	**50**	**(17)**	**141**
Net write-downs of loans and provisions for guarantees and commitments	4Q21	(64)	(41)	6	(1)	(99)
	3Q21	(15)	(20)	(1)	1	(34)
	2Q21	(17)	(30)	(5)	-	(51)
	1Q21	32	5	(18)	-	19
	4Q20	(40)	(103)	(96)	2	(236)
	3Q20	7	(28)	(7)	1	(27)
	2Q20	23	(25)	(33)	2	(33)
	1Q20	(68)	(16)	(17)	-	(102)
NET OPERATING PROFIT	**4Q21**	**(27)**	**37**	**68**	**1**	**79**
	3Q21	**10**	**66**	**64**	**10**	**150**
	2Q21	**(3)**	**47**	**60**	**-**	**103**
	1Q21	**60**	**101**	**47**	**8**	**215**
	4Q20	**(9)**	**(9)**	**(34)**	**(21)**	**(74)**
	3Q20	**35**	**56**	**57**	**2**	**149**
	2Q20	**43**	**50**	**22**	**(26)**	**88**
	1Q20	**(26)**	**50**	**33**	**(17)**	**39**

1) Quarterly figures are based on recast data, mainly due to a shift of lines of debit and credit card services of card complete.

D – Segment reporting

		PRIVATKUNDEN-BANK	UNTERNEHMER-BANK	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST)[1]
Provisions for risk and charges	4Q21	(5)	1	-	7	2
	3Q21	(1)	-	-	1	1
	2Q21	1	-	-	-	1
	1Q21	-	-	-	-	-
	4Q20	(9)	2	-	2	(5)
	3Q20	-	1	-	-	-
	2Q20	-	4	-	-	4
	1Q20	-	1	1	-	2
Systemic charges	4Q21	(16)	(1)	-	-	(17)
	3Q21	(6)	-	-	-	(7)
	2Q21	-	-	-	-	(1)
	1Q21	(36)	(17)	(21)	(13)	(88)
	4Q20	(5)	(1)	(1)	(1)	(9)
	3Q20	(15)	(2)	(1)	(1)	(19)
	2Q20	(1)	(2)	(3)	(2)	(8)
	1Q20	(30)	(26)	(32)	(23)	(111)
Integration/restructuring costs	4Q21	(15)	-	-	(337)	(351)
	3Q21	(3)	-	-	-	(3)
	2Q21	-	-	-	-	-
	1Q21	-	-	-	-	-
	4Q20	-	-	-	1	1
	3Q20	-	-	-	-	-
	2Q20	-	-	-	-	-
	1Q20	-	-	-	-	-
Net income from investments	4Q21	(3)	(5)	-	(9)	(16)
	3Q21	1	3	-	2	5
	2Q21	9	10	(1)	3	21
	1Q21	-	-	-	(1)	(1)
	4Q20	-	-	-	(41)	(41)
	3Q20	(1)	8	-	(2)	5
	2Q20	(3)	6	-	(61)	(59)
	1Q20	(3)	1	-	5	3
PROFIT BEFORE TAX	**4Q21**	**(66)**	**33**	**68**	**(338)**	**(303)**
	3Q21	**1**	**68**	**64**	**12**	**145**
	2Q21	**6**	**56**	**58**	**3**	**124**
	1Q21	**24**	**84**	**25**	**(7)**	**126**
	4Q20	**(22)**	**(8)**	**(35)**	**(61)**	**(127)**
	3Q20	**19**	**63**	**55**	**(1)**	**136**
	2Q20	**39**	**57**	**19**	**(89)**	**25**
	1Q20	**(59)**	**26**	**2**	**(35)**	**(66)**

1) Quarterly figures are based on recast data, mainly due to a shift of lines of debit and credit card services of card complete.

D – Segment reporting

		PRIVATKUNDEN-BANK	UNTERNEHMER-BANK	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST)[1]
Income tax for the period	4Q21	(5)	(4)	(17)	100	74
	3Q21	(1)	(15)	(16)	9	(23)
	2Q21	(1)	(12)	(15)	12	(16)
	1Q21	(6)	(19)	(6)	8	(23)
	4Q20	(6)	3	9	9	15
	3Q20	(2)	(14)	(14)	8	(22)
	2Q20	(2)	(13)	(6)	15	(7)
	1Q20	(3)	(6)	(2)	22	10
Total profit or loss after tax from discontinued operations	4Q21	-	-	-	-	-
	3Q21	-	-	-	(1)	(1)
	2Q21	-	-	-	-	-
	1Q21	-	-	-	1	1
	4Q20	-	-	-	48	48
	3Q20	-	-	-	-	-
	2Q20	-	-	-	1	1
	1Q20	-	-	-	-	-
PROFIT (LOSS) FOR THE PERIOD	**4Q21**	**(71)**	**28**	**51**	**(237)**	**(229)**
	3Q21	**-**	**54**	**48**	**20**	**121**
	2Q21	**5**	**44**	**44**	**15**	**108**
	1Q21	**18**	**65**	**19**	**2**	**104**
	4Q20	**(28)**	**(5)**	**(27)**	**(3)**	**(63)**
	3Q20	**17**	**49**	**41**	**6**	**114**
	2Q20	**37**	**44**	**13**	**(73)**	**20**
	1Q20	**(62)**	**20**	**-**	**(14)**	**(56)**
Non-controlling interests	4Q21	2	(1)	-	-	1
	3Q21	3	-	-	-	3
	2Q21	5	-	-	-	5
	1Q21	2	-	-	-	2
	4Q20	6	-	-	-	6
	3Q20	-	-	-	-	-
	2Q20	1	-	-	-	1
	1Q20	-	-	-	-	-
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**4Q21**	**(69)**	**28**	**51**	**(237)**	**(228)**
	3Q21	**3**	**53**	**48**	**20**	**124**
	2Q21	**10**	**44**	**44**	**15**	**113**
	1Q21	**20**	**65**	**19**	**2**	**106**
	4Q20	**(22)**	**(5)**	**(27)**	**(3)**	**(57)**
	3Q20	**17**	**49**	**41**	**7**	**114**
	2Q20	**38**	**44**	**13**	**(73)**	**20**
	1Q20	**(62)**	**20**	**-**	**(14)**	**(56)**

1) Quarterly figures are based on recast data, mainly due to a shift of lines of debit and credit card services of card complete.

D – Segment reporting

		PRIVATKUNDEN-BANK	UNTERNEHMER-BANK	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST)[1)]
Risk-weighted assets (RWA) (avg.)	**4Q21**	**8,076**	**12,518**	**11,359**	**4,106**	**36,060**
	3Q21	**7,901**	**10,572**	**11,263**	**4,187**	**33,922**
	2Q21	**7,674**	**8,526**	**11,130**	**4,307**	**31,637**
	1Q21	**7,746**	**8,846**	**10,194**	**4,606**	**31,392**
	4Q20	**8,255**	**9,321**	**9,953**	**5,048**	**32,577**
	3Q20	**8,664**	**9,828**	**10,311**	**5,447**	**34,250**
	2Q20	**8,690**	**9,855**	**10,195**	**5,646**	**34,387**
	1Q20	**8,681**	**9,469**	**9,873**	**5,704**	**33,728**
Loans to customers (eop)	**4Q21**	**20,393**	**25,922**	**20,416**	**238**	**66,968**
	3Q21	**20,033**	**23,508**	**17,093**	**254**	**60,888**
	2Q21	**19,785**	**23,450**	**17,649**	**117**	**61,002**
	1Q21	**19,423**	**24,644**	**20,051**	**230**	**64,349**
	4Q20	**19,352**	**23,969**	**17,340**	**202**	**60,863**
	3Q20	**19,050**	**24,865**	**18,464**	**608**	**62,987**
	2Q20	**18,925**	**25,234**	**19,255**	**351**	**63,766**
	1Q20	**19,007**	**25,642**	**19,280**	**368**	**64,297**
Deposits from customers (eop)	**4Q21**	**36,423**	**18,511**	**9,588**	**(200)**	**64,322**
	3Q21	**35,312**	**15,923**	**9,153**	**(80)**	**60,309**
	2Q21	**35,579**	**15,686**	**9,128**	**(49)**	**60,345**
	1Q21	**34,527**	**16,568**	**9,695**	**(75)**	**60,715**
	4Q20	**35,056**	**17,205**	**9,106**	**(199)**	**61,167**
	3Q20	**33,590**	**15,486**	**8,895**	**(81)**	**57,890**
	2Q20	**33,137**	**16,270**	**8,491**	**433**	**58,331**
	1Q20	**32,405**	**15,908**	**8,653**	**(97)**	**56,870**
Cost/income ratio in %	4Q21	83.8	41.0	39.6	n.m.	62.4
	3Q21	88.1	36.7	40.5	n.m.	61.2
	2Q21	93.4	40.6	40.4	n.m.	65.9
	1Q21	87.4	33.9	38.6	n.m.	58.9
	4Q20	86.2	33.5	40.8	n.m.	64.6
	3Q20	86.7	36.5	38.8	n.m.	61.6
	2Q20	90.1	40.0	42.5	n.m.	70.0
	1Q20	81.8	43.2	45.7	n.m.	68.0

1) Quarterly figures are based on recast data, mainly due to a shift of lines of debit and credit card services of card complete.
n.a. = not available
n.m.= not meaningful

E – Risk report

E – Risk report

E.1 – Overall risk management

Organisation of risk management

UniCredit Bank Austria AG identifies, measures, monitors and manages all risks of Bank Austria. In performing these tasks, Bank Austria works closely with the risk control and risk management units of UniCredit Group in line with the existing Group structure. In this context, Bank Austria supports UniCredit Group's ongoing projects, in particular the further harmonisation of Group-wide risk-controlling procedures and processes. Regular risk monitoring and risk management are also performed in close cooperation with a view to ensuring overall risk management across the Group. Moreover, risk management is one of UniCredit's five Fundamentals and is of relevance for the annual agreement on objectives and for performance evaluation, thereby contributing to further development of a Group-wide risk culture.

The Management Board and the Supervisory Board determine the risk policy and approve the principles of risk management and the establishment of limits for all relevant risks. The risk monitoring procedure follows Group standards. In performing these tasks, the Management Board is supported by specific committees, independent risk management units and units of other divisions. All centrally organised risk management activities of Bank Austria are combined within a management function at Management Board level directed by the Chief Risk Officer (CRO) and are thus separate from the other divisions up to Management Board level. Lending decisions which exceed the limits of the relevant business units' approval authority, and the handling of problem loans, are the responsibility of the two operative credit risk departments, i.e. Credit Operations Corporate/CIB and Credit Operations Retail. The risk management activities of these departments are complemented by the Strategic Risk Management & Control department and the Market & Liquidity Risk department. To guarantee the independence of the Operational and Reputational Risk and Internal Validation areas, they also report directly to the CRO. The Finance unit reports to the Chief Financial Officer (CFO) and is responsible for risk-adequate pricing of loans, capital planning, the Bank's own securitisations and funding (as part of the planning process and under contingency funding arrangements), among other things.

The Bank's internal control system (ICS) is effective at several levels: (1) in the various business areas, (2) at the Risk & Compliance level and (3) at the Internal Audit level. Internal Audit performs regular audits with regard to the adequacy of risk processes and compliance with them. The Management Board and the Supervisory Board are provided with reports on the results of these audits and recommendations. A comprehensive system of rules ranging from Group Policies to operational instructions governs processes at various levels. The most important Policies are adopted directly by the Management Board, managed in a separate system, rolled out and monitored with regard to the degree of implementation.

Cross-divisional management / control and reporting

Bank Austria essentially divides the monitoring and controlling processes associated with risk management into the following categories: credit risk (default risk and migration risk), liquidity and funding risk, market risk (interest rate risk, credit spread risk, currency risk and equity risk), structural FX risk, derivatives-linked risk (counterparty risk, CVA risk), operational (including legal) risk, reputational risk, sustainability risk, business risk, pension risk, financial investment risk and real estate risk. Bank Austria participates in a UniCredit Group-wide project to take ESG risks into account in the management of financial risks. In addition, all risk management activities in relation to the credit risk have a direct influence on the consideration of ESG risks in financial risk in the form of counterparty and issuer limits.

A key element of risk control by the Management Board is the annual definition of Bank Austria's Risk Appetite, which is approved by the Supervisory Board and takes place in coordination with UniCredit Group. The Risk Appetite describes the key principles of the Bank's risk orientation, in qualitative terms of a statement and in the form of a quantitative framework of key metrics. The Risk Appetite defines risk categories and the level of risk that Bank Austria is prepared to accept in pursuit of its strategic objectives and business plan and in view of its role within UniCredit Group. In this context the interests of external and internal parties (customers, shareholders and supervisory authorities in particular) are taken into account. For example, markets and investment banking operations are concentrated outside Bank Austria at Munich-based UniCredit Bank; this is reflected in Bank Austria's focus on commercial banking business and in correspondingly low trading book limits. The key Risk Appetite dimensions are business strategy, capital and liquidity adequacy. The defined bundle of key indicators comprises Pillar 1 and Pillar 2 indicators, and recovery plan indicators. The Risk Appetite is integrated in the budgeting process in the context of managing the objectives in defining and selecting the desired risk-return profile. A system of targets, thresholds and limits has been defined for the key indicators to ensure regular monitoring, timely escalation and a link to the recovery plan. In addition to the risk appetite, the Management Board and the Supervisory Board adopt a resolution, once a year, defining Bank Austria's risk strategy, which further operationalises the risk appetite and complements it with additional limits and targets.

E – Risk report

Regular risk monitoring at top management level is performed through the overall risk report. The overall risk report is regularly presented also to the Supervisory Board. It comprises a description of the risk appetite, the risk-taking capacity (RTC), of credit risk, liquidity risk, market risk and operational risk, and the results of stress tests. Specialised risk committees have been established at senior management level for the management of key risks.:

- Operational risks and risks to the Company's reputation are managed in the quarterly Non-Financial Risk Committee (NFRC) meeting.
- Credit risk is assessed by the Credit Committee.
- The Financial and Credit Risks Committee (FCRC), which was newly created in 2021 and meets on monthly basis, deals with liquidity, market, derivative and non-operational credit risk issues. With regard to liquidity, operational aspects of liquidity management, including ongoing monitoring of the market, are discussed and compliance with the liquidity policy is ensured. Market risk topics include short-term business management with regard to the presentation and discussion of the risk/earnings situation of Markets & Corporate Treasury Sales, and decisions are also made on limit adjustments, product approvals, positioning, replication portfolios and in connection with the derivatives business. The latter deals with classic credit risk and counterparty risk issues and aspects of reputational risk in customer business. The FCRC also discusses cross-divisional risk management issues arising between sales units and the overall bank management, it presents the respective risks from an economic capital perspective (Pillar 2) and discusses all material issues related to risk models, in particular the IRB, IFRS9 and credit portfolio models.

The resolutions and results from this committee are reported directly to the Bank's entire management board.

Risk-taking capacity (ICAAP/ ILAAP)

Beyond compliance with regulatory capital rules and liquidity requirements of Pillar 1, Bank Austria controls capital and liquidity adequacy also via the relevant Pillar 2 approaches: Internal Capital Adequacy Assessment Process (ICAAP); Internal Liquidity Adequacy Assessment Process (ILAAP). As part of the Group-wide ILAAP, and in close coordination with UniCredit Group, the Bank reviews the adequacy of the liquidity risk management process, which comprises various components to ensure sufficient liquidity – such as limiting the short-term and the medium-term and long-term liquidity position, stress testing, the funding plan and key regulatory indicators. Risk measurement is based on Group-internal and regulatory requirements. In the context of ICAAP, Bank Austria applies the UniCredit Group approach to internal capital at the consolidated level (including subsidiaries). This approach includes the following phases:

- Perimeter definition and risk identification
- Risk measurement
- Definition of risk appetite and capital allocation
- Regular monitoring and reporting

The process ensures that Bank Austria's perimeter including all relevant Group units and risk types are fully covered and that risk and available financial resources are consistently taken into account. The risk types are measured using procedures which have been developed within the Group and also take concentration risks into account. The Risk-Taking Capacity (RTC) compares Available Financial Resources (AFR) with aggregate Internal Capital (IC): RTC = AFR/IC. It is calculated and reported on a quarterly basis under a going concern approach. This approach requires compliance with all regulatory requirements and the application of the relevant valuation rules and accounting standards. The observation period is one year for all risk categories. The unexpected losses are calculated with a confidence level of 99.9% for all risk types. An annual risk inventory analysis ensures that all materially relevant risk categories are taken into account.

Bank Austria calculates internal capital (also referred to as "economic capital" for individual risk categories) for the following risk categories:

- Credit risk (default and mitigation risk) including possible exposure as a result of the counterparty risk
- Market risk including CVA for trading and banking books (interest rate risk, credit spread risk, currency risk and equity risk)
- Structural FX risk
- Pension risk
- Business risk
- Real estate risk
- Operational risk (including legal risks)
- Reputational risk
- Financial investment risk (for those equity investments which are not covered on the basis of their relevant individual risk categories, minority interests in particular)
- Model risk (as percentage surcharges on the risk types listed above)

E – Risk report

The dominant risk category for Bank Austria is classic credit risk while the other risk categories are much less significant. Both ICAAP and ILAAP of Bank Austria are subject to annual review by Internal Audit.

Concentration risk

The VaR models used for internal capital take concentration risk into account, e.g. concentration risk associated with customers/customer groups and countries/sector concentrations in the credit portfolio model or risk factor concentrations in the market and counterparty risk model. At the holding company level, the allocation of limits with regard to individual and sector positions (bulk-risk and industry limits) is based on economic capital. In its lending operations, Bank Austria follows this Group strategy and the related limits for industrial sectors and large exposures. Monitoring and reporting the largest borrowers (individual customers and groups of companies) and the distribution among industries takes place through the overall risk report on a quarterly basis. At Bank Austria level, economic capital is also an important factor in the approval of large transactions. As part of the quarterly ICAAP report, the Credit Risk Economic Capital Detail Report shows credit positions with a large proportion of internal capital and presents capital allocation by various segments (divisions, asset classes, banking subsidiaries, major sub-portfolios, etc.). Granular sensitivity limits and reports complement VaR limits at the portfolio level in the area of market risk. Stress test limits are also used in connection with market risk. Counterparty limits and counterparty-risk simulations including stress considerations are applied to derivatives and repos. Sovereign limits and country limits specify the maximum amounts permitted for cross-border transactions (see section E.8 “Country risk and sovereign risk”).

The macro risk is concentrated in Austria and a few other European countries and also reflects regional areas of focus within the UniCredit Group. If we consider the industry distribution of loans, apart from the private customer business, commercial real estate and public sector customers account for the largest volume of loans, as in the previous year.

Limit system

Regular monitoring of key indicators, with appropriate limits and early warning thresholds, and a detailed network of operational limits ensure that the Bank operates within the adopted risk parameters and that management can take timely measures in the event of unfavourable developments. The top level is the risk appetite, with about 30 key indicators being monitored at Bank Austria Group level (also partly at the Bank Austria AG level). The most significant indicators include liquidity and funding indicators (short-term, structural and stress-based), capital and leverage indicators, risk/return indicators, and indicators focusing on specific risk categories. Violations of risk-appetite thresholds/limits are dealt with according to the defined escalation hierarchy (a number of levels up to Supervisory Board approval authority). The complete overview of all key figures (“Risk-Appetite-Dashboard”) is reported on a quarterly basis at FCRC meetings and as part of the overall risk report to the Management Board and the Supervisory Board.

Some of the key figures in the dashboard are monitored on a quarterly basis, others monthly. In addition, numerous key figures or sensitivities are presented regularly outside of the dashboard, which allows us to manage them at a granular level. For example, the development of market and liquidity risk positions, including compliance with the respective sensitivity limits, is discussed every month in the FCRC. Depending on the degree of detail in the relevant dimensions (e.g. maturity bands, currencies), the escalation hierarchy comprises a number of levels in these areas, too. Many of the market and liquidity limits are based on daily reports. In the event that these limits are exceeded, the handling and any necessary escalation is therefore carried out very promptly and long before the complete dashboard is presented as part of the quarterly reporting of the Management Board and Supervisory Board. Other key indicators are not determined on a daily basis, with the escalation process following the respective frequency of reporting. A central planning variable on the credit risk side is the expected loss (EL) at the sub-portfolio level for existing and new business. Developments in this context are monitored in detail during the year against the defined targets and thresholds; changes in parameters contributing to such developments are analysed and discussed with the relevant business areas and at FCRC meetings with regard to a potential need for action. Individual lending decisions follow the defined loan approval process, which involves the operative credit risk departments, Bank Austria’s Credit Committee and the relevant committees at the holding company, according to their respective levels of approval authority (see also section “E.2 – Credit risk”).

Stress tests

Stress tests are a key component of risk analysis and planning at Bank Austria. The Bank performs overall bank stress tests and individual stress tests. The former cover major risk categories at a specific point in time, with detailed results being aggregated against the background of a coherent scenario and presented on an overall basis. The overall bank stress tests performed regularly include capital stress tests (Pillars 1 and 2) created in line with a regulatory and economic perspective and stress analyses under the recovery plan. Stress analyses under the recovery plan combine capital and liquidity aspects, showing developments over time and in the context of possible management reaction. Reverse stress tests attempt to find out what circumstances could cause the bank's failure. The most important regular individual stress tests cover credit risk, market risk, counterparty risk and liquidity risk.

The most important individual and overall bank stress tests are presented to the management bodies in the FCRC, but also as part of the overall risk report. Stress tests are performed at defined intervals (capital stress tests at least on a half-yearly basis, individual stress tests on a quarterly basis in most cases) and are also a fixed part of the annual budgeting and planning of the risk appetite. Stress tests may also be performed in response to specific issues, e.g. in response to suggestions made by Internal Audit or supervisory authorities. Scenarios are defined centrally and locally over a horizon of several years. The Holding Stress Test Council defines a minimum set of scenarios for Pillar 2 ICAAP stress tests on a half-yearly basis, which need to be calculated and reported locally. Local scenarios are additionally defined where required. Predefined thresholds for specific stress tests require management to consider action plans or contingency plans.

Stress testing is subject to an annual review by Internal Audit.

E.2 – Credit risk

Credit risk is defined as the risk of incurring losses as a result of non-fulfilment by the borrower of terms and conditions agreed under the loan agreement. The credit risk is the Bank's most significant risk category, which is why the Bank has dedicated itself to this area in particular.

Bank Austria's credit risk is determined based on the classic commercial customer businesses geared towards the regional Austrian market and the equally significant private customer business. Of the loans and advances to customers in the amount of €68.5 billion (before deduction of impairment losses, prior year: €62.3 billion), approximately two-thirds are attributable to the Corporate Customers and Corporate & Investment Banking segments. The remaining third is attributable to loans and advances to private customers. Within this Retail segment, it is worth mentioning from a risk perspective that the proportion of CHF loans as risk carriers has been declining steadily for years and is currently around 18% (previous year: 22%).

General information on the following presentations: The tables shown in this chapter with the designation "banking group" in the table title correspond to the consolidation requirements according to Circular 262 of the Bank of Italy and may differ from the other presentations. The "Bank Group" scope of consolidation corresponds to the CRR scope of consolidation.

Credit risk methods and instruments

Very important factors in the credit approval process are a detailed assessment of risk associated with each loan exposure, and the customer's credit rating in particular. The basis for every loan decision is a thorough analysis of the loan commitment. Following the initial loan application, the Bank's loan exposures are reviewed at least once a year. If the borrower's creditworthiness deteriorates substantially, shorter review intervals are applied.

Our Bank-internal credit rating check is based on three different rating procedures. In order to estimate the (12-month) loss, the parameters (probability of default – PD; loss given default – LGD; exposure at default – EAD) for the customer/business segments to be assessed on the basis of models specifically developed for these purposes are calculated. The calculations are made in line with the various asset classes pursuant to Article 147 of the CRR, Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions. There are country-specific or region-specific models (e.g. for corporate customers, private and business customers) and Group-wide models (e.g. for sovereigns, banks, multinational corporates). Regarding the current status of the application of the internal ratings-based approach (IRB approach) to credit risk in Bank Austria, refer to the following chapter.

In order to estimate the expected credit loss (ECL) under IFRS 9 regulation, the aforementioned parameters are used in their appropriate adapted form (for more information, please see A.5.3.3 – Impairment of financial instruments, sub-item parameters and risk definition).

In the individual valuation of a credit exposure, data from the annual financial statements of the customers who prepare annual financial statements and qualitative corporate factors are taken into account in addition to the customer behaviour observed internally at the Bank. Bank Austria uses an automated retail scoring system for assessing, monitoring and managing the large number of loan exposures to private customers, small businesses, independent professionals and small non-profit organisations. Retail scoring consists of application scoring, which is based on proven and recognised mathematical-statistical methods, and behavioural scoring, which takes account, among other things, of account deposits and customer payment behaviour and results in customer scoring that is updated monthly. This gives the Bank a tool for lending decisions and early recognition of risk. Automated data processing helps Bank Austria to reduce costs required for credit control while accelerating lending decisions.

E – Risk report

The various rating and scoring models provide the basis for efficient risk management of Bank Austria and are embedded in all decision-making processes relating to risk management. They are also a key factor for capital required to be held against risk-weighted assets. Great attention is given to consistency in the presentation for supervisory purposes and the requirements of internal control. Risk-adequate pricing and proactive risk management improve the portfolio's diversification and risk/return ratio on an ongoing basis.

All Bank-internal rating procedures are subject to ongoing monitoring. The IRB model is verified regularly. The relevant rating model is verified as to whether it depicts the risks to be measured correctly. The focus of the IRB validation in 2021 was on validating the model changes and implementations for the PD and LGD models, the ongoing validation of the IRB models with regard to the model, data, IT and process, and quarterly model monitoring. Since the new PD models went live in July 2021, simplified model monitoring has been carried out for a transitional period on the basis of the latest validation reports for the respective model. This is necessary as the new models with a default history of one year must be live in order to reintroduce model monitoring in its previous form. For this reason, we will be working with this transitional solution until July 2022. All model assumptions are based on long-term statistical averages of historical defaults and losses, taking into account current risk-relevant information. Credit risk stress tests, which are required by banking supervisory authorities and are carried out on a regular basis, are an essential instrument for assessing future risks in an unfavourable economic environment. FCRC is defined as an expert body within the meaning of Article 189 of the CRR, which deals with all material aspects related to credit risk models (their development, adjustment, control and validation of model soundness). The Strategic Risk Management & Control department, with the relevant methodology and control units and with independent validation units, acts as credit risk control unit within the meaning of Article 190 of the CRR.

Current status of the application of the internal ratings-based approach (IRB approach) for credit risk at Bank Austria

UniCredit Bank Austria AG applies the internal ratings-based approach, using its own estimates of loss given default and of conversion factors for the major part of its loan portfolio (advanced IRB approach). Simplifying and further developing local and Group-wide models and, to a lesser extent, the introduction of additional Group-wide models is taking place on an ongoing basis or according to a multi-year plan (model road map). Following the new EBA guidelines, material model amendments for all local PD models and the new default definition were submitted in 2019. The corresponding material on-site audits by the European Central Bank (ECB) have now been completed, the relevant approvals have been granted and the new models including the new default definition (calibration changes) were used in 2021. The application for the local LGD model was also subjected to a material on-site audit by the ECB in 2021. UniCredit Bank Austria AG plans to switch to the new 2022 model, subject to the conditions of the final supervisory model approval (this is not yet available as of the end of 2021). 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 planner, Group-wide issues and decisions and specifically for the development of Group-wide models, such as for countries, banks and multinational companies. The local IRB models are modelled locally in accordance with Group-wide specifications.

Group standards have for the most part already been prepared and adopted by UniCredit Group in cooperation with the major IRB legal entities, and are used as an 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 complemented. Group standards are integrated into business areas both in procedural and organisational terms, where local particularities and legal regulation are considered when ensuring Basel Compliance.

All Austrian subsidiaries of UniCredit Bank Austria AG use the standardised approach. From a current perspective, for reasons of materiality, it is not planned to switch to one of the IRB approaches.

With regard to the changes in the new definition of default by EBA which are in place since January 2021 (EBA/GL/2016/07), the following aspects should be emphasized. For the most part, the Bank's previous practices were already in line with the new EBA rules. The area that had to be adjusted concerns the changes in the "Past Due" calculation logic. This has been adapted to reflect the new thresholds. In relative terms, it is now 1% (previously 2.5%); in absolute terms, the old de minimis threshold was always €250; the new values are €100 for the retail segment and €500 for the corporate segment. Furthermore, it is no longer possible to offset different credit lines of the same customer.

E – Risk report

The result of this change was determined by retroactively simulating the “Past Due” calculation (2013-2018) and then running the old and new calculation logic in parallel. In the sample accounting, which already anticipated the official changeover, additional defaults were identified and subsequently used for the recalibration of the credit risk models. The new default definition was also implemented for regulatory reporting purposes in January 2021, after it had already been anticipated for IFRS9 in late 2020.

Classification of asset quality

Generally, loans are divided into "performing” loans and "non-performing" loans. In accordance with IFRS 9, performing loans are further subdivided into loans with valuation allowances based on 1-year expected loss (Stage 1) and loans with valuation allowances based on lifetime expected loss (Stage 2). Non-performing loans form Stage 3 (see also Item "Process for creating loan loss provisions").

In accordance with UniCredit Group guidelines, non-performing loans are divided into the following categories:

- **"Bad loans" (loans in liquidation):** credit exposures, considered uncollectible, to insolvent borrowers, even if insolvency has not been judicially ascertained. A realisation procedure is usually applied to borrowers in this class. Impairment is estimated on an analytical basis or, for an exposure of less than €2 million, on the basis of statistical methods; for details, see “A.5.3.3 Measurement of expected credit losses”.
- **"Unlikely to pay"** on-balance sheet and off-balance sheet exposures which do not meet the conditions to be classified as “bad loans”. The classification as “unlikely to pay” derives from the assessment of the debtor’s unlikeliness, without actions such as realisation of collateral, to fully repay his/her credit obligation (principal and/or interest) regardless of days in arrears. The classification within the “unlikely to pay” category is not necessarily related to the explicit presence of a default (failure to repay) but rather is tied to the existence of evidence of a debtor’s risk of default. Impairment is assessed on an analytical basis or, for an exposure of less than €2 million, on the basis of statistical methods. For details, see “A.5.3.3 Measurement of expected credit losses”.
- **“Past due":** On-balance sheet risk volumes that do not meet the criteria for classification in the "Bad loans" or "Unlikely to pay" categories, but where amounts are overdue by more than 90 days or limits are exceeded by more than 90 days. Such amounts are determined at individual debtor level, under consideration of the detailed rules of the relevant EBA guideline (EBA/GL/2016/07).

If the criterion for allocation to a non-performing category expires due to economic recovery of the client, the client is classified as performing after a period of good conduct of at least 90 days (in the case of distressed restructuring, the period of good conduct is 12 months). Credit exposures with retail scoring are assigned the rating 7 - after this period until a behavioral scoring is determined. All other credit commitments are automatically fixed at unrated until a new rating.

Impairment of financial instruments

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

E – Risk report

E.2.1 Breakdown of financial assets by portfolio and credit quality (carrying value)

(€ million)

PORTFOLIOS/QUALITY	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	PERFORMING PAST-DUE EXPOSURES	PERFORMING EXPOSURES	TOTAL
1. Financial assets at amortised cost	121	901	23	686	95,992	97,723
2. Financial assets at fair value through other comprehensive income	-	-	-	-	12,289	12,289
3. Financial assets designated at fair value	-	-	-	-	160	160
4. Other financial assets mandatorily at fair value	1	2	-	-	818	821
5. Financial instruments classified as held for sale	-	-	-	-	-	-
Total 31.12.2021	**122**	**903**	**23**	**687**	**109,258**	**110,992**
Total 31.12.2020	**125**	**1,018**	**26**	**821**	**107,310**	**109,301**

The comparative figures for 2020 were adjusted according to the recast. Further explanations are included in part A Accounting methods – Section A.2 – Basis for the preparation of the financial statements

E.2.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)

(€ million)

PORTFOLIOS/QUALITY	NON-PERFORMING ASSETS				PERFORMING ASSETS			TOTAL (NET EXPOSURE)
	GROSS EXPOSURE	TOTAL WRITEDOWNS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS	GROSS EXPOSURE	TOTAL WRITEDOWNS	NET EXPOSURE	
1. Financial assets at amortised cost	2,027	982	1,045	69	97,206	528	96,678	97,723
2. Financial assets at fair value through other comprehensive income	-	-	-	-	12,290	2	12,289	12,289
3. Financial assets designated at fair value	-	-	-	-	X	X	160	160
4. Other financial assets mandatorily at fair value	3	-	3	-	X	X	818	821
5. Financial instruments classified as held for sale	-	-	-	-	-	-	-	-
Total 31.12.2021	**2,030**	**982**	**1,048**	**69**	**109,496**	**529**	**109,945**	**110,992**
Total 31.12.2020	**2,192**	**1,023**	**1,169**	**86**	**107,434**	**415**	**108,132**	**109,301**

The comparative figures for 2020 were adjusted according to the recast. Further explanations are included in part A Accounting methods – Section A.2 – Basis for the preparation of the financial statements

E – Risk report

E.2.3 Regulatory consolidation - Breakdown of financial assets by past-due buckets (carrying value)

(€ million)

PORTFOLIOS/RISK STAGES	STAGE 1			STAGE 2			STAGE 3			POCI ASSETS		
	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS
1. Financial assets at amortised cost	572	-	-	81	33	-	12	13	273	-	-	1
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial instruments classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Total 31.12.2021	**572**	**-**	**-**	**81**	**33**	**-**	**12**	**13**	**273**	**-**	**-**	**1**
Total 31.12.2020	**193**	**1**	**-**	**39**	**23**	**1**	**11**	**11**	**170**	**-**	**-**	**2**

The comparative figures for 2020 were adjusted according to the recast. Further explanations are included in part A Accounting methods – Section A.2 – Basis for the preparation of the financial statements

E – Risk report

E.2.4 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions 2021

(€ million)

SOURCES/RISK STAGES	OVERALL WRITE-DOWNS											
	FINANCIAL ASSETS CLASSIFIED IN STAGE 1						FINANCIAL ASSETS CLASSIFIED IN STAGE 2					
	CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH BANKS AND CENTRAL BANKS	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR SALE	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT	CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH BANKS AND CENTRAL BANKS	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR SALE	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT
Opening balance (gross amount)	**-**	**65**	**1**	**1**	**6**	**60**	**-**	**349**	**-**	**-**	**8**	**341**
Increases in acquired or originated financial assets	-	27	-	-	-	27	-	86	-	-	-	86
Reversals different from write-offs	-	(8)	-	-	-	(8)	-	(35)	-	-	-	(35)
Net losses/recoveries on credit impairment	-	(23)	-	-	(2)	(21)	-	65	1	-	(2)	68
Contractual changes without cancellation	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	1	-	(1)	(3)	4	-	1	-	-	(6)	7
Closing balance (gross amount)	**-**	**61**	**1**	**-**	**1**	**61**	**-**	**466**	**1**	**-**	**-**	**468**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-
Write-off are not recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-

E – Risk report

continued: E.2.4 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions 2021

(€ million)

	OVERALL WRITE-DOWNS										
	ASSETS BELONGING TO THIRD STAGE						PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS				
SOURCES/RISK STAGES	CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH BANKS AND CENTRAL BANKS	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR SALE	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT
Opening balance (gross amount)	**-**	**1,005**	**-**	**17**	**667**	**352**	**2**	**-**	**-**	**2**	**-**
Increases in acquired or originated financial assets	-	30	-	-	17	13	-	-	-	-	-
Reversals different from write-offs	-	(26)	-	-	(21)	(4)	-	-	-	-	-
Net losses/recoveries on credit impairment	-	48	-	-	33	16	-	-	-	-	-
Contractual changes without cancellation	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-
Write-off	-	(70)	-	-	(22)	(49)	-	-	-	-	-
Other changes	-	(8)	-	(17)	(21)	(4)	-	-	-	-	1
Closing balance (gross amount)	**-**	**979**	**-**	**-**	**653**	**324**	**3**	**-**	**-**	**2**	**1**
Recoveries from financial assets subject to write-off	-	8	-	-	1	7	-	-	-	-	-
Write-off are not recognised directly in profit or loss	-	(8)	-	-	(1)	(7)	-	-	-	-	-

E – Risk report

continued: E.2.4 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions 2021

(€ million)

	OVERALL WRITE-DOWNS				
	TOTAL PROVISIONS ON LOANS COMMITMENTS AND FINANCIAL GUARANTEES GIVEN				
SOURCES/RISK STAGES	STAGE 1	STAGE 2	STAGE 3	COMMITMENTS AND FINANCIAL GUARANTEES GIVEN PURCHASED OR ORIGINATED CREDIT-IMPAIRED	TOTAL
Opening balance (gross amount)	**14**	**28**	**185**	**-**	**1,667**
Increases in acquired or originated financial assets	4	9	42	-	198
Reversals different from write-offs	(2)	(4)	(67)	-	(143)
Net losses/recoveries on credit impairment	(6)	6	17	-	109
Contractual changes without cancellation	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-
Write-off	-	-	-	-	(70)
Other changes	-	-	7	-	(17)
Closing balance (gross amount)	**10**	**39**	**184**	**-**	**1,745**
Recoveries from financial assets subject to write-off	-	-	-	-	8
Write-offs are not recognised directly in profit or loss	-	-	-	-	(8)

E – Risk report

E.2.4 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions 2020

(€ million)

SOURCES/RISK STAGES	OVERALL WRITE-DOWNS											
	FINANCIAL ASSETS CLASSIFIED IN STAGE 1						FINANCIAL ASSETS CLASSIFIED IN STAGE 2					
	CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH BANKS AND CENTRAL BANKS	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR SALE	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT	CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH BANKS AND CENTRAL BANKS	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR SALE	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT
Opening balance (gross amount)	**1**	**49**	**1**	**4**	**7**	**48**	**0**	**282**	**-**	**0**	**2**	**280**
Increases in acquired or originated financial assets	0	21	-	-	-	21	-	22	-	-	-	22
Reversals different from write-offs	-	(8)	-	-	(1)	(7)	-	(24)	-	-	(1)	(23)
Net losses/recoveries on credit impairment	-	(1)	-	-	-	(2)	0	70	-	0	6	64
Contractual changes without cancellation	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	4	0	(3)	1	0	-	-	-	-	-	(1)
Closing balance (gross amount)	**0**	**65**	**1**	**1**	**6**	**60**	**0**	**349**	**-**	**0**	**8**	**342**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-
Write-off are not recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-

E – Risk report

continued: E.2.4 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions 2020

(€ million)

	OVERALL WRITE-DOWNS										
	ASSETS BELONGING TO THIRD STAGE						PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS				
SOURCES/RISK STAGES	CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH BANKS AND CENTRAL BANKS	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR SALE	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT
Opening balance (gross amount)	**-**	**1,039**	**-**	**14**	**586**	**467**	**-**	**3**	**-**	**3**	**-**
Increases in acquired or originated financial assets	-	68	-	-	60	8	-	-	-	-	-
Reversals different from write-offs	-	(9)	-	-	(2)	(7)	-	-	-	-	-
Net losses/recoveries on credit impairment	-	186	-	4	228	(36)	-	(1)	-	(1)	-
Contractual changes without cancellation	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-
Write-off	-	(276)	-	-	(203)	(74)	-	(1)	-	(1)	-
Other changes	-	(6)	-	-	-	(6)	-	1	-	1	-
Closing balance (gross amount)	**-**	**1,005**	**-**	**17**	**669**	**352**	**-**	**2**	**-**	**2**	**-**
Recoveries from financial assets subject to write-off	-	4	-	-	1	2	-	-	-	-	-
Write-off are not recognised directly in profit or loss	-	(18)	-	-	(4)	(14)	-	-	-	-	-

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continued: E.2.4 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions - 2020

(€ million)

	OVERALL WRITE-DOWNS				
	TOTAL PROVISIONS ON LOANS COMMITMENTS AND FINANCIAL GUARANTEES GIVEN				
SOURCES/RISK STAGES	STAGE 1	STAGE 2	STAGE 3	COMMITMENTS AND FINANCIAL GUARANTEES GIVEN PURCHASED OR ORIGINATED CREDIT-IMPAIRED	TOTAL
Opening balance (gross amount)	**11**	**17**	**157**	**-**	**1,578**
Increases in acquired or originated financial assets	3	6	56	-	176
Reversals different from write-offs	(2)	(2)	(60)	-	(105)
Net losses/recoveries on credit impairment	1	7	41	-	309
Contractual changes without cancellation	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-
Write-off	-	-	-	-	(276)
Other changes	-	-	(9)	-	(15)
Closing balance (gross amount)	**14**	**28**	**185**	**-**	**1,667**
Recoveries from financial assets subject to write-off	-	-	-	-	4
Write-off are not recognised directly in profit or loss	-	-	-	-	(18)

The comparative figures for 2020 were adjusted according to the recast. Further explanations are included in part A Accounting methods – Section A.2 – Basis for the preparation of the financial statements

E – Risk report

E.2.5 Bank Group - Financial assets, loan commitments and financial guarantees given: transfers between risk stages (gross values and nominal values)

(€ million)

	GROSS VALUES/NOMINAL VALUES					
	TRANSFERS BETWEEN STAGE 1 AND STAGE 2		TRANSFERS BETWEEN STAGE 2 AND STAGE 3		TRANSFERS BETWEEN STAGE 1 AND STAGE 3	
PORTFOLIOS/RISK STAGES	FROM STAGE 1 TO STAGE 2	FROM STAGE 2 TO STAGE 1	FROM STAGE 2 TO STAGE 3	FROM STAGE 3 TO STAGE 2	FROM STAGE 1 TO STAGE 3	FROM STAGE 3 TO STAGE 1
1. Financial assets at amortised cost	8,572	1,723	248	39	35	20
2. Financial assets at fair value through other comprehensive income	73	-	-	-	-	-
3. Financial instruments classified as held for sale	-	-	-	-	-	-
4. Loan commitments and financial guarantees given	3,152	1,677	27	8	2	1
Total 31.12.2021	**11,796**	**3,400**	**275**	**46**	**37**	**20**
Total 31.12.2020	**6,618**	**1,810**	**295**	**84**	**418**	**24**

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

Information on forborne exposures

Forbearance measures are concessions made by a bank to a debtor facing or about to face difficulties in meeting its financial commitments. These may take the form of a modification of the terms and conditions of a contract that would not have been agreed if the debtor had not been in financial difficulties, or the form of total or partial refinancing. The primary objective of granting forbearance measures is that the borrower remains solvent and, if possible, to prevent the borrower from becoming non-performing or to enable the borrower to regain performing status. Debtors that are classified as “forborne” are subject to special monitoring requirements and are to be clearly marked as such. If a forbearance measure is granted for a transaction classified as “performing”, this has the effect that this transaction is assigned to Stage 2 in any case.

Forbearance measures exist if, for example, a deferral or rescheduling agreement has been concluded, a new agreement on the conditions has been concluded at interest rates below the market level or the conversion of part of the loan into an equity investment or the reduction of the capital amount has taken place due to financial difficulties of the borrower. The probation periods to be observed with regard to forbearance status and non-performing classification are in line with the relevant EBA guidelines (EBA/GL/2018/06) and the EBA Technical Standards (ITS 2013/03 (rev1)), respectively, and are subject to backtesting/monitoring

Before granting a forbearance measure, an assessment must be performed of the borrower’s debt service capability. In addition, it must also be checked whether this measure results in a loss, for example, due to capital or an interest waiver (impairment test), in which case the forbearance measure is registered as distressed forbearance, which always results in a non-performing classification. A risk provision resulting from this is determined as described in the “Provisioning process” section.

Apart from the impairment test, an examination must be performed to see if the modification of the contract results in a partial or full disposal of the financial instrument. In the case of financial assets, there is a disposal if a material change in contractual conditions leads to a situation in which the modified financial instrument, in substance, no longer corresponds to the instrument before the modification. In such a case the previously recognised financial instrument is to be derecognised and a new financial instrument is to be recognised, even if – in legal terms – the same contract continues to exist in an adjusted form. Derecognition in such cases also relates to any provision made in connection with the financial instrument. See also the information in Part A 5.3.3. – Impairment of financial instruments / Contractual modifications.

E – Risk report

E.2.6 Forborne exposures – Loans and receivables with customers

(€ million)

	PERFORMING			NON PERFORMING			TOTAL FORBORNE		
	GROSS EXPOSURES	WRITE-DOWNS	NET EXPOSURE	GROSS EXPOSURES	WRITE-DOWNS	NET EXPOSURE	GROSS EXPOSURES	WRITE-DOWNS	NET EXPOSURE
General governments	2	-	2	1	-	1	3	-	3
Financial corporations	-	-	-	10	8	2	10	8	2
Non-financial corporations	808	23	785	639	334	305	1,447	356	1,091
Households	274	9	265	112	33	79	385	42	343
TOTAL 31.12.2021	**1,084**	**32**	**1,052**	**762**	**375**	**387**	**1,845**	**406**	**1,439**
TOTAL 31.12.2020	**740**	**14**	**726**	**650**	**287**	**363**	**1,390**	**302**	**1,089**

E – Risk report

E.2.7 Regulatory consolidation - On- and off-balance sheet credit exposures with banks: gross and net values

(€ million)

	AMOUNTS AS AT 31.12.2021											
	GROSS EXPOSURE					OVERALL WRITE-DOWNS AND PROVISIONS						
EXPOSURE TYPES/ VALUES		STAGE 1	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS		STAGE 1	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS
A. On-balance sheet credit exposures												
A.1 On Demand	**369**	**365**	**4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**369**	**-**
a) Non-performing	-		-	-	-	-		-	-	-	-	-
b) Performing	369	365	4		-	-	-	-		-	369	-
A.2 Other	**31,351**	**31,244**	**107**	**-**	**-**	**1**	**1**	**-**	**-**	**-**	**31,350**	**-**
a) Bad exposures	-			-	-	-			-	-	-	-
of which: forborne exposures	-	-	-	-	-	-	-	-	-	-	-	-
b) Unlikely to pay	-	-	-	-	-	-	-	-	-	-	-	-
of which: forborne exposures	-	-	-	-	-	-	-	-	-	-	-	-
c) Non-performing past due	-	-	-	-	-	-	-	-	-	-	-	-
of which: forborne exposures	-	-	-	-	-	-	-	-	-	-	-	-
d) Performing past due	-	-	-	-	-	-	-	-	-	-	-	-
of which: forborne exposures	-	-	-	-	-	-	-	-	-	-	-	-
e) Other performing exposures	31,351	31,244	107	-	-	1	1	-	-	-	31,350	-
of which: forborne exposures	-	-	-	-	-	-	-	-	-	-	-	-
Total (A)	**31,721**	**31,610**	**111**	**-**	**-**	**1**	**1**	**-**	**-**	**-**	**31,719**	**-**
B. Off-balance sheet credit exposures									-	-		
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Performing	2,251	2,219	32	-	-	-	-	-	-	-	2,251	-
Total (B)	**2,251**	**2,219**	**32**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,251**	**-**
Total (A+B)	**33,972**	**33,828**	**144**	**-**	**-**	**2**	**1**	**-**	**-**	**-**	**33,970**	**-**

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E.2.7 Regulatory consolidation - On- and off-balance sheet credit exposures with banks: gross and net values

(€ million)

	AMOUNTS AS AT 31.12.2020											
		GROSS EXPOSURE					OVERALL WRITE-DOWNS AND PROVISIONS					
EXPOSURE TYPES/ VALUES		STAGE 1	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS		STAGE 1	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS
A. On-balance sheet credit exposures												
A.1 On Demand	**850**	**845**	**5**	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**849**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Performing	850	845	5		-	1	-	-		-	849	-
A.2 Other	**35,820**	**35,520**	**300**	**-**	**-**	**1**	**1**	**-**	**-**	**-**	**35,819**	**-**
a) Bad exposures	-	-	-	-	-	-	-	-	-	-	-	-
of which: forborne exposures	-	-	-	-	-	-	-	-	-	-	-	-
b) Unlikely to pay	-	-	-	-	-	-	-	-	-	-	-	-
of which: forborne exposures	-	-	-	-	-	-	-	-	-	-	-	-
c) Non-performing past due	-	-	-	-	-	-	-	-	-	-	-	-
of which: forborne exposures	-	-	-	-	-	-	-	-	-	-	-	-
d) Performing past due	-	-	-	-	-	-	-	-	-	-	-	-
of which: forborne exposures	-	-	-	-	-	-	-	-	-	-	-	-
e) Other performing exposures	35,820	35,519	300	-	-	1	1	-	-	-	35,819	-
of which: forborne exposures	-	-	-	-	-	-	-	-	-	-	-	-
Total (A)	**36,670**	**36,364**	**306**	**-**	**-**	**2**	**1**	**-**	**-**	**-**	**36,668**	**-**
B. Off-balance sheet credit exposures									-	-		
a) Non-performing		-	-	-	-	-	-	-	-	-	-	-
b) Performing	2,874	2,841	33		-	-	-	-	-	-	2,874	-
Total (B)	**2,874**	**2,841**	**33**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,874**	**-**
Total (A+B)	**39,544**	**39,205**	**339**	**-**	**-**	**2**	**2**	**-**	**-**	**-**	**39,543**	**-**

The comparative figures for 2020 were adjusted according to the recast. Further explanations are included in part A Accounting methods – Section A.2 – Basis for the preparation of the financial statements

E – Risk report

E.2.8 Regulatory consolidation - On- and off-balance sheet credit exposures with customers: gross and net values

(€ million)

EXPOSURE TYPES/ VALUES	AMOUNTS AS AT 31.12.2021											
	GROSS EXPOSURE					OVERALL WRITE-DOWNS AND PROVISIONS						
		STAGE 1	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS		STAGE 1	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS
A. On-balance sheet credit exposures												
a) Bad exposures	578	-	-	577	2	457	-	-	456	1	122	68
of which: forborne exposures	*76*	-	-	*76*	-	*39*	-	-	*39*	-	*36*	-
b) Unlikely to pay	1,419	-	-	1,404	15	516	-	-	513	2	903	1
of which: forborne exposures	*680*	-	-	*666*	*14*	*334*	-	-	*332*	*2*	*345*	-
c) Non-performing past due	33	-	-	33	-	10	-	-	10	-	23	-
of which: forborne exposures	*6*	-	-	*6*	-	*2*	-	-	*2*	-	*4*	-
d) Performing past due	693	573	121	-	-	7	-	6	-	-	687	-
of which: forborne exposures	*19*	-	*19*	-	-	*1*	-	*1*	-	-	*19*	-
e) Other performing exposures	78,059	52,750	25,309	-	-	521	60	461	-	-	77,539	-
of which: forborne exposures	*1,065*	*71*	*994*	-		*31*	*1*	*29*	-	-	*1,035*	-
Total (A)	**80,783**	**53,323**	**25,430**	**2,013**	**16**	**1,510**	**61**	**467**	**979**	**3**	**79,273**	**69**
B. Off-balance sheet credit exposures							**-**	**-**	**-**	**-**	**-**	**-**
a) Non-performing	383	-	-	383	-	184	-	-	184	-	198	-
b) Performing	38,632	23,774	14,858	-	-	49	10	39	-	-	38,583	-
Total (B)	**39,015**	**23,774**	**14,858**	**383**	**-**	**233**	**10**	**39**	**184**	**-**	**38,782**	**-**
Total (A+B)	**119,797**	**77,098**	**40,287**	**2,396**	**16**	**1,743**	**70**	**506**	**1,163**	**3**	**118,055**	**69**

E.2.8 Regulatory consolidation - On- and off-balance sheet credit exposures with customers: gross and net values

(€

	AMOUNTS AS AT 31.12.2020											
		GROSS EXPOSURE					OVERALL WRITE-DOWNS AND PROVISIONS					OVERAL
EXPOSURE TYPES/ VALUES		STAGE 1	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS		STAGE 1	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	NET EXPOSURE	
A. On-balance sheet credit exposures												
a) Bad	625	-	-	625	-	500	-	-	500	-	125	85
of which: forborne exposures	*80*	-	-	*80*	-	*43*	-	-	*43*	-	*38*	*1*
b) Unlikely to	1,531	-	-	1,512	19	513	-	-	510	2	1,018	-
of which: forborne exposures	*568*	-	-	*553*	*15*	*244*	-	-	*242*	*2*	*324*	-
c) Non-performing	37	-	-	37	-	11	-	-	11	-	26	-
of which: forborne exposures	*1*	-	-	*1*	-	-	-	-	-	-	*1*	-
d) Performing past due	827	683	143	-	-	6	2	4	-	-	821	-
of which: forborne exposures	*6*	*6*	-	-	-	*1*	*1*	-	-	-	*6*	-
e) Other performing	71,900	52,768	19,132	-	-	408	63	345	-	-	71,492	-
of which: forborne exposures	*735*	*735*	-	-	-	*14*	*14*	-	-	-	*721*	-
Total (A)	**74,919**	**53,451**	**19,275**	**2,174**	**19**	**1,437**	**65**	**349**	**1,021**	**2**	**73,482**	**86**
B. Off-balance sheet credit exposures							**-**	**-**	**-**	**-**	**-**	**-**
a) Non-	431	-	-	431	-	185	-	-	185	-	246	-
b) Performing	38,470	24,313	14,157	-	-	42	14	28	-	-	38,428	-
Total (B)	**38,901**	**24,313**	**14,157**	**431**	**-**	**227**	**14**	**28**	**185**	**-**	**38,674**	**-**
Total (A+B)	**113,820**	**77,764**	**33,433**	**2,605**	**19**	**1,664**	**78**	**378**	**1,206**	**2**	**112,156**	**86**

The comparative figures for 2020 were adjusted according to the recast. Further explanations are included in part A Accounting methods – Section A.2 – Basis for the preparation of the financial statements.

E – Risk report

E.2.9a Bank Group - On-balance sheet credit exposures with customers: changes in gross non-performing exposures

(€ million)

	CHANGES IN 2021		
SOURCES/CATEGORIES	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST DUE
A. Opening balance (gross amount)	**625**	**1,531**	**37**
of which sold non-cancelled exposures	*3*	*2*	*1*
B. Increases	**124**	**379**	**38**
B.1 Transfer from performing loans	39	267	34
B.2 Transfer from acquired or originated impaired financial assets	-	-	-
of which: business combinations	-	-	-
B.3 Transfer from other non-performing exposures	63	54	2
B.4 Contractual changes with no cancellations	-	-	-
B.5 Other increases	21	57	3
of which: business combinations - mergers	-	-	-
C. Decreases	**170**	**491**	**42**
C.1 Transfers to performing loans	4	63	10
C.2 Write-offs	42	35	-
C.3 Collections	64	318	19
C.4 Sale proceeds	-	13	-
C.5 Losses on disposals	-	-	-
C.6 Transfers to other non-performing exposures	46	60	13
C.7 Contractual changes with no cancellations	-	-	-
C.8 Other decreases	13	2	-
of which: business combinations	-	-	-
D. Closing balance (gross amount)	**578**	**1,419**	**33**
of which sold non-cancelled exposures	*2*	*1*	*1*

E – Risk report

E.2.9a Bank Group - On-balance sheet credit exposures with customers: changes in gross non-performing exposures

(€ million)

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

E – Risk report

E.2.9b Bank Group - On-balance sheet exposures with customers: changes by credit quality in gross forborne exposures

(€ million)

SOURCES/QUALITY	CHANGES IN 2021		CHANGES IN 2020 *)	
	FORBORNE EXPOSURES: NON-PERFORMING	FORBORNE EXPOSURES: PERFORMING	FORBORNE EXPOSURES: NON-PERFORMING	FORBORNE EXPOSURES: PERFORMING
A. Opening balance (gross amount)	**650**	**741**	**460**	**285**
of which sold non-cancelled exposures	*1*	*1*	*1*	*1*
B. Increases	**313**	**750**	**340**	**690**
B.1 Transfers from performing non-forborne exposures	49	713	198	549
B.2 Transfers from performing forbone exposures	54	X	63	X
B.3 Transfers from non-performing forborne exposures	X	27	X	13
of which: business combinations	*X*	-	*X*	-
B.4 Other increases	210	10	79	128
of which: business combinations - mergers	-	-	-	-
C. Reductions	**201**	**407**	**150**	**234**
C.1 Transfers to performing non-forborne exposures	X	93	X	53
C.2 Transfers to performing forbone exposures	27	X	13	X
C.3 Transfers to non-performing forborne exposures	X	54	X	63
C.4 Write-offs	8	-	33	-
C.5 Collections	158	254	99	102
C.6 Sale proceeds	-	-	1	-
C.7 Losses from disposal	-	-	-	-
C.8 Other reductions	8	5	4	16
of which: business combinations	-	-	-	-
D. Closing balance (gross amount)	**762**	**1,085**	**650**	**741**
of which sold non-cancelled exposures	*1*	-	**1**	**1**

*) Comparative figures for 2020 were adjusted due to changes in the structure of the tables and related rounding differences.

E – Risk report

E.2.10 Bank Group - On-balance sheet non-performing credit exposures with customers: changes in overall write-downs

(€ million)

	CHANGES IN 2021					
	NON-PERFORMING LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE	
SOURCES/CATEGORIES	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES
A. Opening balance (gross amount)	**500**	**43**	**513**	**244**	**11**	**-**
of which sold non-cancelled exposures	*2*	-	*1*	-	-	-
B. Increases	**88**	**15**	**207**	**135**	**9**	**2**
B.1 Write-downs of acquired or originated impaired financial assets	-	X	-	X	-	X
of which: business combinations	-	-	-	-	-	-
B.2. Other write-downs	46	11	131	60	8	1
B.3 Losses on disposal	-	-	-	-	-	-
B.4 Transfers from other categories of non-performing exposures	31	3	37	5	-	-
B.5 Contractual changes with no cancellations	-	X	-	X	-	X
B.6 Other increases	11	-	40	71	-	-
of which: business combinations - mergers	-	-	-	-	-	-
C. Reductions	**131**	**18**	**204**	**45**	**10**	**1**
C.1 Write-backs from valuation	1	-	19	-	-	-
C.2. Write-backs from collections	36	7	68	38	1	1
C.3 Gains from disposals	-	-	-	-	-	-
C.4 Write-offs	42	5	35	3	-	-
C.5 Transfers to other categories of non-performing exposures	35	5	27	4	6	-
C.6 Contractual changes with no cancellations	-	X	-	X	-	X
C.7 Other decreases	17	2	55	1	2	-
of which: business combinations	-	-	-	-	-	-
D. Closing balance (gross amount)	**457**	**39**	**516**	**334**	**10**	**2**
of which sold non-cancelled exposures	2	-	-	-	-	-

E – Risk report

E.2.10 Bank Group - On-balance sheet non-performing credit exposures with customers: changes in overall write-downs

(€ million)

	CHANGES IN 2020					
	NON-PERFORMING LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE	
SOURCES/CATEGORIES	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES
A. Opening balance (gross amount)	**741**	**67**	**307**	**149**	**8**	**-**
of which sold non-cancelled exposures	*2*	-	*1*	-	-	-
B. Increases	**88**	**16**	**309**	**123**	**10**	**-**
B.1 Write-downs of acquired or originated impaired financial assets	-	X	-	X	-	X
of which: business combinations	-	-	-	-	-	-
B.2. Other write-downs	55	8	282	114	9	-
B.3 Losses on disposal	2	-	-	-	-	-
B.4 Transfers from other categories of non-performing exposures	20	8	24	3	-	-
B.5 Contractual changes with no cancellations	-	X	-	X	-	X
B.6 Other increases	11	-	3	7	1	-
of which: business combinations - mergers	-	-	-	-	-	-
C. Reductions	**329**	**40**	**104**	**28**	**8**	**-**
C.1 Write-backs from valuation	2	-	3	-	-	-
C.2. Write-backs from collections	32	7	41	15	4	-
C.3 Gains from disposals	-	-	-	-	-	-
C.4 Write-offs	257	29	29	4	-	-
C.5 Transfers to other categories of non-performing exposures	23	3	19	8	2	-
C.6 Contractual changes with no cancellations	-	X	-	X	-	X
C.7 Other decreases	15	1	12	1	-	-
of which: business combinations	-	-	-	-	-	-
D. Closing balance (gross amount)	**500**	**43**	**513**	**244**	**11**	**-**
of which sold non-cancelled exposures	2	-	*1*	-	-	-

E – Risk report

E.2.11 Regulatory consolidation - Breakdown of financial assets, loan commitments and financial guarantees given by external rating classes (gross amounts)

(€ million)

EXPOSURES	AMOUNT AS AT 31.12.2021							
	EXTERNAL RATING CLASSES						NO RATING *)	TOTAL
	CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6		
A. Financial assets at amortised cost								
- Stage 1	5,071	1,957	2,631	437	40	64	61,726	71,926
- Stage 2	45	30	37	80	343	203	24,542	25,280
- Stage 3	-	-	-	-	-	-	2,008	2,008
- POCI Assets	-	-	-	-	-	-	16	16
B. Financial assets at fair value through other comprehensive income								
- Stage 1	9,140	2,083	989	-	-	-	2	12,215
- Stage 2	27	32	16	-	-	-	-	75
- Stage 3	-	-	-	-	-	-	-	-
- POCI Assets	-	-	-	-	-	-	-	-
C. Financial instruments classified as held for sale								
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- POCI Assets	-	-	-	-	-	-	-	-
Total (A+B+C)	**14,283**	**4,102**	**3,672**	**517**	**382**	**268**	**88,295**	**111,520**
D. Loan commitments and financial guarantees given								
- Stage 1	636	637	1,611	411	16	71	20,328	23,710
- Stage 2	20	-	150	10	98	68	14,544	14,890
- Stage 3	-	-	-	-	-	-	383	383
- POCI Assets	-	-	-	-	-	-	-	-
Total (D)	**657**	**638**	**1,760**	**421**	**113**	**139**	**35,254**	**38,982**
Total (A+B+C+D)	**14,940**	**4,740**	**5,433**	**938**	**496**	**406**	**123,550**	**150,503**

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

The table considers the ratings of the following rating agencies: Moody's, S&Ps, Fitch and DBRS.
Class 1 (AAA /AA-), 2 (A+/A-), 3 (BBB+/BBB-), 4 (BB+/BB-), 5 (B+/B-), impaired risk volumes are included in column "without external rating").
93,2% of the externally rated volume had a good credit rating (investment grade, classes 1 to 3)

E – Risk report

E.2.11 Regulatory consolidation - Breakdown of financial assets, loan commitments and financial guarantees given by external rating classes (gross amounts)

(€ million)

	AMOUNT AS AT 31.12.2020							
	EXTERNAL RATING CLASSES						NO RATING *)	TOTAL
EXPOSURES	CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6		
A. Financial assets at amortised cost								
- Stage 1	3,226	1,089	3,673	384	67	-	67,204	75,643
- Stage 2	134	60	149	64	61	6	18,460	18,933
- Stage 3	-	11	-	-	21	29	2,084	2,146
- POCI Assets	-	-	-	-	-	-	19	19
B. Financial assets at fair value through other comprehensive income								
- Stage 1	9,415	1,740	1,641	-	-	-	2	12,798
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- POCI Assets	-	-	-	-	-	-	-	-
C. Financial instruments classified as held for sale								
- Stage 1	-	-	-	-	-	-	54	54
- Stage 2	-	-	-	-	-	-	3	3
- Stage 3	-	-	-	-	-	-	23	23
- POCI Assets	-	-	-	-	-	-	-	-
Total (A+B+C)	**12,775**	**2,900**	**5,463**	**447**	**149**	**36**	**87,850**	**109,619**
D. Loan commitments and financial guarantees given								
- Stage 1	94	697	1,862	270	24	10	20,998	23,954
- Stage 2	77	124	293	4	1	1	13,692	14,191
- Stage 3	-	-	-	-	-	-	431	431
- POCI Assets	-	-	-	-	-	-	-	-
Total (D)	**171**	**820**	**2,155**	**275**	**24**	**11**	**35,121**	**38,576**
Total (A+B+C+D)	**12,945**	**3,721**	**7,617**	**722**	**173**	**46**	**122,970**	**148,195**

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

The comparative figures for 2020 were adjusted according to the recast. Further explanations are included in part A Accounting methods – Section A.2 – Basis for the preparation of the financial statements
The table considers the ratings of the following rating agencies: Moody's, S&Ps, Fitch and DBRS.
Class 1 (AAA /AA-), 2 (A+/A-), 3 (BBB+/BBB-), 4 (BB+/BB-), 5 (B+/B-), impaired risk volumes are included in column "without external rating").
96% of the externally rated volume had a good credit rating (investment grade, classes 1 to 3)

E – Risk report

E.2.12 Regulatory consolidation - Breakdown of financial assets, loan commitments and financial guarantees given by internal rating classes (gross amounts)

(€ million)

	AMOUNT AS AT 31.12.2021										
	INTERNAL RATING CLASSES									NO RATING *)	
EXPOSURES	1	2	3	4	5	6	7	8	9		TOTAL
A. Financial assets at amortised cost											
- Stage 1	33,165	8,834	13,497	7,167	4,427	3,215	712	28	-	882	71,926
- Stage 2	1,675	1,787	3,227	5,001	6,205	4,634	1,478	941	-	332	25,280
- Stage 3	-	-	-	-	-	-	-	-	2,008	-	2,008
- POCI Assets	-	-	-	-	-	-	-	-	16	-	16
B. Financial assets at fair value through other comprehensive income											
- Stage 1	6,789	2,351	2,083	989	-	-	-	-	-	2	12,215
- Stage 2	-	27	32	16	-	-	-	-	-	-	75
- Stage 3	-	-	-	-	-	-	-	-	-	-	-
- POCI Assets	-	-	-	-	-	-	-	-	-	-	-
C. Financial instruments classified as held for sale											
- Stage 1	-	-	-	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-	-	-	-
- POCI Assets	-	-	-	-	-	-	-	-	-	-	-
Total (A+B+C)	**41,628**	**13,000**	**18,839**	**13,173**	**10,632**	**7,849**	**2,191**	**969**	**2,025**	**1,216**	**111,520**
D. Loan commitments and financial guarantees given											
- Stage 1	3,658	8,708	6,099	2,813	1,347	868	109	11	-	97	23,710
- Stage 2	1,532	2,158	3,899	3,953	1,734	1,052	350	186	2	25	14,890
- Stage 3	-	-	-	-	-	-	-	-	383	-	383
- POCI Assets	-	-	-	-	-	-	-	-	-	-	-
Total (D)	**5,190**	**10,866**	**9,997**	**6,767**	**3,081**	**1,919**	**459**	**197**	**384**	**122**	**38,982**
Total (A+B+C+D)	**46,818**	**23,865**	**28,836**	**19,939**	**13,712**	**9,768**	**2,650**	**1,166**	**2,409**	**1,338**	**150,503**

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

E – Risk report

E.2.12 Regulatory consolidation - Breakdown of financial assets, loan commitments and financial guarantees given by internal rating classes (gross amounts)

(€ million)

EXPOSURES	AMOUNT AS AT 31.12.2020										
	INTERNAL RATING CLASSES									NO RATING *)	TOTAL
	1	2	3	4	5	6	7	8	9		
A. Financial assets at amortised cost											
- Stage 1	28,614	5,778	12,098	17,770	6,074	3,280	998	293	52	685	75,643
- Stage 2	1	1,037	1,974	5,226	5,263	2,865	1,384	720	248	215	18,933
- Stage 3	-	-	-	0	0	0	0	19	150	1,976	2,146
- POCI Assets	-	-	-	-	-	-	-	-	-	19	19
B. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
- Stage 1	6,320	3,095	1,740	1,641	-	-	-	-	-	2	12,798
- Stage 2	-	-	-	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-	-	-	-
- POCI Assets	-	-	-	-	-	-	-	-	-	-	-
C. Financial instruments classified as held for sale	-	-	-	-	-	-	-	-	-	-	-
- Stage 1	-	-	-	0	-	-	-	-	-	54	54
- Stage 2	-	-	-	-	-	-	-	-	-	3	3
- Stage 3	-	-	-	-	-	-	-	-	-	23	23
- POCI Assets	-	-	-	-	-	-	-	-	-	-	-
Total (A+B+C)	**34,935**	**9,910**	**15,812**	**24,637**	**11,338**	**6,146**	**2,382**	**1,032**	**449**	**2,977**	**109,619**
D. Loan commitments and financial guarantees given	-	-	-	-	-	-	-	-	-	-	-
- Stage 1	24	2,388	9,225	9,578	1,766	629	220	69	5	51	23,954
- Stage 2	8	1,843	3,555	5,609	1,891	794	355	111	23	2	14,191
- Stage 3	-	-	-	-	-	0	-	0	3	428	431
- POCI Assets	-	-	-	-	-	-	-	-	-	-	-
Total (D)	**32**	**4,231**	**12,779**	**15,186**	**3,658**	**1,422**	**575**	**181**	**31**	**481**	**38,576**
Total (A+B+C+D)	**34,967**	**14,141**	**28,591**	**39,823**	**14,995**	**7,568**	**2,957**	**1,213**	**480**	**3,458**	**148,195**

*) Includes both non-performing volumes and assets without rating.
The comparative figures for 2020 were adjusted according to the recast. Further explanations are included in part A Accounting methods – Section A.2 – Basis for the preparation of the financial statements.

The internal rating distribution shown above for the year 2021 follows the group-wide UniCredit Group rating master scale set out below (amended vs. 2020) and takes into account the Probability of Default (PD) ranges shown below. Class 1 to 3 correspond to investment grade classes of external ratings. Class 9 corresponds to the non-performing loan portfolio according to Bank of Italy (and includes the risk classes bad loans, unlikely to pay and past due).

E.2.13a UniCredit Masterscale

INTERNAL RATING CLASSES	PD MINIMUM	PD MAXIMUM
1	0.00%	0.05%
2	0.05%	0.12%
3	0.12%	0.31%
4	0.31%	0.77%
5	0.77%	1.96%
6	1.96%	4.96%
7	4.96%	12.57%
8	12.57%	99.99%
9	IMPAIRED	

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The **rating distribution for 2020** followed the classification of the rating classes shown below.

E.2.13b Internal rating classes 2020

INTERNAL RATING CLASSES	PD MINIMUM	PD MAXIMUM
1	0.00%	0.00%
2	0.00%	0.02%
3	0.02%	0.12%
4	0.12%	0.58%
5	0.58%	1.37%
6	1.37%	3.22%
7	3.22%	7.57%
8	7.57%	17.80%
9	17.80%	99.99%
10	IMPAIRED	

Credit risk mitigation techniques

UniCredit Bank Austria uses various credit risk mitigation techniques to reduce credit losses in case of obligor default.
With specific reference to credit risk mitigation, guidelines issued by UniCredit and Bank Austria are in force. These guidelines govern and standardize credit risk mitigation processes, in line with Group principles and best practice as well as in accordance with the relevant regulatory requirements – especially strategies and procedures for collateral management. Specifically, these relate to eligibility for recognition as collateral, valuation and monitoring rules and ensure the stable value, legal enforceability and timely realisation of collateral in accordance with local law.

According to the credit policies, collateral or guarantees can be accepted only to support loans and they cannot serve as a substitute for the borrower's ability to meet obligations. Collateral and guarantees are also subject to a specific valuation and analysis with regard to their supporting function to repay the outstanding amount.
The main types of collateral accepted in support of loans granted by Bank Austria include real estate (both residential and commercial), guarantees and tangible financial collateral (including cash deposits, bonds, stock and investment fund units). Further types of collateral comprise pledged goods, receivables and insurance contracts as well as other types of funded protection. Bank Austria also makes use of bilateral netting agreements for OTC derivatives (by means of ISDA and CSA agreements), repos and securities lending.

Processes and controls focus on the requirements of legal certainty, hedging and the assessment of the suitability of the collateral or guarantee. In the case of personal guarantees, the ability to pay and the risk profile of the guarantor (or in the case of credit default swaps, of the protection provider) must be assessed.

In the case of collateral, market values are recognized reduced by corresponding haircuts in order to consider any lower revenue, utilisation costs etc. in the case of utilisation.
Monitoring processes of credit risk mitigation techniques ensure that general and specific requirements established by credit policies and regulatory rules are met at all times.

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E.2.14 Regulatory consolidation - Secured on-balance and off-balance sheet credit exposures with banks

(€ million)

	AMOUNT AS AT 31.12.2021					
			COLLATERALS			
	GROSS EXPOSURE	NET EXPOSURE	PROPERTY - MORTGAGES	PROPERTY - LEASE LOANS	SECURITIES	OTHER COLLATERALS
1. Secured on-balance sheet credit exposures						
1.1 Totally secured	213	213	-	-	-	-
of which non-performing	-	-	-	-	-	-
1.2 Partially secured	77	77	-	-	-	-
of which non-performing	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures						
2.1 Totally secured	2	2	-	-	-	1
of which non-performing	-	-	-	-	-	-
2.2 Partially secured	72	72	-	-	-	6
of which non-performing	-	-	-	-	-	-

continued: E.2.14 Bank Group - Secured on-balance and off-balance sheet credit exposures with banks

(€ million)

	AMOUNT AS AT 31.12.2021									
	GUARANTEES									
	CREDIT DERIVATIVES					SIGNATURE LOANS (LOANS GUARANTEES)				
		OTHER CREDIT DERIVATIVES								
	CLN	GOVERNMENT AND CENTRAL BANKS	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	TOTAL (1)+(2)
1. Secured on-balance sheet credit exposures										
1.1 Totally secured	-	-	-	-	-	212	-	-	1	**213**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**
1.2 Partially secured	-	-	-	-	-	70	-	-	-	**70**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**
2. Secured off-balance sheet credit exposures										
2.1 Totally secured	-	-	-	-	-	-	1	-	-	**2**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**
2.2 Partially secured	-	-	-	-	-	15	-	-	-	**22**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**

E – Risk report

E.2.14 Regulatory consolidation - Secured on-balance and off-balance sheet credit exposures with banks

(€ million)

	AMOUNT AS AT 31.12.2020					
			COLLATERALS			
	GROSS EXPOSURE	NET EXPOSURE	PROPERTY - MORTGAGES	PROPERTY - LEASE LOANS	SECURITIES	OTHER COLLATERALS
1. Secured on-balance sheet credit exposures						
1.1 Totally secured	236	236	-	-	-	-
of which non-performing	-	-	-	-	-	-
1.2 Partially secured	114	114	-	-	-	-
of which non-performing	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures						
2.1 Totally secured	16	16	-	-	-	15
of which non-performing	-	-	-	-	-	-
2.2 Partially secured	7	7	-	-	-	-
of which non-performing	-	-	-	-	-	-

continued: E.2.14 Bank Group - Secured on-balance and off-balance sheet credit exposures with banks

(€ million)

	AMOUNT AS AT 31.12.2020									
	GUARANTEES									
	CREDIT DERIVATIVES					SIGNATURE LOANS (LOANS GUARANTEES)				
		OTHER CREDIT DERIVATIVES								
	CLN	GOVERNMENT AND CENTRAL BANKS	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	TOTAL (1)+(2)
1. Secured on-balance sheet credit exposures										
1.1 Totally secured	-	-	-	-	-	235	-	-	1	**236**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**
1.2 Partially secured	-	-	-	-	-	87	1	-	-	**88**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**
2. Secured off-balance sheet credit exposures										
2.1 Totally secured	-	-	-	-	-	-	1	-	-	**16**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**
2.2 Partially secured	-	-	-	-	-	-	-	-	-	**-**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**

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E.2.15 Bank Group - Secured on-balance and off-balance sheet credit exposures with customers

(€ million)

	AMOUNT AS AT 31.12.2021					
			COLLATERALS			
	GROSS EXPOSURE	NET EXPOSURE	PROPERTY - MORTGAGES	PROPERTY - LEASE LOANS	SECURITIES	OTHER COLLATERALS
1. Secured on-balance sheet credit exposures						
1.1 Totally secured	22,610	22,233	16,248	609	375	904
of which non-performing	*783*	*444*	*216*	*29*	*1*	*42*
1.2 Partially secured	26,433	25,657	5,567	102	291	1,176
of which non-performing	*827*	*477*	*120*	*6*	*5*	*37*
2. Secured off-balance sheet credit exposures						
2.1 Totally secured	3,165	3,130	1,348	25	80	450
of which non-performing	*85*	*51*	*39*	*-*	*1*	*10*
2.2 Partially secured	14,708	14,545	89	-	27	1,672
of which non-performing	*284*	*145*	*-*	*-*	*-*	*16*

continued: E.2.15 Bank Group - Secured on-balance and off-balance sheet credit exposures with customers

(€ million)

	AMOUNT AS AT 31.12.2021									
	GUARANTEES									
	CREDIT DERIVATIVES					SIGNATURE LOANS (LOANS GUARANTEES)				
		OTHER CREDIT DERIVATIVES								
	CLN	GOVERNMENT AND CENTRAL BANKS	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	TOTAL (1)+(2)
1. Secured on-balance sheet credit exposures										
1.1 Totally secured	-	-	-	-	-	2,530	507	15	939	**22,128**
of which non-performing	-	-	-	-	-	*135*	*4*	*-*	*13*	***440***
1.2 Partially secured	-	-	-	-	-	2,518	128	56	35	**9,874**
of which non-performing	-	-	-	-	-	*78*	*7*	*-*	*1*	***254***
2. Secured off-balance sheet credit exposures										
2.1 Totally secured	-	-	-	-	-	331	151	-	665	**3,051**
of which non-performing	-	-	-	-	-	-	-	-	*1*	***51***
2.2 Partially secured	-	-	-	-	-	496	28	-	48	**2,361**
of which non-performing	-	-	-	-	-	*10*	-	-	-	***27***

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E.2.15 Bank Group - Secured on-balance and off-balance sheet credit exposures with customers

(€ million)

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

continued: E.2.15 Bank Group - Secured on-balance and off-balance sheet credit exposures with customers

(€ million)

	AMOUNT AS AT 31.12.2020									
	GUARANTEES									
	CREDIT DERIVATIVES				SIGNATURE LOANS (LOANS GUARANTEES)					
		OTHER CREDIT DERIVATIVES								
	CLN	GOVERNMENT AND CENTRAL BANKS	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	TOTAL (1)+(2)
1. Secured on-balance sheet credit exposures										
1.1 Totally secured	-	-	-	-	-	2,318	239	-	867	**19,393**
of which non-performing	-	-	-	-	-	*168*	*5*	-	*11*	***482***
1.2 Partially secured	-	-	-	-	-	3,490	116	59	122	**11,509**
of which non-performing	-	-	-	-	-	*81*	*8*	-	*23*	***282***
2. Secured off-balance sheet credit exposures										
2.1 Totally secured	-	-	-	-	-	173	80	-	557	**2,008**
of which non-performing	-	-	-	-	-	*1*	*1*	-	-	***59***
2.2 Partially secured	-	-	-	-	-	478	22	-	60	**2,036**
of which non-performing	-	-	-	-	-	*12*	-	-	-	***33***

E – Risk report

Assessment of the potential loss due to COVID-19

Adjustment of the expected development of the economic environment - baseline scenario and alternative scenarios

In 2020, a significant portion of the additional impairment for expected credit loss (ECL) was attributable to the performing portfolio. Most of this was due to the adjusted expectations of the macroeconomic environment. The adjusted macroeconomic factors are translated into changes in credit risk parameters by the Group's macro dependency model ("Satellite Model"). As a result, the credit risk parameters used to calculate the expected credit risk losses – probability of default (PD) and loss in the event of default (LGD) significantly deteriorated in 2020. In addition to the immediate impact of the deterioration in credit risk parameters (PD, LGD), the deterioration in default probabilities also led to a higher proportion of the non-default loan portfolio having moved from Stage 1 to Stage 2. The expected credit loss for these transactions was therefore no longer calculated on the basis of an expected 12-month loss; for Stage 2 transactions, the expected and thus higher loss was used over the entire term of the transaction. 2021 had already been characterised by an improved economic outlook (see also Part A 5.3.3 – Impairment of financial instruments, section on basic negative and positive scenarios). Without additional adjustments in late 2021, this improved outlook would have led, ceteris paribus, to a significant reduction in impairments for expected credit risk losses.

Adjustment of PD and LGD credit risk parameters

„ PDs that are calibrated "through-the-cycle – TTC" form the starting point for calculating the expected credit losses. For IFRS 9 purposes, these PDs are being recalibrated in an even more time-based ("point-in-time – PIT") and forward-looking ("FL") manner to reflect the current situation and the expectations of future economic development. The above adjustment using the Group's macro dependency model forms the basis for this. This model is calibrated to the historical relationships between economic crises and credit risk parameters. In 2020, we have already seen that the COVID-19 crisis did not directly lead to the portfolio deterioration that had been observed in the past for comparable changes in the macro environment. Due to the plethora of government measures that have, among other things, reduced the insolvency rate, the deterioration in credit risk quality does not occur at the speed as expected based on the experience in other crisis years.
This discrepancy in the slow deterioration of credit risk parameters compared with the deterioration of 2020 macro parameters had to be taken into account when calculating macro effects as early as in late 2020 in order to adequately estimate the delayed deterioration of the portfolio. In 2021, these delayed effects had to be taken into account again, otherwise a mechanistic interpretation of the macro models would have resulted in the large-scale reversal of the impairments formed for the securities in the changed macro environment. In fact, however, the aforementioned delay effect of the government measures was explicitly taken into account, which saw the stage 1 & 2 impairments formed in 2020 reduced by only about one fifth by the end of 2021. This means that these provisions are still available for the delayed deterioration of the portfolio, which has not yet been seen on the scale anticipated and is still expected (this refers in particular to additional crisis-related non-performing classifications).

Consideration of other COVID-19-specific aspects

The COVID-19 crisis has also seen a significant impairment of supply chains. In 2021, these bottlenecks were taken into account. This is based on the analysis "The impact of supply bottlenecks on trade" published in the ECB Economic Bulletin (Issue 6/2021). This suggests a specific deterioration in growth rates in European countries as a result of the impact of export-oriented sectors. Following this suggestion, a rough expert-based assessment of the impact on the credit portfolio was carried out. The scale of this impact led to an increase in the ECL by EUR 10 million, which was set up as a post-model adjustment for the relevant sectors and corresponds to our experts' assessment in accordance with the nature of the portfolios.

The additional criteria for a Stage 2 classification introduced in 2020 were continued in 2021.In the Privatkundenbank business area, all customer transactions for which customers had applied for a COVID-related deferral were assigned to Stage 2, provided that the respective customers were not assigned to rating classes 1 to 4 (maximum probability of default of 0.77%). For the business areas of Unternehmerbank and Corporate & Investment Banking, so-called high-risk sectors were identified that were particularly affected by the COVID-19 crisis. These include the following sectors: Airlines, Transportation, Travel Industry, Tourism, Oil & Gas, Gaming, Automotive Supply Industry, Textile Industry. The transactions of these customers were also assigned to Stage 2 if the customers were not attributable to the above-mentioned rating classes. The impairment increases associated with these adjustments were adjusted monthly in 2021 on the basis of current transactions and are relatively low overall (typically in the single-digit million euro range). The low stage of concern can be explained by the specific structure of the credit portfolio. The portfolio has low volumes in the areas that are particularly affected (e.g. tourism or the travel industry) and overall there is rather low use of national moratoria.

E – Risk report

Overall picture of the development of expected credit losses[2]

The impairment of performing loans (Stage 1 and 2) increased by more than a quarter in 2021 compared with the end of 2020. A large part of the increase is due to the adjustments to the IRB models – the use of PD models in the summer of 2021 and IFRS9 anticipation of the new LGD model in November 2021 (see also Part A.5.3.3 – Impairment of financial instruments – section "Parameters and risk definition"). A much smaller portion of the increase is due to adjustments to the stage allocations (see A.5.3.3 – sub-section "Impairments for Stage 1 and 2 (Performing Loans)". As described above, adjustments to the macro scenarios did not result in a significant reduction in impairment stages in 2021.

As of the end of 2020, the impairments posted for Stage 1 and Stage 2 loans to customers were €411 million, and as of June 2021 they increased to €439 million, before rising to €525 million at the end of the year.

The change/reduction of impairments for Stage 3 loans to customers played a significant role in the first half of the year.

Provisions for Stage 3 loans to customers, which amounted to €1002 million at the end of 2020, fell to €989 million in the first half of 2021. The decline was lower in the second half of the year, resulting in a final level of €982 million at the end of the year.

E.2.16 Bank Group - Distribution by segment of on-balance and off-balance sheet credit exposures with customers

(€ million)

	GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES		FINANCIAL COMPANIES		FINANCIAL COMPANIES (OF WHICH INSURANCE COMPANIES)		NON-FINANCIAL COMPANIES		HOUSEHOLDS	
EXPOSURES/COUNTERPARTIES	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS
A. On-balance sheet credit exposures										
A.1 Bad exposures	-	-	1	1	-	-	48	186	73	269
of which: forborne exposures	*-*	*-*	*-*	*-*	*-*	*-*	*13*	*20*	*23*	*20*
A.2 Unlikely to pay	111	10	2	9	-	-	584	460	206	37
of which: forborne exposures	*1*	*-*	*1*	*8*	*-*	*-*	*291*	*314*	*52*	*12*
A.3 Non-performing past-due	-	-	-	-	-	-	3	1	20	9
of which: forborne exposures	*-*	*-*	*-*	*-*	*-*	*-*	*1*	*-*	*3*	*2*
A.4 Performing exposures	19,930	5	3,022	15	15	-	36,016	153	19,258	355
of which: forborne exposures	*2*	*-*	*-*	*-*	*-*	*-*	*786*	*23*	*265*	*9*
Total (A)	**20,041**	**14**	**3,024**	**25**	**15**	**-**	**36,650**	**800**	**19,557**	**670**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	-	-	-	3	-	-	189	180	9	1
B.2 Performing exsposures	2,037	-	6,310	2	69	-	24,667	29	5,568	18
Total (B)	**2,037**	**-**	**6,310**	**5**	**69**	**-**	**24,856**	**209**	**5,577**	**19**
Total (A + B) 31.12.2021	**22,079**	**15**	**9,334**	**30**	**84**	**-**	**61,507**	**1,009**	**25,134**	**688**
Total (A + B) 31.12.2020	**20,985**	**13**	**9,132**	**62**	**64**	**-**	**57,888**	**915**	**24,143**	**681**

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

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E.2.17 Bank Group - Distribution of on-balance and off-balance sheet credit exposures with customers by geographic area

(€ million)

EXPOSURES/GEOGRAPHIC AREAS	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS
A. On-balance sheet credit exposures										
A.1 Bad exposures	-	-	121	450	-	4	-	-	-	-
A.2 Unlikely to pay	3	2	767	485	23	26	-	-	111	2
A.3 Non-performing past-due	-	-	23	10	-	-	-	-	-	-
A.4 Performing exposures	2,130	1	72,533	524	420	2	1,925	1	1,217	1
Total (A)	**2,133**	**4**	**73,444**	**1,468**	**442**	**32**	**1,925**	**1**	**1,328**	**3**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	1	-	194	177	4	7	-	-	-	-
B.2 Performing exposures	139	-	37,588	47	259	-	365	1	232	-
Total (B)	**139**	**-**	**37,782**	**224**	**263**	**7**	**365**	**1**	**232**	**-**
Total (A+B) 31.12.2021	**2,272**	**4**	**111,225**	**1,693**	**705**	**39**	**2,290**	**1**	**1,560**	**3**
Total (A+B) 31.12.2020	**1,628**	**4**	**106,077**	**1,611**	**944**	**39**	**1,934**	**1**	**1,572**	**8**

E.2.18 Bank Group - Distribution of on-balance and off-balance sheet credit exposures with banks by geographic area

(€ million)

EXPOSURES/GEOGRAPHIC AREAS	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS
A. On-balance sheet credit exposures										
A.1 Bad exposures	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	814	-	30,438	2	14	-	544	-	278	-
Total (A)	**814**	**-**	**30,438**	**2**	**14**	**-**	**544**	**-**	**278**	**-**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	82	-	1,890	-	6	-	184	-	89	-
Total (B)	**82**	**-**	**1,890**	**-**	**6**	**-**	**184**	**-**	**89**	**-**
Total (A+B) 31.12.2021	**896**	**-**	**32,328**	**2**	**20**	**-**	**727**	**-**	**367**	**-**
Total (A+B) 31.12.2020	**242**	**-**	**38,536**	**2**	**47**	**-**	**517**	**-**	**198**	**-**

Development of credit risk costs [3]

As was to be expected based on the economic environment, 2021 saw a significant decline in credit risk costs to €165.7 million (2020: €398.2 million). The reduction was mainly due to the non-performing portfolio, while the performing portfolio recorded a slight increase as a result of parameter adjustments and consideration of other COVID-specific aspects in the second half of the year.
In the 2021 results, Stage 1 and Stage 2 risk costs are reflected at €135.0 million (2020: €95.6 million). The Privatkundenbank and Unternehmerbank segments accounted for the largest share of this increase.

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

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Stage 3 impairment losses amounted to €30.8 million in 2021 (2020: €302.6 million). The Unternehmerbank segment made a fundamental contribution to this, while the Privatkundenbank and Corporate & Investment Banking segments accounted for a relatively low share.

Further details on the segments:
The risk costs of the Unternehmerbank segment fell to €85.3 million (2020: €171.9 million), €26.2 million of which was allocated to non-performing loans (2020: €149.6 million). Risk provisions for Corporate & Investment Banking amounted to €17.8 million (2020: €153.6 million) with a share of €1.9 million for non-performing loans. In the Privatkundenbank segment, risk costs reached €63.2 million (2020: €78 million), of which €2.6 million was attributable to non-performing loans.

Non-Performing Loans

Bank Austria's lending volume rose from €62.3 billion (end of 2020) to €68.5 billion in the 2021 financial year (before deduction of risk provisions amounting to €1.5 billion). The non-performing volume fell moderately in the same period from €2.2 billion to €2.0 billion. Declines were recorded in all areas of the Company, but most sharply in the Unternehmerbank segment.

As a result of the increase in the total volume, the share of non-performing loans in the total volume fell from 3.5% to 3.0%.

In the non-performing portfolio, the level of allowances covered around 48.4% of the defaulted volume at the end of 2021 (2020: 46.5%). The year-on-year increase compared with 2020 was related to the Unternehmerbank and Corporate & Investment Banking segments, while a decline was recorded for the Privatkundenbank segment (primarily in the fourth quarter).

COVID-19-induced moratoria and credit guarantees

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

In spite of an economic recovery in 2021, individual COVID-19 induced deferments and other relief measures agreed bilaterally are still being granted to individual customers. The statutory credit moratoria (COVID-19 JuBG), which was considerably more substantial at the beginning of the COVID-19 pandemic, and the "private credit moratoria" (moratoria without legal form), both based on the "Guidelines on statutory moratoria and moratoria without legal form for loan payments against the background of the COVID-19 crisis", had already expired in the first quarter of 2021.

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. These COVID-19 guarantee schemes have already been extended several times by the legislator, most recently until 30 June 2022, meaning the corresponding loans are available until that date.

However, the individual COVID-19-induced deferrals and other relief measures and the loans guaranteed by the state do not have a material impact on the Bank Austria Group's risk profile due to the low volumes involved. As a result of the new wave of COVID-19 that occurred in the fourth quarter of 2021, no lasting deterioration in the risk profile of the credit portfolio is currently expected.

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The following two tables show details of the COVID-19 measures offered by the Bank Austria Group, on the one hand, the active moratoria in the volume of €0.04 billion and the COVID-19-induced state-guaranteed loans in the volume of €0.3 billion as at the reporting date of 31/12/2021. In addition, further state-guaranteed loans in the amount of €0.6 billion were granted in the course of the pandemic, although these were not related to COVID-19.

E.2.19a COVID-19 Moratoria

	31.12.2021			31.12.2020 [2]		
	NUMBER OF OBLIGORS	GROSS BOOK VALUE (€ MILLION)	NET BOOK VALUE (€ MILLION)	NUMBER OF OBLIGORS	GROSS BOOK VALUE (€ MILLION)	NET BOOK VALUE (€ MILLION)
EBA-compliant Moratoria [1]	**-**	**-**	**-**	**663**	**102**	**99**
of which: Households	-	-	-	604	52	51
of which: Non-financial	-	-	-	56	46	44
Non EBA-compliant Moratoria	**89**	**39**	**26**	**95**	**23**	**21**
of which: Households	67	6	5	78	5	5
of which: Non-financial	21	28	20	17	18	16

[1] "of which" positions show the most important categories, the rest are governments and other financial institutions
[2] Moratoria that have expired as at the reporting date are excluded. The previous year's report presented the total volume for 2020, including moratoria that have already expired.

E.2.19b COVID-19 Loans and advances subject to guarantees

	31.12.2021				31.12.2020			
	NUMBER OF OBLIGORS	GROSS BOOK VALUE (€ MILLION)	NET BOOK VALUE (€ MILLION)	GUARANTEE RECEIVED (€ MILLION)	NUMBER OF OBLIGORS	GROSS BOOK VALUE (€ MILLION)	NET BOOK VALUE (€ MILLION)	GUARANTEE RECEIVED (€ MILLION)
Newly originated loans and advances subject to public guarantee schemes	**1,043**	**269**	**263**	**224**	**1,063**	**368**	**361**	**290**

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

The various state and cross-sector moratoria gradually introduced in 2020 were discontinued in spring 2021. This means that special regulations, e.g. the EBA relief measures in connection with general moratoria, are no longer applicable. The Bank's specific regulations associated with this (e.g. for assessing whether a client is in financial difficulties – known as the troubled debt test – were withdrawn in favour of the provisions in effect prior to COVID-19. In addition, no material cliff effects were identified in the portfolio when the moratoria expired. By and large, special regulations have again given way to normal credit risk processes.

In operational risk management, there has been close cross-divisional cooperation since the beginning of the crisis. With regard to the granting of COVID-19-induced measures, clear criteria have been defined. In the case of supplementary financing, efforts are being made to give priority to risk-minimizing government guarantee programmes. Beyond the issue of granting COVID measures, sales colleagues from the credit risk area are involved accordingly as a "first line of defense". There is joint proactive and recurring screening of loan portfolios with increased customer contact, appropriately coordinated across the board and accompanied by the ongoing adjustment of lending guidelines. Furthermore, additional tools were developed in order to be able to map industry-specific expectations of customer-related liquidity and planning scenarios with regard to the economic impact. In Small Business, a revision was also made to the automatic credit decision engines (which had been temporarily suspended between April 2020 and November 2021) in order to be able to efficiently take into account current regulatory requirements, forward-looking information and sector-specific COVID-19 effects.

The COVID-specific adjustments are complemented by measures generally aimed at limiting the increase in the non-performing portfolio, such as the ongoing evaluation of the sale of non-performing loans and the timely write-off of uncollectible receivables. At the same time, there is 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 the risk processes (e.g. lending, monitoring process including an annual verification of the value of real estate guarantees). The process for early identification of non-performing loans was fundamentally revised in 2021 and the processes for granting viable forbearance measures and credit restructuring are continuously improved and standardised.

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Realisation of mortgage collateral

Mortgages are the main type of collateral accepted by UniCredit Bank Austria AG for real estate finance. If the mortgage needs to be realized, Bank Austria will first try to sell the property in the market by mutual agreement with the customer and to use the proceeds for loan repayment. Where this is not possible, the property will be sold in accordance with the rules of the Austrian Enforcement Code or the Austrian Bankruptcy Code. As there are orderly market conditions in Austria, mortgaged real estate is normally not acquired by Bank Austria (debt asset swap).

Credit risk stress testing

Credit risk stress tests are an essential component of Pillar 1 and Pillar 2 stress tests (which analyze the impact on regulatory capital and economic capital) and are therefore presented at meetings in the FCRC.

The main dimensions of stress analysis include the following:

increase of non-performing loans and associated losses
increase of losses in already non-performing loans (LGD change)
impact on expected loss on performing exposures (IFRS 9)
impact on Pillar 1 RWAs and shortfall
impact on economic capital

The calculation is based on dependency models developed and continuously updated by the UniCredit Group. The model takes into account both local and regional macroeconomic factors, such as changes in gross national product, interest rate levels, unemployment, inflation and exchange rates. The resulting impact on credit risk parameters is analyzed with regard to the respective loan portfolio. Results are reported in detail for relevant sub-portfolios, in particular the CHF portfolio in the Privatkundenbank.

As a minimum, the relevant multi-year ICAAP scenarios are used as stress scenarios (typically a base scenario and 3 different stress scenarios for a reporting date) and supplemented by additional scenarios as required.

Finance

The Finance unit completes the following tasks relevant to credit risk:

First, preparing and monitoring the risk-adequate pricing of loans. To ensure uniform pricing within the UniCredit Group, the risk-adjusted spread is calculated on the basis of multi-year default probabilities / PDs (depending on the term of the loan), added as a price component and monitored continuously. Such pricing rationale follows the approach defined in the Group Risk Adjusted Pricing Discipline, which was approved as a Policy in UniCredit Bank Austria AG in July 2014.

The unit is also responsible throughout Bank Austria for transactions to reduce credit risk and increase liquidity. The instruments available for these purposes include securitizations, CLNs and CDSs.

Securitization transactions

Qualitative Information

Bank Austria’s main objectives in its securitization transactions (whether traditional or synthetic) are the optimization of the loan portfolio by freeing up regulatory and economic capital and obtaining fresh liquidity together with greater diversification of its sources of funding.

In 2015, UniCredit Leasing (Austria) GmbH originated a traditional securitisation for funding purposes with auto and equipment receivables (“SUCCESS 2015”). Details of the transaction are set out in the following table.

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E.2.20 Originator: UniCredit Leasing (Austria) GmbH

NAME	SUCCESS 2015	
Type of securitisation:	Traditional	
Originator:	UniCredit Leasing (Austria) GmbH	
Issuer:	Success 2015 B.V.	
Servicer:	UniCredit Leasing (Austria) GmbH	
Arranger:	UniCredit Bank AG	
Target transaction:	Funding	
Type of asset:	Leasing Assets (Vehicle and Equipment)	
Quality of asset:	Performing Loans	
Closing date:	09.11.2015	
Nominal value of disposal portfolio:	325,300,000 €	
Net amount of preexisting writedown / writebacks:	-	
Disposal Profit & Loss realized:	-	
Portfolio disposal price:	325,300,000 €	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank lines of credit:	-	
Third Parties lines of credit:	-	
Other credit enhancements:	Subordinated Loan 4,618,000 €	
Other relevant information:		
Rating agencies:	Fitch & DBRS	
Amount of CDS or other more senior risk transferred:	-	
Amount and Conditions of tranching:		
ISIN	XS1317727698	XS1317727938
Type of security	**Senior**	**Junior**
Class	A	B
Rating	AAA	-
Quotation	listed at Luxembourg Stock Exchange	not listed
Issue date	09.11.2015	09.11.2015
Legal maturity	31.10.2029	31.10.2029
Call Option	10% clean up call	
Expected duration	6 Years	6 Years
Rate	3M Euribor + 0.47%	3M Euribor + 2%
Subordinated level	-	sub A
Reference Position	230,900,000 €	94,400,000 €
Reference Position at the end of accounting period	0 €	36,876,004 €
Security subscribers	European Investment Bank	UniCredit Leasing (Austria) GmbH

Third-party Securitizations

The investments in third-party securitizations, i.e. structured credit products/ABS, were transferred to a separate portfolio whose management is aimed at maximizing future cash flows. This portfolio had already shrunk significantly due to repayments and was sold completely in 2021.

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E.3 – Liquidity risk

Qualitative Information

Basel 3 sets a liquidity standard under stressed conditions in the short-term maturity range (Liquidity Coverage Ratio – LCR). Under this standard, net outflows of liquidity have been required to be covered by high-quality liquid assets to the minimum extent of 100%. In addition to the regulatory requirements mentioned above, UniCredit Bank Austria AG defines its internal risk appetite far more conservatively; as a result, the liquidity coverage ratio had to exceed at least 114% in 2021. In the medium-term and long-term range, compliance with the Net Stable Funding Ratio (NSFR 100%) will be mandatory from 2021, requiring full funding of the assets side. On the basis of new deposit products and the optimized structure of assets and liabilities of, and the holdings of high-quality liquid assets (cash and government bonds), the ratios required by law are exceeded. The regulatory liquidity coverage ratio for UniCredit Bank Austria AG as at 31 December 2021 stands at around 170.8% (2020: 191.7%).
Despite a stronger increase in loans compared with customer deposits, UniCredit Bank Austria AG and its individual institutions had a comfortable liquidity position throughout 2021.

The liquidity requirements have been integrated in the planning and risk monitoring process to ensure compliance with the liquidity ratios at all times. Both ratios have been defined as key indicators in the Risk Appetite.

General information, processes and management model
In line with Group standards, Bank Austria deals with liquidity risk as a central risk in banking business by introducing and monitoring short- term and long-term liquidity requirements. In this context the liquidity situation for the next few days and months and also for longer periods is analyzed against a standard scenario and stress scenarios. Methods and procedures of liquidity analysis, analyses of the degree of liquidity of customer positions, management responsibilities and reporting lines in this area have been summarized in the Liquidity Policy. The Contingency Liquidity Management in the event of a liquidity crisis is described in a specific Contingency Liquidity Policy.

Liquidity management in UniCredit Bank Austria AG is an integral part of UniCredit Group liquidity management. In line with the Group-wide distribution of tasks, UniCredit Bank Austria AG as liquidity reference bank (LRB) ensures the consolidation of liquidity flows and the funding for Austrian subsidiaries. The flow of funds is thereby optimized and external funding is reduced to the necessary extent. The solid funding is based on a strong customer base, supplemented with capital market activities in a Pfandbrief (covered bond) and benchmark format.

Liquidity management methods and control
In medium and long-term liquidity management, assets with a residual term of more than 1/3/5 years must be covered by liabilities at a minimum of 104.2% in each of these periods. The Net Stable Funding Ratio (NSFR) based on CRR2 must be held above this limit at the individual bank level. At the end of 2021, UniCredit Bank Austria AG a NSFR of 128% for the > 1-year segment (2020: 129%). Moreover, there are the adjusted NSFRs in which the time horizon is differentiated further. In the >3-year segment, the share of UniCredit Bank Austria AG was 117% (2020: 117%) and 147% for the > 5-year segment (2020: 150%). In addition, absolute limits are defined for material currencies - in the case of UniCredit Bank Austria AG these are in US dollars and the other currencies combined in a group; cross-currency refinancing is therefore only possible within the limits stated.

For the purpose of short-term liquidity management, volume limit values have been implemented in Bank Austria at group level and at individual bank level for maturities up to nine months, which limit all treasury transactions and the securities portfolio of the respective bank. Liquidity fluctuations resulting from customers' investment decisions have also been taken into account via a liquidity buffer. Volume limits are also established for open maturities in various currencies to keep down the risk of a need for follow-up funding in the event that foreign currency markets dry up.

These limits were essentially observed at all levels. If a limit is exceeded, this will trigger the defined escalation process and a report will be presented to the relevant risk committee.

Liquidity stress test
UniCredit Bank Austria AG performs liquidity stress tests for Bank Austria and for relevant subsidiary banks on a regular basis, using a standardized Group-wide instrument and standardized Group-wide scenarios. These scenarios describe the effects of market-driven or name-driven crisis signals on liquidity inflows and outflows, with assumptions also being made about the behavior of non-banks. In addition to the existing set of scenarios, once a specific stress test was performed assuming a further increase in the drawing of credit lines against the backdrop of the current pandemic.

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The liquidity outflows expected to occur in stress situations are compared with available liquidity reserves (essentially, securities – government bonds – and credit instruments eligible as collateral at the central bank) to examine the banks' risk-taking capacity in the maturity range of up to one year.

Similarly to the previous year, the composition of the liquidity reserve is largely influenced by Bank Austria's participation in the ECB's TLTRO programme.

E.3.1 Composition of Liquidity Reserve

(€ million)

COMPOSITION OF LIQUIDITY RESERVE [1]	31.12.2021	31.12.2020
Cash and balances with central banks	21,183	27,724
Level 1 assets	4,084	2,154
Level 2 assets	450	528
Other assets eligible as collateral for central bank borrowings	191	514
Liquidity reserve	**25,908**	**30,920**

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

A simulated name and market crisis with assumptions regarding the prolongation behavior of customer deposits and loans, increased drawing of credit lines, additional funding obligations from the derivatives business and rating downgrades currently results in a "survival period" of more than 12 months from a liquidity perspective; the prescribed minimum of this "time-to-wall" period is defined as one month.

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Quantitative information

E.3.2 Time breakdown by contractual residual maturity of financial assets and liabilities

(€ million)

	AMOUNT AS AT 12/31/21									
ITEMS/MATURITY	ON DEMAND	1 TO 7 DAYS	7 TO 15 DAYS	15 DAYS TO ONE MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	INDEFINITE MATURITY
A. On-balance sheet assets	**29,754**	**384**	**1,848**	**2,465**	**5,372**	**2,652**	**5,190**	**24,057**	**39,270**	**4**
A.1 Government securities	-	-	-	-	87	115	1,600	5,802	4,129	-
A.2 Other debt securities	-	-	-	-	33	26	143	2,267	1,261	-
A.3 Units in investment funds	-	-	-	-	-	-	-	-	-	4
A.4 Loans	29,754	384	1,848	2,465	5,252	2,512	3,447	15,987	33,880	-
- Banks	22,588	131	883	612	2,555	1,068	36	137	537	-
- Customers	7,166	253	965	1,853	2,698	1,444	3,411	15,850	33,344	-
B. On-balance sheet liabilities	**63,607**	**62**	**376**	**1,305**	**1,937**	**2,946**	**1,493**	**22,703**	**7,078**	**-**
B.1. Deposits and current accounts	63,231	60	376	1,252	1,839	2,791	773	17,745	2,946	-
- Banks	2,671	13	269	1,148	911	1,720	144	17,203	2,651	-
- Customers	60,560	47	107	104	927	1,071	630	542	295	-
B.2 Debt securities	-	1	-	53	98	155	718	4,939	3,860	-
B.3 Other liabilities	376	-	-	-	-	-	1	18	272	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with capital swap										
- Long positions	-	9	21	75	115	134	90	148	-	-
- Short positions	-	9	21	75	115	134	90	148	-	-
C.2 Financial derivatives without capital swap										
- Long positions	81	10	14	103	128	424	742	3,147	3,499	-
- Short positions	81	10	14	103	128	424	742	3,147	3,499	-
C.3 Deposits and loans to be received										
- Long positions	-	5,598	-	-	-	-	-	-	-	-
- Short positions	-	5,598	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- Long positions	17,479	6	8	90	294	678	1,109	8,378	2,320	-
- Short positions	17,479	6	8	90	294	678	1,109	8,378	2,320	-
C.5 Financial guarantees given	18	-	-	18	23	54	21	159	249	-
C.6 Financial guarantees received	2,938	4	6	38	305	142	402	1,961	4,602	-
C.7 Credit derivatives with capital swap										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital swap										
- Long positions	-	-	-	-	-	-	-	50	10	-
- Short positions	-	-	-	-	-	-	-	50	10	-

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E.3.2 Time breakdown by contractual residual maturity of financial assets and liabilities

(€ million)

	AMOUNT AS AT 12/31/20									
ITEMS/MATURITY	ON DEMAND	1 TO 7 DAYS	7 TO 15 DAYS	15 DAYS TO ONE MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	INDEFINITE MATURITY
A. On-balance sheet assets	**34**	**269**	**2**	**2**	**4**	**2**	**4**	**24**	**38**	**13**
A.1 Government securities	-	-	-	25	62	6	1	7	4	-
A.2 Other debt securities	-	-	250	8	295	166	47	2	987	-
A.3 Units in investment funds	-	-	-	-	-	-	-	-	-	13
A.4 Loans	34	269	2	2	3	2	3	15	33	-
- Banks	29	136	1	302	1	971	668	188	590	-
- Customers	5	133	785	1	2	1	2	15	33	-
B. On-balance sheet liabilities	**59**	**325**	**1**	**650**	**4**	**2**	**2**	**23**	**10**	**148**
B.1. Deposits and current accounts	58	293	1	650	2	916	2	19	3	-
- Banks	4	124	396	426	43	139	112	18	3	-
- Customers	54	168	648	224	2	777	2	990	319	-
B.2 Debt securities	-	32	79	-	1	612	205	4	6	148
B.3 Other liabilities	363	-	-	-	-	-	-	32	277	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with capital swap										
- Long positions	-	10	11	110	47	15	146	146	129	-
- Short positions	-	10	11	110	47	15	146	146	129	-
C.2 Financial derivatives without capital swap										
- Long positions	19	103	1	43	116	134	889	4	4	-
- Short positions	19	103	1	43	116	134	889	4	4	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- Long positions	18	3	14	97	324	976	1	8	2	-
- Short positions	18	3	14	97	324	976	1	8	2	-
C.5 Financial guarantees given	54	-	-	7	19	76	54	172	245	-
C.6 Financial guarantees received	3	2	50	61	78	276	181	2	5	-
C.7 Credit derivatives with capital swap										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital swap										
- Long positions	-	-	-	-	-	-	-	50	10	-
- Short positions	-	-	-	-	-	-	-	50	10	-

Funding

The business model of Bank Austria as a Commercial Bank leads to a well-diversified refinancing basis. The funding pillars are a strong customer base and an extensive product mix (call, fixed-term and savings deposits), supplemented by the placement of own issues in the medium-term and long-term maturity segment to fulfil the relevant funding needs under the various regulatory requirements, including buffers (e.g. Liquidity Coverage Ratio, Net Stable Funding Ratio). Against this backdrop, the medium and long-term refinancing base was topped up by €1.55 billion in 2021 and now stands at €16.95 billion due to an increase in central bank deposits under the ECB's TLTRO III programme. In addition, the Bank placed an additional Tier 1 issue with UniCredit S.p.A. in the amount of €0.6 billion in 2021. This significantly strengthened UniCredit Bank Austria AG's capital base, while also complying with the "internal MREL requirements".

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E.4 – Market risk

Market risk management at Bank Austria encompasses all activities in connection with our Markets and Corporate Treasury Sales operations and management of the balance sheet structure. Risk positions are aggregated at least daily, analyzed by the independent risk management unit and compared with the risk limits set by the Management Board and the committees (including the Market Committee MACO and the Financial & Credit Risk Committee „FCRC") designated by the Management Board. At Bank Austria, market risk management includes ongoing reporting of the risk position, limit utilisation of all positions associated with market risk. The existing positions in Bank Austria are largely attributable to the banking book; trading book activities were primarily driven by XVA hedges. In addition to the trading book and banking book, which are relevant dimensions from a regulatory aspect, a new focus was placed on the accounting categories for internal management purposes and a distinction was made between PL (profit and loss, i.e. affecting the income statement) and OCI (other comprehensive income, i.e. affecting capital).
Bank Austria uses uniform Group-wide risk management procedures for all market risk positions. These procedures provide aggregate data and make available the major risk parameters for the various risk takers once a day. Value at Risk (VaR) is calculated daily with a 99% quantile based on 250 PnL strips (i.e. PnL of the last 250 business days) and is scaled to a ten-day horizon to calculate the regulatory RWAs. Besides Value at Risk (VaR), other factors of equal importance are stress-oriented sensitivity and position limits. The limit system is supplemented by Loss Warning Levels (based on the cumulative results in a specific period), Stressed VaR (SVaR) Limit (calculated for the trading book with a separate observation period), IRC (Incremental Risk Charge)[4] Limit, Stress Test Warning Limit (limiting the loss when applying a predefined stress event) and Granular Market Risk Limits (GML)[5] . A separate GML framework was established for XVA hedging activities.

In preparation for the "Fundamental Review of the Trading Book" ("FRTB"), FRTB reporting in accordance with the standardised approach was implemented in accordance with regulatory requirements in Q3.

Bank Austria uses a standard measurement procedure which is also applied in UniCredit Group. The model, approved by supervisory authorities, is used for internal risk management and for determining regulatory capital requirements for market risk. Bank Austria is embedded in the market risk governance framework of UniCredit Group and leverages on the Group-wide risk management platform UGRM. The Group-wide Front-to-Back Office platform "Murex" and UGRM form an integrated risk system.

It is applied by Market & Liquidity Risk within Bank Austria and is being further developed in cooperation with UniCredit Group. Further development includes reviewing the model as part of back-testing procedures, integrating new products, implementing requirements specified by the Management Board and the Market Risk Committee, and executing the Model Maintenance Report on a quarterly basis.

Risk governance

A new product process (NPP) has been established for the introduction of new products in the area of market and liquidity risk in which risk managers play a decisive role in approving products. The risk model covers all major risk categories: interest rate risk and equity risk (both general and specific), credit spread risk, currency risk and commodity position risk. The IMOD[6] is subject to an annual review by Group Internal Validation (GIV) and internal audit. The structure of the risk report presented at MACO's resp. FCRC meetings, which are held every month, covers (stress) sensitivities in addition to VaR, and utilisation levels in the areas of IRC and SVaR (both for the regulatory trading books). Regular and specific stress tests complement the information provided to MACO, the FCRC and the Management Board.

[4] IRC (Incremental Risk Charge) forms the migrations and default risk for a defined period and a defined confidence interval (on year, 99,9%). The scope includes CDS and bond positions in the trading book.

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Stress tests

Bank Austria executes a comprehensive stress test programme for market risk. The results are reviewed and reported in the MACO resp. FCRC at least quarterly or on an ad-hoc basis given unfavourable market developments. Macro scenarios show the potential adverse impacts of global developments with specific effects on the respective risk categories, while stress sensitivities of individual risk factors or groups of risk factors show the potential adverse impacts on partial market segments. Stress scenarios are based on assumptions of extreme movements in individual market risk parameters. The Bank analyzes the effect of such fluctuations and a liquidity disruption in specific products and risk factors on the Bank's results. The assumed fluctuations are dependent on currency, region, liquidity and credit rating, and are set in the Open Market Risk Forum (OMRF) with the relevant experts from other bank areas (such as UniCredit research, trade and market risk). Bank Austria takes part in the UniCredit Group-wide Open Market Risk Forum (OMRF), which is the platform for CRO units to discuss stress test results and agree on further common Group-wide scenario definitions. The "ICAAP scenarios" are updated at least once per year and used for stress test analyses, monitoring stress test limits and the regulatory stress report in the entire UniCredit Group.

Fair value measurements

The principles established in IFRS 13 to determine fair value have been implemented. In this context the presentation of results also reflects CVAs/DVAs (Credit/Debit Valuation Adjustments) and FundVA (Funding Valuation Adjustment) for OTC derivatives. Reporting covers the components reflected in IFRS-based profit and the marking to market of all investment positions regardless of their recognition in the IFRS-based financial statements ("total return"). The daily explanation of the results is organisationally situated in the Accounting, Reporting, Tax & Corporate Relations department and is supported by the "ERCONIS" Intranet application; the detailed results are available to the Trading and Risk Management units of Bank Austria by portfolio, P/L item and currency.

Prudent valuation

The regulatory approach to prudent valuation in the trading book is implemented primarily by Market Risk and further developed on an ongoing basis through cooperation within UniCredit Group. A Group-wide Independent Price Verification (IPV) process ensures the independence and reliability of valuation and risk measurement. The front-end system "Murex" is supplied with the "golden copy" market data of UniCredit Group for daily valuation purposes. The Group-wide "golden copy" is drawn up by competence centers which are structured by asset class and independent of trading operations. Moreover, UniCredit Bank Austria AG takes part in meetings of the asset-class committees, which address and resolve valuation and market-data issues. The regulatory principle of prudence is met by determining all relevant Additional Valuation Adjustments (AVA).

Market risk

The VaR for the trading book amounted to €0.5 million at year-end (year-end 2020: €0.6 million). The SVaR for the regulatory trading book was €1.5 million at the end of 2021 (year-end 2020: €1.1 million). Credit spread risk, FX and interest rate risk account for most of the total risk in the trading and banking books of Bank Austria. Other risk categories (e.g. share price risk) are less significant by comparison.

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As of 31 December 2021, the entire **interest rate position** for Bank Austria's trading book and banking book **for major currencies** was composed as follows:

E.4.1 Basis point values (BPVs) of Bank Austria, 2021 1)

(in €) Granular Market Limits Warning Level

		31.12.2021						ANNUAL AVERAGE 2021, MINIMUM/MAXIMUM		
		0 TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 3 YEARS	3 TO 10 YEARS	OVER 10 YEARS	TOTAL	MAXIMUM	MINIMUM	ABSOLUTE AVERAGE 2)
Europe	EUR	(139,679)	(10,949)	(446,477)	160,940	1,480,404	1,044,238	3,420,235	40,811	1,993,367
	CHF	20,538	(13,543)	12,383	(467,468)	(221,294)	(669,384)	(506,660)	(990,365)	646,757
	GBP	(213)	(1,249)	(2,711)	298	-	(3,876)	(3,563)	(11,664)	6,629
New EU countries	BGN	(125)	(68)	(44)	-	-	(237)	(138)	(1,639)	859
	HUF	(90)	(7)	2	1	-	(95)	(95)	(12,160)	3,477
	PLN	933	(2,159)	(17)	(27)	-	(1,270)	(1,270)	(32,030)	7,077
	RON	(351)	(176)	(99)	(4)	-	(630)	(511)	(2,111)	1,411
Central and Eastern Europe, incl. Turkey	RUB	(97)	2	(1)	-	-	(96)	(19)	(774)	183
	TRY	(19)	1	-	-	-	(17)	20	(17)	10
Overseas – developed	USD	(12,631)	(31,850)	(37,331)	105,338	31,476	55,002	120,831	1,061	64,686
	JPY	1,143	741	2,083	(6,591)	(6,108)	(8,732)	(8,407)	(30,510)	17,156
Other countries	CNY	-	(1)	(4)	-	-	(5)	3	(5)	2
	BPV < 500	1,979	(932)	738	611	-	2,397	2,397	(6,312)	1,355
TOTAL		**(128,613)**	**(60,190)**	**(471,477)**	**(206,902)**	**1,284,478**	**417,297**	**2,879,317**	**(463,076)**	**1,451,133**

1) Average of the monthly absolute values.
2) Basis-point value indicates the sensitivity in relation to interest rate movements to the extent of +1 basis point.

E.4.1 Basis point values (BPVs) of Bank Austria, 2020 1)

(in €) Granular Market Limits Warning Level

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

1) Average of the monthly absolute values.
2) Basis-point value indicates the sensitivity in relation to interest rate movements to the extent of +1 basis point.

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By analogy to the detailed presentation of basis point positions in the interest rate sector, daily reporting presents **details of credit spread by sector and maturity band**.

E.4.2 Credit spread basis-point values (CPVs) of Bank Austria in 2021 *)

(in €)

CPVs	SECTOR	31.12.2020	31.12.2021	MAXIMUM	MINIMUM	AVERAGE
Main sectors	ABSs	(24,097)	(5,884)	(5,884)	(22,541)	(8,890)
	Financial	(772,591)	(1,029,996)	(817,240)	(1,059,766)	(962,077)
Corporates	Industrial	-	-	-	-	-
	Consumer non-cyclical	(1,664)	(803)	(803)	(1,597)	(1,203)
	Other	(18,365)	(40,729)	(13,395)	(54,975)	(25,680)
Government	Europe	(3,965,478)	(4,582,504)	(4,156,897)	(4,732,947)	(4,499,824)
	Other	(1,086,535)	(1,336,760)	(1,100,471)	(1,436,654)	(1,276,106)
TOTAL		**(5,868,729)**	**(6,996,676)**	**(6,152,458)**	**(7,219,948)**	**(6,773,780)**

1) Credit spread basis-point value refers to the sensitivity in relation to the movements of the credit spread to the extent of +1 basis point.

Measured by the total basis-point value, Bank Austria's credit spread position in 2021 was on average between -€6.2 million and -€7.2 million.

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

Backtesting

Bank Austria performs a daily backtesting of both the hypothetical and actual (i.e. economic P/ L excluding fees, commissions, and net interest income) changes in the portfolio's value in accordance with Article 366 of the CRR. As at 31 December 2021, the number of backtesting excesses (negative change in value larger than model result) for Bank Austria in both P/L dimensions was equal to 1, thus the add-on factor for the VaR multiplier for the number of excesses is equal to 0.

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

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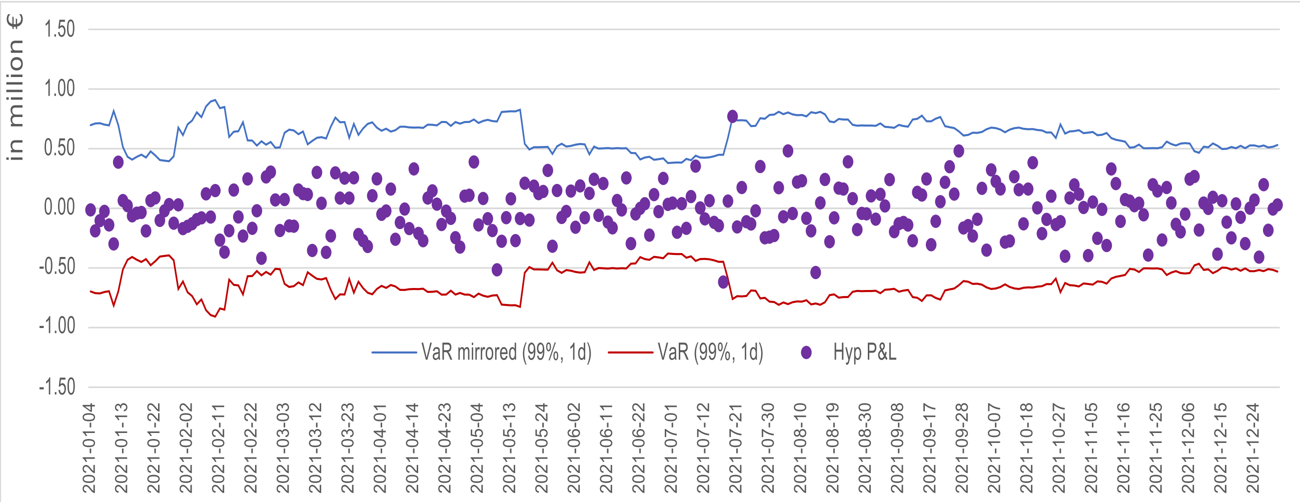
Backtesting time series for the regulatory trading book of Bank Austria 2021

E.4.3 Graph



Capital requirements for market risk

The parameters used for calculating capital requirements are a 10-day holding period, a confidence level of 99% and a multiplier of 3 (based on 3; the current quantitative add-on is 0) in respect of the Value-at-Risk figures, which is used in determining the capital requirement for market risk. The Qualitative Addend was set uniformly across the Group at 0 in February 2021 in accordance with a horizontal analysis by the ECB UniCredit following TRIM.

As of 31 December 2021, the following capital requirements resulted for Bank Austria in connection with Value at Risk (VaR), stressed VaR (SVaR) and incremental risk charge (IRC):

VaR: €5.4 million (€9.3 million at year-end 2020)
SVaR: €12.3 million (€18.0 million at year-end 2020)
IRC: €0.5 million (€0.04 million at year-end 2020)

Management of balance sheet structure

An allocation to the Bank's business divisions according to the costs-by-cause principle is possible as a result of the reference interest rate system applied across UniCredit Group. The banks' risk committees ensure that the Bank's overall liquidity and interest rate gap structure is optimized.

Products for which the material interest-rate and capital maturity is not defined, such as variable-rate sight deposits, are modelled in respect of maturity and interest rate sensitivity by means of analyses of historical time series and taken into account in the banks' overall risk position. In addition, prepayments were also taken into account for fixed loans in the Privatkunden sector by means of historical time series analyses.

The Risk division is responsible for modelling customer deposits.

To assess the Bank's balance-sheet and profit structure, the Value-at-Risk assessment is used with scenario analyses concerning the simulation of future net interest income under different interest rate scenarios ("earnings perspective").

The low and sustained negative interest rate level in the Group's main currencies had a negative impact on the interest margin. Taking into account the current pricing of loans, the simulation calculations show a deterioration of net interest if interest rates move into negative territory as a result of further reductions.

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Legal provisions require the measurement at Group level and for UniCredit Bank Austria AG of "interest rate risk in the banking book" in relation to the Bank's capital by comparing a change in the market value of the banking book after a 2% interest rate shock with the Group's net capital resources. In the event that such an interest rate shock absorbs more than 20% of a bank's net capital resources, the bank supervisory authority could require the bank to take measures to reduce risk. Likewise, a reduction in core capital of more than 15% may result in a sudden change in interest rates (in the case of six shock scenarios prescribed by the EBA) or a sharp decline in net interest income due to sudden and unexpected interest rate changes, resulting in risk-reducing measures by the banking supervisory authority. The revised requirements of the supervisory authorities (EBA, Basel) in regard to interest rate risk in the banking book are generally taken into account through the Group's Group-wide application. Regulatory requirements generally provide for underlying customer business to be broadened with regard to available options (especially against the background of a negative interest rate environment) and base risks while significantly expanding scenario and stress analyses to cover present-value and interest-income dimensions.

At the end of 2021, a negative 2% interest-rate shock uses approximately 6.01% (2020: 1.52%) of the Group's chargeable equity. This means that the figure for Bank Austria is far below the outlier level of 20%. In addition, the result – based on the worst of 6 prescribed EBA interest rate shocks – is significantly more restrictively limited (15% in relation to Tier 1 capital, 6.52% as at year end 2021 compared to 1.69% as at year end 2020) in the context of risk appetite.

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E.5 – Financial derivatives

Derivatives shown in the following tables are classified as financial derivatives and credit derivatives, according to the underlying financial instrument. In these categories, a distinction is made between trading book and banking book and between different counterparties. Bank Austria's business volume in derivatives focuses on interest rate contracts.

E.5.1 Hedging derivatives: end-of-period notional amounts

(€ million)

UNDERLYING ACTIVITIES/TYPE OF DERIVATIVES	AMOUNTS AS AT 31.12.2021				AMOUNTS AS AT 31.12.2020			
	OVER THE COUNTER				OVER THE COUNTER			
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES		
	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	ORGANISED MARKETS	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	ORGANISED MARKETS
1. Debt securities and interest rate indexes	**6,530**	**81,944**	**-**	**-**	**19**	**87,954**	**-**	**-**
a) Options	-	1,111	-	-	-	2,286	-	-
b) Swap	6,530	80,833	-	-	19	85,668	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and stock indexes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Gold and currencies	**489**	**5,296**	**3**	**-**	**40**	**5,114**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	489	5,296	3	-	40	5,114	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**7,019**	**87,240**	**3**	**-**	**59**	**93,068**	**-**	**-**

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E.5.2 Hedging derivatives: positive and negative gross fair value - breakdown by product

(€ million)

TYPE OF DERIVATIVES	AMOUNT AS AT 31.12.2021 - POSITIVE AND NEGATIVE FAIR VALUE - OVER THE COUNTER - CENTRAL COUNTERPARTIES	AMOUNT AS AT 31.12.2021 - OVER THE COUNTER - WITHOUT CENTRAL COUNTERPARTIES - WITH NETTING AGREEMENT	AMOUNT AS AT 31.12.2021 - OVER THE COUNTER - WITHOUT CENTRAL COUNTERPARTIES - WITHOUT NETTING AGREEMENT	AMOUNT AS AT 31.12.2021 - ORGANISED MARKETS	AMOUNT AS AT 31.12.2020 - POSITIVE AND NEGATIVE FAIR VALUE - OVER THE COUNTER - CENTRAL COUNTERPARTIES	AMOUNT AS AT 31.12.2020 - OVER THE COUNTER - WITHOUT CENTRAL COUNTERPARTIES - WITH NETTING AGREEMENT	AMOUNT AS AT 31.12.2020 - OVER THE COUNTER - WITHOUT CENTRAL COUNTERPARTIES - WITHOUT NETTING AGREEMENT	AMOUNT AS AT 31.12.2020 - ORGANISED MARKETS	AMOUNT AS AT 31.12.2021 - CHANGES IN VALUE USED TO CALCULATE HEDGE INEFFECTIVENESS	AMOUNT AS AT 31.12.2020 - CHANGES IN VALUE USED TO CALCULATE HEDGE INEFFECTIVENESS
1. Positive fair value										
a) Options	-	4	-	-	-	63	-	-	-	-
b) Interest rate swap	2	1,210	-	-	-	1,750	-	-	-	-
c) Cross currency swap	-	76	-	-	-	152	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	14	-	-	-	29	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**2**	**1,304**	**-**	**-**	**-**	**1,994**	**-**	**-**	**-**	**-**
2. Negative fair value										
a) Options	-	24	-	-	-	68	-	-	-	-
b) Interest rate swap	3	1,213	-	-	-	1,844	-	-	-	-
c) Cross currency swap	-	78	-	-	-	38	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	1	80	-	-	-	26	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**5**	**1,396**	**-**	**-**	**-**	**1,976**	**-**	**-**	**-**	**-**

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E.5.3 OTC hedging derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

	AMOUNTS AS AT 31.12.2021			
UNDERLYING ACTIVITIES	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
Contracts not included in netting agreement				
1) Debt securities and interest rate indexes				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
2) Equity instruments and stock indexes				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
3) Gold and currencies				
- Notional amount	X	3	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
4) Commodities				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
5) Other				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
Contracts included in netting agreement				
1) Debt securities and interest rate indexes				
- Notional amount	6,530	81,512	-	432
- Positive fair value	2	1,287	-	3
- Negative fair value	3	1,240	-	76
2) Equity instruments and stock indexes				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
3) Gold and currencies				
- Notional amount	489	5,296	-	-
- Positive fair value	-	14	-	-
- Negative fair value	1	80	-	-
4) Commodities				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
5) Other				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-

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E.5.3 OTC hedging derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

UNDERLYING ACTIVITIES	AMOUNTS AS AT 31.12.2020 CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
Contracts not included in netting agreement				
1) Debt securities and interest rate indexes				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
2) Equity instruments and stock indexes				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
3) Gold and currencies				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
4) Commodities				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
5) Other				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
Contracts included in netting agreement				
1) Debt securities and interest rate indexes				
- Notional amount	19	87,566	-	389
- Positive fair value	-	1,962	-	4
- Negative fair value	-	1,856	-	95
2) Equity instruments and stock indexes				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
3) Gold and currencies				
- Notional amount	40	5,114	-	-
- Positive fair value	-	29	-	-
- Negative fair value	-	26	-	-
4) Commodities				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
5) Other				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-

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E.5.4 OTC hedging derivatives - residual life: notional amounts

(€ million)

UNDERLYING/RESIDUAL MATURITY	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A.1 Financial derivative contracts on debt securities and interest rates	21,610	28,753	38,112	88,474
A.2 Financial derivative contracts on equity securities and stock indexes	-	-	-	-
A.3 Financial derivative contracts on exchange rates and gold	5,788	-	-	5,788
A.4 Financial derivative contracts on other values	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31.12.2021	**27,397**	**28,753**	**38,112**	**94,262**
Total 31.12.2020	**37,021**	**27,234**	**28,872**	**93,127**

E.5.5 Micro hedging and macro hedging: breakdown by hedged item and risk type

(€ million)

	AMOUNT AS AT 31.12.2021	
	MICRO HEDGE: CARRYING AMOUNT	MACRO HEDGE: CARRYING AMOUNT
A) Fair value hedge		
1. Assets		
1.1 Financial assets measured at fair value through other comprehensive income	**-**	**-**
1.1.1 Interest rate	-	X
1.1.2 Equity	-	X
1.1.3 Foreign exchange and gold	-	X
1.1.4 Credit	-	X
1.1.5 Other	-	X
1.2 Financial assets measured at amortised cost	**-**	**-**
1.2.1 Interest rate	-	X
1.2.2 Equity	-	X
1.2.3 Foreign exchange and gold	-	X
1.2.4 Credit	-	X
1.2.5 Other	-	X
2. Liabilites		
2.1 Financial liabilities measured at amortised costs	**371**	**-**
2.1.1 Interest rate	371	X
2.1.2 Equity	-	X
2.1.3 Foreign exchange and gold	-	X
2.1.4 Credit	-	X
2.1.5 Other	-	X
B) Cash flow hedge		
1. Assets	**-**	**X**
1.1 Interest rate	-	X
1.2 Equity	-	X
1.3 Foreign exchange and gold	-	X
1.4 Credit	-	X
1.5 Other	-	X
2. Liabilites	**-**	**X**
2.1 Interest rate	-	X
2.2 Equity	-	X
2.3 Foreign exchange and gold	-	X
2.4 Credit	-	X
2.5 Other	-	X
C) Hedge of net investments in foreign operations	**-**	**X**
D) Portfolio - Assets	**X**	**195**
E) Portfolio - Liabilities	**X**	**116**

Micro hedge values only relate to deposits.
Information on the presentation of hedge transactions can be found under section A.5.3.4 Hedge accounting and B.5 and C.17.

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E.5.5 Micro hedging and macro hedging: breakdown by hedged item and risk type

(€ million)

	AMOUNT AS AT 31.12.2020	
	MICRO HEDGE: CARRYING AMOUNT	MACRO HEDGE: CARRYING AMOUNT
A) Fair value hedge		
1. Assets		
1.1 Financial assets measured at fair value through other comprehensive income	**-**	**-**
1.1.1 Interest rate	-	X
1.1.2 Equity	-	X
1.1.3 Foreign exchange and gold	-	X
1.1.4 Credit	-	X
1.1.5 Other	-	X
1.2 Financial assets measured at amortised cost	**5**	**-**
1.2.1 Interest rate	5	X
1.2.2 Equity	-	X
1.2.3 Foreign exchange and gold	-	X
1.2.4 Credit	-	X
1.2.5 Other	-	X
2. Liabilites		
2.1 Financial liabilities measured at amortised costs	**706**	**-**
2.1.1 Interest rate	706	X
2.1.2 Equity	-	X
2.1.3 Foreign exchange and gold	-	X
2.1.4 Credit	-	X
2.1.5 Other	-	X
B) Cash flow hedge		
1. Assets	**-**	**X**
1.1 Interest rate	-	X
1.2 Equity	-	X
1.3 Foreign exchange and gold	-	X
1.4 Credit	-	X
1.5 Other	-	X
2. Liabilites	**-**	**X**
2.1 Interest rate	-	X
2.2 Equity	-	X
2.3 Foreign exchange and gold	-	X
2.4 Credit	-	X
2.5 Other	-	X
C) Hedge of net investments in foreign operations	**-**	**X**
D) Portfolio - Assets	**X**	**748**
E) Portfolio - Liabilities	**X**	**477**

E.5.6 Trading financial derivatives: end-of-period notional amounts

(€ million)

UNDERLYING ACTIVITIES/TYPE OF DERIVATIVES	AMOUNTS AS AT 31.12.2021				AMOUNTS AS AT 31.12.2020			
	OVER THE COUNTER				OVER THE COUNTER			
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES		
	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	ORGANISED MARKETS	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	ORGANISED MARKETS
1. Debt securities and interest rate indexes	**115**	**34,553**	**3,842**	**-**	**-**	**31,037**	**3,963**	**-**
a) Options	-	3,896	460	-	-	2,915	516	-
b) Swap	115	30,658	3,383	-	-	28,054	3,447	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	68	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and stock indexes	**-**	**677**	**677**	**-**	**-**	**705**	**705**	**-**
a) Options	-	677	677	-	-	705	705	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Gold and currencies	**-**	**9,689**	**331**	**-**	**-**	**9,606**	**501**	**-**
a) Options	-	1,671	77	-	-	1,930	72	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	8,019	254	-	-	7,676	429	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**624**	**12**	**-**	**-**	**378**	**9**	**-**
5. Other	**-**	**79**	**81**	**-**	**-**	**79**	**82**	**-**
Total	**115**	**45,623**	**4,944**	**-**	**-**	**41,805**	**5,260**	**-**

E.5.7 Trading financial derivatives: positive and negative gross fair value - breakdown by product

(€ million)

	AMOUNTS AS AT 31.12.2021				AMOUNTS AS AT 31.12.2020			
	OVER THE COUNTER				OVER THE COUNTER			
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES		
TYPE OF DERIVATIVES	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	ORGANISED MARKETS	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	ORGANISED MARKETS
1. Positive fair value								
a) Options	-	145	8	-	-	109	7	-
b) Interest rate swap	1	407	58	-	-	666	110	-
c) Cross currency swap	-	109	3	-	-	142	13	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	244	1	-	-	154	3	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**1**	**905**	**70**	**-**	**-**	**1,071**	**133**	**-**
2. Negative fair value								
a) Options	-	48	103	-	-	62	56	-
b) Interest rate swap	-	498	18	-	-	810	24	-
c) Cross currency swap	-	116	-	-	-	158	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	237	7	-	-	147	7	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**899**	**129**	**-**	**-**	**1,176**	**87**	**-**

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E.5.8 OTC trading financial derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

UNDERLYING ACTIVITIES	AMOUNTS AS AT 31.12.2021			
	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
Contracts not included in netting agreement				
1) Debt securities and interest rate indexes				
- Notional amount	X	-	316	3,526
- Positive fair value	X	-	1	61
- Negative fair value	X	-	1	19
2) Equity instruments and stock indexes				
- Notional amount	X	-	73	604
- Positive fair value	X	-	-	7
- Negative fair value	X	-	-	99
3) Gold and currencies				
- Notional amount	X	6	52	273
- Positive fair value	X	-	1	1
- Negative fair value	X	-	-	3
4) Commodities				
- Notional amount	X	-	-	12
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	4
5) Other				
- Notional amount	X	1	-	80
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	3
Contracts included in netting agreement				
1) Debt securities and interest rate indexes				
- Notional amount	115	20,472	430	13,652
- Positive fair value	1	145	11	376
- Negative fair value	-	526	8	95
2) Equity instruments and stock indexes				
- Notional amount	-	677	-	-
- Positive fair value	-	99	-	-
- Negative fair value	-	7	-	-
3) Gold and currencies				
- Notional amount	-	5,042	865	3,783
- Positive fair value	-	64	13	77
- Negative fair value	-	93	10	49
4) Commodities				
- Notional amount	-	318	-	306
- Positive fair value	-	33	-	83
- Negative fair value	-	83	-	29
5) Other				
- Notional amount	-	79	-	-
- Positive fair value	-	4	-	-
- Negative fair value	-	-	-	-

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E.5.8 OTC trading financial derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

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

E.5.9 OTC financial derivatives - residual life: notional amounts

(€ million)

UNDERLYING/RESIDUAL MATURITY	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A.1 Financial derivative contracts on debt securities and interest rates	3,810	17,149	17,552	38,511
A.2 Financial derivative contracts on equity securities and stock indexes	339	808	207	1,354
A.3 Financial derivative contracts on exchange rates and hold	8,060	1,961	-	10,021
A.4 Financial derivative contracts on other values	625	11	-	636
A.5 Other financial derivatives	63	2	96	161
Total 31.12.2021	**12,897**	**19,931**	**17,855**	**50,683**
Total 31.12.2020	**10,665**	**21,280**	**15,121**	**47,065**

E.5.10 Trading credit derivatives: end of period notional amounts

(€ million)

CATEGORY OF TRANSACTIONS	TRADING DERIVATIVES	
	WITH A SINGLE COUNTERPARTY	WITH MORE THAN ONE COUNTERPARTY (BASKET)
1. Protection buyer's contracts		
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total 31.12.2021	**-**	**-**
Total 31.12.2020	**-**	**-**
2. Protection seller's contracts		
a) Credit default products	60	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total 31.12.2021	**60**	**-**
Total 31.12.2020	**60**	**-**

E.5.11 OTC trading credit derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

	AMOUNTS AS AT 31.12.2021			
	CENTRAL COUNTERPARTIES	BANKS	FINANCIAL COMPANIES	OTHER ENTITIES
Contracts not included in netting agreement				
1) Protection buyer's contracts				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
2) Protection seller's contracts				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
Contracts included in netting agreement				
1) Protection buyer's contracts				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
2) Protection seller's contracts				
- Notional amount	-	60	-	-
- Positive fair value	-	1	-	-
- Negative fair value	-	-	-	-

E.5.11 OTC trading credit derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

	AMOUNTS AS AT 31.12.2020			
	CENTRAL COUNTERPARTIES	BANKS	FINANCIAL COMPANIES	OTHER ENTITIES
Contracts not included in netting agreement				
1) Protection buyer's contracts				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
2) Protection seller's contracts				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
Contracts included in netting agreement				
1) Protection buyer's contracts				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
2) Protection seller's contracts				
- Notional amount	-	60	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-

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E.5.12 OTC trading credit derivatives - residual life: notional amounts

(€ million)

UNDERLYING/RESIDUAL MATURITY	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
1. Protection buyer's contracts	-	50	10	60
2. Protection seller's contracts	-	-	-	-
Total 31.12.2021	**-**	**50**	**10**	**60**
Total 31.12.2020	**-**	**50**	**10**	**60**

E.6 – Currency risk

E.6.1a Assets and liabilities in foreign currency 2021

(€ million)

ITEMS	31.12.2021					
	USD	GBP	YEN	CAD	CHF	OTHER
A. Financial assets	**3,591**	**595**	**1,169**	**47**	**6,751**	**403**
A.1 Debt securities	1,023	-	1,032	-	98	64
A.2 Equity securities	-	-	-	-	-	-
A.3 Loans to banks	544	15	12	9	2,551	174
A.4 Loans to customers	2,022	580	125	38	4,102	165
A.5 Other financial assets	3	-	-	-	-	-
B. Other assets	**-**	**-**	**-**	**-**	**-**	**-**
C. Financial liabilities	**2,896**	**775**	**37**	**88**	**124**	**401**
C.1 Deposits from banks	928	381	-	40	22	68
C.2 Deposits from customers	1,920	394	36	48	101	333
C.3 Debt securities in issue	49	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**

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E.6.1b Assets and liabilities in foreign currency 2020

(€ million)

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

CHF risk

As in previous years, the reduction of CHF loans continued in 2021. Loans and receivables with customers reduced by around a further €0.5 billion in consideration of the net volume (after impairments) and reduced from €4.6 billion to €4.1 billion. Approximately 2.9% thereof was classified as non-performing. The majority of the loans and receivables come from the segment Privatkundenbank, to which 91% of the CHF volume is allocated.

Other currency risks

Customer loans in other currencies (exclusive CHF) amounted to €3.0 billion as at 31 December 2021 (2020: €3.0 billion), a large part of which were loans in USD (primarily to customers in the Corporate & Investment Banking segment).

E.7 – Counterparty risk

Trading in derivatives at Bank Austria is primarily related to the hedging of positions entered into vis-à-vis customers.

Contracts are valued at current prices using recognised and tested models. Market values show the contract values as at the balance sheet date, positive current market values and estimated future market values indicate the potential default risk arising from the relevant activity.

For the purposes of portfolio management and risk limitation in connection with derivatives, securities lending transactions and repurchase agreements, UniCredit Bank Austria AG uses an internal counterparty risk model (IMM). The model is based on a Monte Carlo path simulation for risk management in derivatives and securities financing business with banks and customers to estimate the potential future exposure at portfolio level for each counterparty.

The UCI Group-wide counterparty risk model applies an expected shortfall of 87.5% (equals a 95% quantile) and 3,000 scenarios with 52 gridpoints for the purpose of internal risk control. Furthermore, the model is based on a standardized margin period of risk and on the use of default conditional metrics.
The calculations are based on market volatility, correlations between specific risk factors, future cash flows and stress considerations. Netting agreements and collateral agreements are also taken into account for simulation purposes.

The simulation calculations are performed for all major types of transactions, e.g. forward foreign exchange transactions, commodity futures transactions, interest rate instruments, securities lending transactions and repurchase agreements, equity-related, commodity-related or inflation-related instruments and credit derivatives. Other products (some of them exotic) are taken into account with an add-on factor approach (depending on volatility and maturity).
In addition to determining the potential future exposure for internal risk control purposes, the path simulation also enables the Bank to calculate the average exposure and the modified average exposure (exposure at default) pursuant to Basel 3, as well as the effective maturity of the exposure and the “stressed EPE” (Expected Positive Exposure) for each counterparty. This makes it possible to include counterparty risk in a Basel 3-compliant internal model to calculate capital requirements. The regulatory exposure at default is calculated at netting-set level. A netting set is a group of transactions between the Bank and a customer which is subject to a legally enforceable bilateral netting agreement.

UniCredit Bank Austria AG has implemented the requirements in the area of counterparty credit risk resulting from the publications of the Basel Committee (Basel 3) and the Capital Requirements Regulation (CRR). The regulatory requirements include the calculation of normal counterparty exposure and of stressed counterparty exposure (comparable with the stressed VaR in market risk), the capital backing for market risk in respect of credit valuation adjustments (CVA market risk) and stricter standards for collateral management.
The requirements regarding the mandatory exchange of securities in bilateral margining agreements with financial counterparts for margin variation were implemented in line with regulations.
The requirements to be met with regard to stress testing and backtesting in respect of counterparty credit risk have also been implemented at UniCredit Bank Austria AG. Backtesting is performed at regular intervals – at the level of individual counterparties and at overall bank level – to review the model quality on a regular basis.

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

In 2020, the implementation of the new legal requirements of CRR 2 for the new standard approach for counterparty credit risk (SA-CCR) began and was successfully implemented in the Bank's internal risk systems as of June 2021. The SA-CCR will be used for the calculation of regulatory capital requirements for those transactions that are not captured in the internal counterparty risk model by means of a Monte Carlo simulation (e.g. exchange derivatives or securities transactions).

The internal IT systems are used for calculating counterparty risk arising from derivatives business, securities lending transactions and repurchase agreements, and for determining risk arising from other risk types. This ensures that exposures resulting from derivatives business as well as money-market risk, issuer risk and settlement risk are calculated centrally using the internal IT systems (FRE – Full Revaluation Engine, AGE – Aggregation Engine).

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

Line utilisation for trading business is available in real time in the central treasury system MLC ("Murex Limit Controller"). The MLC treasury system is the central limit system used by UniCredit Bank Austria AG. In addition to current line utilisation – at customer level – resulting from derivatives and securities financing transactions, the system shows utilisation levels for money-market, issuer and settlement risk.
UniCredit Bank Austria AG additionally limits the credit risk arising from its derivatives business through strict use of master agreements, through collateral agreements and break clauses. These collateral agreements were changed to eligible benchmarks (e.g. from EONIA to ESTR) in 2021 in accordance with regulatory requirements. In combination with the very good average credit rating of our business partners, management takes proper account of default risk.

In 2021, UniCredit Bank Austria AG continued to expand its online trading platform (UCTrader/ExCEED) which was introduced in 2020 and enables our customers to conclude derivatives transactions in real time. In the course of the project, the relevant risk checks were implemented enabling, for example, an online real-time review and compliance with pre-settlement and settlement risk limits.

Moreover, in accordance with the European Market Infrastructure Regulation (EMIR), the central clearing obligation for OTC derivatives was implemented at UniCredit Bank Austria AG. UniCredit Bank Austria AG is a clearing member of the London Clearing House (LCH Clearnet) clearing institution and, since 2020, also a clearing member of the LCH SA clearing institution in Paris. Furthermore, UniCredit Bank Austria AG clears repurchase agreements at EUREX Clearing AG, the central counterparty.

Separate reporting on counterparty credit risk is in place with a view to informing UniCredit Bank Austria AG's Market Risk Committee (MACO) and Derivative Committee (DECO) resp. the new Financial & Credit Risk Committee „FCRC", of current exposure trends, stress testing, collateral management and wrong way risk while also providing additional information relevant to risk management.

Based on the calculation method of counterparty credit risk used in the Group-wide risk systems, derivative transactions, repurchase agreements and securities lending transactions resulted in the following exposures for Bank Austria at the end of the year:
BA AG exposure: €2,497 million (previous year: €1,877 million)

The total exposure at the end of 2021 can also be split into the following sectors:

E.7.1a Exposure by sector

(€ million)

SECTOR	2021	2020
Industry and trade	676	855
Financial services sector	621	297
Real estate	452	473
Energy and Commodity	284	77
Public sector	43	51
Central Clearing Counterparts (CCP)	420	123
TOTAL	**2,497**	**1,877**

E.7.1b Exposure by rating class

(€ million)

RATING CLASS	2021	2020
1	449	278
2	476	226
3	829	729
4	420	345
5	126	144
6	126	123
7	49	13
8	8	2
9	13	18
10	-	-

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E.8 – Country risk and sovereign risk

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

E.8.1 Breakdown of sovereign debt securities by country and portfolio

(€ million)

	31.12.2021			31.12.2020		
COUNTRY/PORTFOLIO	NOMINAL VALUE	BOOK VALUE	FAIR VALUE	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
Austria	**3,612**	**3,824**	**3,820**	**4,076**	**4,447**	**4,452**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	60	78	78	60	82	82
Fair value through other comprehensive income	3,464	3,648	3,648	3,975	4,324	4,324
Financial assets at amortised cost	89	97	93	41	41	46
Designated at fair value through profit or loss	-	-	-	-	-	-
Spain	**2,527**	**2,634**	**2,638**	**3,172**	**3,424**	**3,434**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	1,739	1,820	1,820	2,369	2,582	2,582
Financial assets at amortised cost	788	815	819	803	842	852
Designated at fair value through profit or loss	-	-	-	-	-	-
Italy	**1,070**	**1,125**	**1,118**	**620**	**696**	**696**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	620	664	664	620	696	696
Financial assets at amortised cost	450	461	454	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-

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COUNTRY/PORTFOLIO	31.12.2021 NOMINAL VALUE	31.12.2021 BOOK VALUE	31.12.2021 FAIR VALUE	31.12.2020 NOMINAL VALUE	31.12.2020 BOOK VALUE	31.12.2020 FAIR VALUE
Japan	**1,012**	**1,032**	**1,032**	**617**	**620**	**620**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	1,012	1,032	1,032	617	620	620
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Poland	**271**	**297**	**297**	**385**	**423**	**423**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	235	261	261	349	386	386
Financial assets at amortised cost	36	36	36	36	36	37
Designated at fair value through profit or loss	-	-	-	-	-	-
France	**752**	**756**	**749**	**147**	**164**	**164**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	444	434	434	41	40	40
Financial assets at amortised cost	173	176	169	6	6	6
Designated at fair value through profit or loss	135	146	146	100	117	117

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	31.12.2021			31.12.2020		
COUNTRY/PORTFOLIO	NOMINAL VALUE	BOOK VALUE	FAIR VALUE	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
Romania	**270**	**293**	**293**	**233**	**261**	**261**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	270	293	293	233	261	261
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Belgium	**73**	**76**	**76**	**169**	**187**	**187**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	73	76	76	169	187	187
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Other Countries	**1,741**	**1,695**	**1,691**	**1,695**	**1,685**	**1,687**
Held for trading (Net exposures)	115	-	-	115	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	1,467	1,534	1,534	1,484	1,588	1,588
Financial assets at amortised cost	147	148	143	96	97	99
Designated at fair value through profit or loss	12	14	14	-	-	-
TOTAL	**11,329**	**11,733**	**11,714**	**11,114**	**11,906**	**11,924**

E.8.2 Breakdown of sovereign debt securities by portfolio

(€ million)

	31.12.2021					
	HELD FOR TRADING (NET EXPOSURES)	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS AT AMORTIZED COST	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	TOTAL
Book value of sovereign portfolio	-	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%
	31.12.2020					
	HELD FOR TRADING (NET EXPOSURES)	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS AT AMORTIZED COST	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	TOTAL
Book value of sovereign portfolio	-	82	10,685	1,022	117	11,906
Total portfolio of debt securities	-	94	12,797	2,211	117	15,220
% Portfolio	96.74%	86.92%	83.49%	46.23%	99.91%	78.23%

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

E.8.3 Breakdown of sovereign loans by country

(€ million)

COUNTRY	31.12.2021	31.12.2020
Austria	7,144	5,313
Indonesia	157	155
Sri Lanka	97	91
Laos	82	90
Gabun	81	104
Ghana	81	86
Angola	75	85
Vietnam	63	66
Philippines	50	62
Honduras	46	51
Bosnia and Herzegovina	16	19
Other	418	401
TOTAL SOVEREIGN LOANS	**8,308**	**6,523**

E.9 – Operational risk

Operational risk (OpRisk) is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events (including legal risks – see also “E.13 – Legal risks”). For example, compensation paid to customers for incorrect/inadequate product-related advice, IT system failures, damage to property, processing errors or fraud are subject to accurate and consolidated risk measurement and management (collection of loss data, external data, scenarios, indicators), on which the calculation of capital to be held for operational risk is based.

Loss data are collected, and processes are optimized, in close coordination and cooperation across departments and units including the business areas, Internal Audit, Compliance, Legal Affairs, ICT & Security Management and the insurance sector. Over the years, UniCredit Bank Austria AG has taken numerous measures in the various divisions to manage and reduce operational risk. Thus, data security measures, actions to ensure the confidentiality and integrity of stored data, access authorisation systems, the two-signature principle, and a large number of monitoring and control processes as well as staff training programmes have been implemented. Raising awareness of operational risks plays a particularly important role and is supported by a variety of measures such as “tone from the top” mailings from the Management Board, training courses for managers and mandatory online training.

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

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

Activities in 2021 focused on:

- Integrating the OpRisk & RepRisk strategy issues of 2021 and their monitoring by reference to key risk indicators in the Permanent Work Group (a cross-divisional OpRisk work group which holds regular meetings).
- Implementing risk-minimizing measures for the identified strategy topics (through DORRMs and experts) and their report in the Permanent Work Group and the Operational & Reputational Risk Committee (OpRRiCo). Since October 2021, OpRisk topics have no longer been reported in the OpRRiCo, but in the newly established, quarterly, Non-Financial Risk Committee.
- Monitoring of OpRisk exposure using key figures that are part of the Risk Appetite Framework (ELOR – Expected Loss on Budget Revenues; ICT Risk Metric).
- Carrying out and expanding the annual OpRisk ICT assessment process for critical business processes at UniCredit Bank Austria AG.
- Implementation of OpRisk assessments for relevant outsourcings.
- Revising the KRI monitoring framework on an ongoing basis to measure risk more effectively and carry out the scenario analysis.
- Raising awareness of OpRisk topics through various training courses for different target groups and by adapting the online training mandatory for all employees.
- Revising OpRisk-relevant accounts and books as part of accounting reconciliation, general ledger analysis and transitory and suspense account analysis in order to ensure complete OpRisk data collection.
- Conducting focus analyses on various OpRisk-relevant topics, also triggered by relevant external OpRisk incidents, e.g.: Internal Fraud, External Fraud in the credit business, document filing process.
- Performing a Risk & Control Self-Assessment (RCSA) for relevant company processes of UniCredit Bank Austria AG,
- Increased focus on a unified approach to managing subsidiaries.
- Implementation of ICT Project Risk Assessments for all relevant ICT projects.
- Implementation of 2nd level control ICT and ICT security KPIs for UCBA AG and all relevant subsidiaries
- Implementation of standardized OpRisk Assessments for all relevant process changes initiated by the respective process owner.

A network of independent functions and teams are involved in managing and controlling risks, providing the Management Board with sufficient information on the risk situation and enabling the Management Board to manage risk.

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Operational risk agendas were discussed in the independent Operational and Reputational Risk Committee (OpRRiCo) until September 2021. This has been done in the newly established Non-Financial Risk Committee since October 2021. The Committee is a major step towards integrating operational risk in the Bank's processes and in particular reports on current OpRisk issues and developments, signs off documents relevant to OpRisk, reports losses and acts as an escalation committee. The entire Management Board of UCBA is represented on the Committee.

Since the beginning of 2008, UniCredit Bank Austria AG has been using the Advanced Measurement Approach (AMA Approach) for calculating the OpRisk capital, with the model calculation for all AMA subsidiaries being performed by the UniCredit Group.

Austrian subsidiaries
Schoellerbank AG and UniCredit Leasing Austria GmbH apply the AMA in the area of operational risk.

Implementation of disclosure requirements pursuant to the Capital Requirements Regulation (CRR)
Within UniCredit Group, comprehensive disclosure (under the Pillar 3 disclosure requirements pursuant to the CRR) is carried out by the parent company UniCredit on its website, based on the consolidated financial position in its function as EU parent bank. Bank Austria is a large subsidiary pursuant to Article 13 of the CRR and, for the 2020 financial year, discloses information regarding its capital resources ("own funds", Article 437 of the CRR), capital requirements (Article 438 of the CRR), capital buffers (Article 440 of the CRR), credit risk adjustments (Article 442 of the CRR), remuneration policy (Article 450 of the CRR), leverage ratio (Article 451 of the CRR), liquidity coverage requirements (Article 451a of the CRR) and use of credit risk mitigation techniques (Article 453 of the CRR).

The disclosure by Bank Austria is available at its website (www.bankaustria.at) at About Us/Investors/Disclosure according to Basel 2 and 3 (CRR).

E.10 – Reputational risk

Bank Austria and UniCredit Group define reputational risk as the current or future risk of a decline in profits as a result of a negative perception of the Bank's image by customers, counterparties, shareholders, investors, employees or regulators.

Since 2012, the CRO team has been entrusted with managing and monitoring strategic reputational risk agendas. In 2018, the Op&RepRisk office was directly assigned to the CRO as a staff unit. Together with other areas such as Identity & Communications, Compliance, Legal, Complaint Management, Customer Satisfaction & Stakeholder Insight etc., the central risk unit is responsible for managing the reputation of UniCredit Bank Austria AG.

Subjects relevant to reputational risks are reported in the Operational & Reputational Risk Committee – resp. since October 2021 in the newly established Non-Financial Risk Committee - on a quarterly basis. For example:
- Business decisions, which were made in the Reputational Risk / Credit Committee
- Report on RepRisk Assessments which were analyzed in the context of the new product process.
- Information on accepting new RepRisk policies
- Relevant reports on UniCredit Bank Austria AG
- RepRisk status of AMA subsidiaries
- Other issues affecting the reputation of the bank

In 2021, reputational risk activities focused on supporting subsidiaries, expanding structures, implementing RepRisk policies, supporting business areas and training.

Last year, updated RepRisk regulations were rolled out to regulate the handling of specific industrial sectors, such as the coal industry or the oil and gas industry. The new regulations place specific focus on environmental aspects and on customer support to achieve greater sustainability.

Another focus was laid on raising Reputational Risk Management awareness through training activities at UniCredit Bank Austria AG and its subsidiaries.

E – Risk report

E.11 – Business risk

Business risk is defined as unexpected adverse changes in business volume and/or margins which cannot be attributed to other types of risk. Adverse impacts of such changes on profitability result mainly from a significant deterioration in market conditions, changes in the competitive position or customer behavior, and from changes in the legal environment.

Business risk measurement thus measures the influence of external factors on a decline in profits and the effect on the market value.

As part of general income and cost management, operational management of business risk is the responsibility of the individual business units.

E.12 – Financial investment risk and real estate risk

In dealing with risks arising from the Bank's shareholdings and equity interests, Bank Austria takes into account potential market price fluctuations in its equity holdings in listed and unlisted companies.

Not included are equity interests in consolidated subsidiaries of Bank Austria because risks associated with such companies are determined and recorded under the various other risk types. The portfolio includes various strategic investments; real estate holding companies are taken into account in real estate risk.

Financial investment risk and real estate risk are covered by a value-at-risk approach under the ICAAP.

E.13 – Legal risks

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

UniCredit Bank Austria AG is also referred to hereinafter as "UCBA".

In accordance with the principles described above provisions were formed for the following pending legal disputes and other proceedings in the amount of the assessed risk. In accordance with IAS 37, information does not have to be provided in case it would seriously compromise the position of the company in the legal dispute.

A) Madoff

Background

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

Civil law procedures in Austria

Investors in the Primeo and Herald Madoff Feeder Funds have filed numerous civil suits, 11 of which are still open, with interest amounting to €5 million plus interest. The claims asserted in these proceedings are either that UCBA committed certain breaches of duty in its capacity as prospectus controller or that UCBA incorrectly advised certain investors (directly or indirectly) to invest in these funds, or a combination of these claims. The Austrian Supreme Court issued twenty-eight legally binding rulings with regard to the prospectus liability claims asserted in the proceedings. Regarding the proceedings concerning the Primeo Feeder funds, eighteen final decisions of the Austrian Supreme Court were taken in favor of UCBA. In two proceedings, the Supreme Court rejected UCBA's extraordinary appeal and therefore made the decision of the Court of Appeal, which had been issued in favor of the plaintiffs, final. With regard to the Herald Feeder Fund, the Austrian Supreme Court has ruled on the prospectus liability claims five times, twice in favor of UCBA and three times in favor of the plaintiffs. In a prospectus liability case where investments were made in Primeo and Herald, the Supreme Court ruled in favor of UCBA; in two further prospectus liability cases where investments were made in Primeo and Herald, the Supreme Court rejected the plaintiffs' extraordinary appeals, thereby ruling the decisions of the Court of Appeal to be legally binding in favor of UCBA.

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

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

Criminal proceedings in Austria

The UCBA was accused in a criminal case in Austria of suspected violation of InvFG regulations, as well as allegations of fraud and infidelity in connection with the Madoff case. The prosecution case against UCBA and all accused persons was closed in November 2019. Private parties, on the other hand, have submitted requests for continuation 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").

E – 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.

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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 German 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 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. The UCBA brought an extraordinary appeal against what in our 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. The Austrian Supreme Court could assume that Article 25 of the Mortgage Credit Directive does not demand the reduction of non-term-related costs and that the clause used by the UCBA corresponds to the legal situation applicable until 31 December 2020 and its use would not give grounds for an obligation to refrain from a certain action. Otherwise, the Austrian Supreme Court would have to answer the question of whether and how Section 20 (2) of the old version of the German Mortgage and Real Estate Loan Act could be interpreted in accordance with the Directive. The prevailing legal doctrine rejects an interpretation of Section 20 of the old version of the German Mortgage and Real Estate Loan Act that is compliant with the Directive. On the basis of the clear wording and the deliberate decision of the legislator not to provide for a reduction for non-term-related costs in Section 20 (1) of the old version of the German Mortgage and Real Estate Loan Act, and the consistent case law of the Austrian Supreme Court to prohibit contra legem administration of justice, the Austrian Supreme Court should also rule that Section 20 (1) of the old version of the German Mortgage and Real Estate Loan Act could be interpreted in accordance with the Directive.

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.

E – Risk report

E.14 – Sustainability risk

ESG risks (Environmental, Social & Governance)

The consideration of climate-related risks is a focus of our response to climate change and our efforts to reduce sustainability risks.

The term "sustainability" refers to Articles 3 and 9 of the Taxonomy Regulation. Article 3 defines the criteria for environmentally sustainable economic activities (significant contribution to the achievement of the environmental objectives defined in Article 9, no significant impairment of these environmental objectives through measures implemented, compliance with the minimum level of protection with regard to human rights and labour laws, and consideration of the technical evaluation criteria of the annexes to the Taxonomy Regulation) and Article 9 defines the corresponding environmental objectives (climate protection, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, the protection and restoration of biodiversity and ecosystems).

Both internally and by taking part in industry-wide initiatives, we are working to develop and implement a comprehensive framework for dealing with climate risks so that they can be managed across all departments.
The risk framework aims to ensure that we identify the threat of negative effects of climate change and provide our Bank with the best possible protection against this.

These consequences include:
- Possibly higher defaults on loans and/or losses from the revaluation of customer exposures or assets that may be affected by physical[7] and/or transitory[8] climate risks
- Damage to reputation and claims for damages if it is not possible to respond accordingly to climate risks
- Disruptions to our business processes affecting employees, buildings, and/or processes at locations that are exposed to physical climate risks, for example, due to extreme weather events and/or longer-term rises in global temperatures.

Legislators and regulators have both accelerated and intensified their activities in relation to climate change. The European Central Bank (ECB) issued guidelines on climate and environmental risks in November 2020. At the same time, the European Banking Authority (EBA) published a comprehensive discussion paper explaining in detail what regulatory expectations will be set for banks and investment firms in future to manage and control ESG (environmental, social, and corporate governance) risks.

UniCredit Group's focus is on further developing the instruments, methods, and measures to promote the integration of climate-related risks into our framework for determining risk appetite using key figures and in the corresponding guidelines and processes (credit application, reporting, credit risk strategy, stress tests, operational risk/reputational risks) in 2022 and 2023. Against this background, climate risks related to our balance sheet and business processes should be identified, assessed, and monitored, and quantitative limits must be set for risk tolerance that ensure the adequate consideration of potential risks.

Consideration of environmental risks in the Bank's internal credit process

The regulatory requirements (ECB, EBA, FMA) and the UniCredit Group's commitment to sustainable development require the appropriate consideration of climate risk in the credit process. This includes an analysis of the impact of environmental risks on the counterparty risk of our borrowers, the results of which must be taken into account in the lending decision.

As a first step, a climate and environmental risk questionnaire was therefore developed, which must be filled in by the sales unit. The results of this must be submitted to the responsible risk manager in the form of a scorecard in the course of the loan application.

Since the beginning of 2021, the scope of application has included all corporate clients (including Real Estate) for which GTCC[9]/GCC[10] is responsible and, since December 2021, all positions for which TCC[11] is responsible (local Bank Austria credit committee), with the exception of financial institutions, banks, sovereign entities, the public sector and non-performing loans.

[7] A distinction is made here between acute physical risks (hot and dry periods, floods, storms, hailstorms, forest fires, avalanches) and chronic physical risks (long-term changes in climatic and environmental conditions such as precipitation frequency/quantities, weather uncertainty, rises in sea level, changes in ocean and airflows, over-acidification and accumulation of waste in oceans, rising average temperatures with regional extremes).
[8] Transitory risks are the risks associated with the transition to a low-carbon economy (e.g. introduction of new or stricter CO_2 emission guidelines, enforcement of new technologies or business models, changes in market sentiment or societal preferences).
36 VO: Regulation
6 VO: Regulation
6 VO: Regulation

The climate and environmental risk questionnaire must not be older than 12 months when the application is submitted. In the case of multiple applications during the year, the sales unit must check the validity of the questionnaire in relation to the information and responses of the customer.

Other **focal points in connection with climate risks** include:
- the implementation of the Taxonomy Regulation (*Taxonomie-VO*[12]) through the integration of customer-specific and product-specific information with regard to environmental and climate-related risks in our processes and IT systems
- the further development of the measurement of emissions of our portfolios in accordance with industry standards, such as the methods developed by the "Partnership for Carbon Accounting Financials" (PCAF)
- the examination of approaches being developed to adapt to emission pathways, including collaboration with SBTI[13] and PACTA[14]
- the broader integration of sustainability factors into our risk management policies and procedures
- the development of portfolio-specific and customer-specific strategies that support our customers in their transition to a lower-carbon economy while protecting our balance sheet from negative effects.

E.15 – Information on the squeeze-out pursuant to the Austrian Federal Act on the Squeeze-out of Minority Shareholders (*Gesellschafterausschlussgesetz*) of the holders of bearer shares in UniCredit Bank Austria AG

The company's Annual General Meeting on 3 May 2007 adopted a resolution concerning the planned squeeze-out. The legal actions for rescission and declaration of nullity brought against various resolutions adopted at the Annual General Meeting on 3 May 2007 were terminated in spring 2008. The squeeze-out was entered in the Register of Firms on 21 May 2008. After that date, former minority shareholders initiated proceedings for a review of the cash compensation offered by UniCredit. The democratically legitimized party in these proceedings is not UniCredit Bank Austria AG, but rather, UniCredit S.p.A. In these proceedings, an appraiser has been appointed, who is reviewing the amount of the cash compensation; the appraisal report is available and essentially confirms the adequacy of the cash compensation paid as part of the shareholders' resolution. The evidence proceedings have not yet been completed and a first-instance decision on this matter is not yet available.

E.16 – Report on key features of the internal control and risk management systems in relation to the financial reporting process

The Management Board is responsible for establishing and designing internal control and risk management systems which meet the company's requirements in relation to the financial reporting process. The audit committee oversees the efficacy of the internal control and risk management system in addition to the accounting process as a whole; it may, if required, issue recommendations and suggestions to ensure the reliability of the accounting process.

The objective of the internal control system is to assist management in assuring internal controls in relation to financial reporting which are effective and are improved on an ongoing basis. The system is geared to complying with rules and regulations and creating conditions which are conducive to performing specific controls in key accounting processes.

Following the integration of the Bank Austria Group in UniCredit Group, the Italian Savings Law, Section 262 (detailed descriptions of processes, risk and control for minimising risk in preparing financial statements) in particular, must be complied with in addition to the existing internal control system.

Pursuant to the "262 Savings Law", the CEO and the CFO are liable, under civil and criminal law, for any violation of the legal provisions. They are also responsible for subsidiaries defined by UniCredit S.p.A. within the group of consolidated companies.

Internal Audit performs independent and regular reviews of compliance with legal provisions and internal rules also in the area of accounting. The Head of Internal Audit reports directly to the Management Board and provides the Chairman of the Supervisory Board and the Audit Committee with quarterly reports.

6 VO: Regulation
13 SBTI: Science-Based Target Initiative
14 PACTA: Paris Agreement Capital Transition Assessment

E – Risk report

Control environment

UniCredit S.p.A., the parent company of UniCredit Bank Austria AG, works to maintain effective communication and convey the corporate values defined in the Integrity Charter.

The Integrity Charter embodies the UniCredit Group's identity and is based on the following shared values: fairness, transparency, respect, reciprocity, freedom to act and trust.
The implementation of the internal control system in relation to the financial reporting process is also set out in the internal rules and regulations.

All accounting entries are made within the guidelines established in the Accounting Policy, and release follows defined instruction and control criteria. Appropriate processes have been implemented and are reviewed by Internal Audit on an ongoing basis.

Risk assessment

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

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

Controls

All controls are applied in the current business process to ensure that potential errors or deviations in financial reporting are prevented or detected and corrected. Coordination measures range from a management review of results for the various periods to specific reconciliation of accounts and the analysis of continuous accounting processes.

The levels of hierarchy are designed so that an activity and the control of that activity is not performed by the same person (four-eye principle). In the course of the preparation of financial reports, the general ledger accounts are reconciled with business and front-end systems.

IT security controls are a cornerstone of the internal control system. Defined IT controls are documented under the "262 Saving Law" and are audited by external auditors pursuant to the "International Standards for Assurance Engagements (ISAE) No. 3402".

Information and communication

Management regularly updates rules and regulations for financial reporting and communicates them to all employees concerned.

Moreover, regular discussions on financial reporting and on the rules and regulations applicable in this context take place in various bodies and are repeatedly communicated to UniCredit Bank Austria AG. Employees in Financial Accounting receive regular training in new methods of international financial reporting in order to counteract risks of unintended misreporting at an early stage.

To perform monitoring and control functions with a view to proper financial accounting and reporting, extensive financial information is made available at key levels of the Bank. The Supervisory Board and Management Board shall receive relevant information and middle management shall also be provided with detailed reports.

E – Risk report

Monitoring

As part of the implementation of the internal control system pursuant to the "262 Savings Law", instruments were introduced to monitor the effectiveness of controls. In connection with the compulsory, half-yearly certification process for the preparation of the management report, the relevant responsible persons are required to carry out tests to check the up-to-dateness of descriptions and the effectiveness of controls. It must be ascertained whether the controls work according to their design and whether the persons who perform controls have the competence/authority and qualifications required to perform the controls effectively.

All relevant responsible persons shall confirm, by means of certification, that their processes are adequately documented, risks have been identified and controls have been evaluated with a view to deriving measures to minimise risk.

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

F – Additional disclosures

F – Additional disclosures

F.1 – Supervisory Board and Management Board

The following persons are members of the Management Board of UniCredit Bank Austria AG:

Chairman/General Director: Robert ZADRAZIL
Members: Daniela BARCO (from 1 November 2021), Gregor HOFSTÄTTER-POBST, Georgiana LAZAR (from 1 November 2021), Mauro MASCHIO (until 31 October 2021), Tina POGACIC (from 1 March 2021 until 31 October 2021), Wolfgang SCHILK, Günter SCHUBERT, Susanne WENDLER (until 31 October 2021)

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

Chairman: Gianfranco BISAGNI
Deputy Chairman: Ranieri De MARCHIS
Members: Livia ALIBERTI AMIDANI, Richard BURTON (from 20 July 2021), Olivier Nessime KHAYAT (until 21 June 2021), Aurelio MACCARIO, Herbert PICHLER (from 12 April 2021), Eveline STEINBERGER-KERN, Ernst THEIMER (until 12 April 2021), Christine BUCHINGER (until 9 April 2021), Adolf LEHNER, Judith MARO (from 1 January 2022), Mario PRAMENDORFER, Karin WISAK-GRADINGER (until 31 December 2021), Roman ZELLER (from 9 April 2021)

As at 31 December 2021, there were the following interlocking relationships with UniCredit S.p.A.:
Three members of the Supervisory Board of UniCredit Bank Austria AG were members of the Executive Management Committee of UniCredit S.p.A.

F.2 – Related party disclosures

F.2.1a Related party disclosures as at 31 December 2021

(€ million)

	PARENT COMPANY	UNCONSO-LIDATED SUBSIDIARIES	ASSOCIATES	JOINT VENTURES	KEY MANAGEMENT OF ENTITY OR ITS PARENT	OTHER RELATED PARTIES	TOTAL
Loans and advances	732	1,216	296	17	1	5	2,266
Other financial assets *)	-	1,635	116	-	-	-	1,752
Other assets	-	8	29	-	-	-	37
TOTAL ASSETS	**732**	**2,859**	**442**	**17**	**1**	**5**	**4,054**
Deposits	352	504	7,946	2	1	3	8,808
Other financial liabilities	2,000	2,190	-	-	-	-	4,190
Other liabilities	13	12	-	-	1	1	27
Issued equity instruments	600	-	-	-	-	-	600
TOTAL LIABILITIES	**2,965**	**2,706**	**7,946**	**2**	**1**	**4**	**13,625**
Guarantees issued by the group	195	689	1,591	-	-	-	2,475
Guarantees received by the group	152	186	15	-	-	-	353

*) Other financial assets include debt securities and hedging derivatives

F – Additional disclosures

F.2.1b Related party disclosures as at 31 December 2020 *)

(€ million)

	PARENT COMPANY	UNCONSO-LIDATED SUBSIDIARIES	ASSOCIATES	JOINT VENTURES	KEY MANAGEMENT OF ENTITY OR ITS PARENT	OTHER RELATED PARTIES	TOTAL
Loans and advances	-	2,616	380	21	2	-	3,019
Other financial assets	-	2,291	118	-	-	-	2,409
Other assets	12	10	30	-	-	-	52
TOTAL ASSETS	**12**	**4,917**	**528**	**21**	**2**	**-**	**5,480**
Deposits	452	1,000	8,496	1	21	-	9,970
Other financial liabilities	2,000	3,045	-	-	-	-	5,045
Other liabilities	14	9	-	-	-	-	23
TOTAL LIABILITIES	**2,466**	**4,054**	**8,496**	**1**	**21**	**-**	**15,038**
Guarantees issued by the group	222	757	1,294	1	-	-	2,274
Guarantees received by the group	149	93	-	-	-	-	242

*) comparative figures 2020 adjusted

The Bank Austria Group received the following subsidies from public sector entities:

UniCredit Bank Austria AG, Austria

The Municipality of Vienna serves as deficiency guarantor for the following items in the statement of financial position under a guarantee totalling €4.4 billion (2020: €5 billion):

F.2.2 Items in the statement of financial position

(€ million)

	31.12.2021	31.12.2020
Deposits from banks	103	129
Deposits from customers	320	346
Debt securities in issue	588	939
of which: subordinated	*588*	*939*
Other liabilities	34	38
Provisions for post-retirement benefit obligations	3,285	3,486
TOTAL	**4,330**	**4,938**

In addition, the Municipality of Vienna guarantees for contingent liabilities, credit risks with an amount of €18 million (2020: €65 million).

The presentation has been adjusted compared with the previous year's report; the negative market values of derivatives are now reported under other liabilities.

F – Additional disclosures

F.2.1 – Information on members of the Management Board, the Supervisory Board and the Employees' Council of UniCredit Bank Austria AG

F.2.1.1 – Emoluments of members of the Management Board and the Supervisory Board

The emoluments paid by UniCredit Bank Austria AG to Management Board members in the 2021 financial year (excluding payments into pension funds) totalled €1.692.258,07 (comparable emoluments of €1,084 thousand in the previous year). of which €1,283,408.47 was fixed fees (2020: €789 thousand) and €408.849,60 of which was variable fees (2020: €295 thousand). In addition, variable remuneration was accrued in 2021 in the amount of €516,000.00 (subject to a malus) (2020: €2.056 thousand (subject to a malus)), which can only be paid out in subsequent years in accordance with the same statutory compensation provisions.

Several members of the Management Board receive their emoluments from companies which are not included in the group of consolidated companies of Bank Austria. These emoluments granted to members of the Management Board for their activities at UniCredit Bank Austria AG and associates in the 2021 financial year amounted to €2,661,880.19 (2020: €2.071 thousand) and will be partly (2021: €2,428,617.86; 2020: €1.870 thousand) allocated to UniCredit Bank Austria AG. The members of the Management Board also received remuneration for activities not related to the BA Group but in the interests of the UniCredit Group.

Payments to former members of the Management Board and their surviving dependants (excluding payments into pension funds) totalled €7,890,816.72. (Of this total, €4,095,917.46 was paid to former Management Board members of Creditanstalt AG, which merged with Bank Austria in 2002, and their surviving dependants; €1,794,448.76 was paid to former Management Board members of Österreichische Länderbank AG, which merged with Zentralsparkasse in 1991, and their surviving dependants). The comparative figure for the previous year was €8.159 thousand. Emoluments paid to this group of persons for activities in subsidiaries amounted to € 847,748.86 (2020: €798 thousand).

Emoluments of members of the Supervisory Board members in the 2021 financial year amounted to € 297,344.93 (2020: €296 thousand).

F.2.1.2 – Loans to members of the Management Board and of the Supervisory Board

Loans to members of the Management Board were recorded at € 894,569.16 (2020: €1.050 thousand) and used credit lines which amounted to €38,778.35 (2020: €39 thousand). During the financial year, € 58,553.76 (2020: €67 thousand) was repaid.

Loans to members of the Supervisory Board amounted to €308,736.12 (2020: €206 thousand) and used credit lines were recorded at €35,946.12 (2020: €56 thousand) were reported. During the financial year, €43,496.22 (2020: €46 thousand) was repaid.

Loans to the Supervisory Board include those made to members of the Employees' Council who are members of the Supervisory Board. The maturities of the loans range from five to thirty years. The rate of interest payable on these loans is the rate charged to employees of UniCredit Bank Austria AG.

F.2.2 – Related party disclosures

In order to ensure full compliance with the legal and regulatory provisions for related party disclosures currently in effect, UniCredit has introduced procedures to determine transactions with related parties. These procedures ensure that the relevant information is provided in order to ensure compliance with the obligations of the members of UniCredit's Board of Directors as a stock-market listed company and parent company of the Group.

Transactions carried out within the Group and/or generally with Austrian and foreign related parties are executed as a rule on an arm's length basis, on the same terms and conditions as those applied to transactions entered into with independent third parties. The same principle applies to services rendered.

Pursuant to IAS 24, Bank Austria's related parties include:
- companies belonging to UniCredit Group and companies controlled by UniCredit but not consolidated;
- associates and joint ventures;
- UniCredit's "key management personnel";
- close family members of key management personnel and companies controlled (or jointly controlled) by key management personnel or their close family members;
- Beneficiaries from the Group employee post-employment benefit plans.

F – Additional disclosures

Information on the share capital and exercise of special rights

As at 31 December 2021, the subscribed capital of UniCredit Bank Austria AG amounted to €1,681,033,521.40, all of which was represented by registered ordinary shares.

As at 31 December 2021, UniCredit S.p.A. held a direct interest of 99.996% in UniCredit Bank Austria AG.

The registered shares with restricted transferability which are held by “Privatstiftung zur Verwaltung von Anteilsrechten (AVZ Stiftung)”, a private foundation under Austrian law, and by “Betriebsratsfonds des Betriebsrats der Angestellten der UniCredit Bank Austria AG Region Wien (Betriebsratsfonds)”, the Employees’ Council Fund of the Employees’ Council of Employees of UniCredit Bank Austria AG in the Vienna region, have a long tradition and carry special rights based on historical developments: for specific resolutions to be adopted at a general meeting of shareholders, the holders of registered shares with restricted transferability have to be present when the resolutions are adopted. The relevant resolutions are specified in Article 20 (13) and (14) of UniCredit Bank Austria AG’s Articles of Association.

Restated Bank of the Regions Agreement (ReBoRA)

The “Restated Bank of the Regions Agreement” is a syndicate agreement concluded between UniCredit S.p.A., the AVZ Stiftung and Betriebsratsfonds. In the ReBORA, the AVZ Stiftung and Betriebsratsfonds have given an undertaking to UniCredit to the effect that if they want to sell UniCredit Bank Austria AG shares, they will first offer such shares held by them to UniCredit. If UniCredit does not accept the offer, the relevant contracting party could sell the UniCredit Bank Austria AG shares to a third party. In this case UniCredit has a right of preemption.
Under this agreement concluded in 2006, the AVZ Stiftung had the right, until 31 March 2016, to nominate two members of the Supervisory Board of UniCredit Bank Austria AG. Thereafter it can nominate one member of the Supervisory Board for the duration of the guarantee issued by “AVZ Stiftung” and the Municipality of Vienna.

Transfer of CEE business

In connection with the transfer of CEE business, UniCredit S.p.A. has given certain undertakings in favour of UniCredit Bank Austria AG with regard to the future business activities and capital structure of UniCredit Bank Austria AG; the majority of the obligations on the part of UniCredit S.p.A. will end at the end of June 2024.

There are no compensation agreements between UniCredit Bank Austria AG and members of its Management Board and Supervisory Board or its employees in the case of a public takeover offer.

F.2.3 – Other information on related party relationships

Under Section 92 (9) of the Austrian Banking Act, “Privatstiftung zur Verwaltung von Anteilsrechten” (“AVZ Stiftung”, a private foundation under Austrian law) serves as deficiency guarantor for all liabilities of UniCredit Bank Austria AG in the event of the company’s insolvency.

After the change in the legal form of Anteilsverwaltung-Zentralsparkasse into a private foundation (“AVZ Stiftung”) in 2001, the Municipality of Vienna serves as deficiency guarantor for all outstanding liabilities, and obligations to pay future benefits, of UniCredit Bank Austria AG (then Bank Austria Aktiengesellschaft) which were entered into prior to and including 31 December 2001.

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

F – Additional disclosures

F.3 – Share-based payments

F.3.1. – Description of share-based remuneration

F 3.1.1. The Group's medium and long-term incentive programme for selected employees include:

- **Share-based payments**, represented by subscription rights for UniCredit shares.

  This category includes the following programs:
- **Group Executive Incentive System (Bonus Pool)** which offers qualified Group management personnel and employees, determined according to regulatory rules, a bonus structure that consists of advance payments (following the time of the performance assessment) and pending payment in cash and shares that are to be paid over a period of between one and six years. This payment structure ensures the focus on the interests of shareholders and is subject to malus conditions of the Group (which apply if specific profitability, capital and liquidity objectives at Group and country/business area level are not achieved) and individual repayment conditions (as long as they are legally enforceable) pursuant to their definition in the rules of the programme (not market-dependent awarding conditions).
- **Long Term Incentive 2017-2019** which offers qualified management personnel and important persons in the Group an incentive based 100% of UniCredit ordinary shares, subject to a postponement of three years and malus and repayment conditions, as long as they are legally enforceable, pursuant to the rules of the programme. The structure of the programme is based on a three-year performance period in accordance with UniCredit's new strategy plan and provides for the awarding of premiums based on the preconditions with regard to profitability, liquidity, capital and risk position in addition to various performance conditions with focus on Group targets in accordance with Transform 2019.
- **Long Term Incentive 2020-2023** grants incentive awards in the form of unrestricted common shares subject to the achievement of certain performance conditions under the strategic plan 2020-2023.
  The programme will run over a four-year performance period that is consistent with UniCredit's strategic plan, and the latter provides for a potential award to be granted in 2024. The allocation is subject to a four-year deferral based on pre-conditions relating to profitability, capital requirements and liquidity, as well as a positive assessment of the risk position in accordance with the requirements of the Bank of Italy and the EBA. In addition, to further improve governance, the programme also includes rules regarding management compliance violations and the corresponding impact on compensation through the application of malus and clawback conditions.

Furthermore, it is noted that, in accordance with Banca d'Italia circular 285 (update VII of 23 October 2019), share-based remuneration paid with equity that is represented by postponed payments in UniCredit ordinary shares that are not subject to any awarding conditions shall be used for relevant employees to pay for a so-called “golden parachute” (i.e. severance payment).

F 3.1.2. – Valuation model

Group Executive Incentive System (Bonus Pool)

The economic value of performance-based share remuneration is measured in consideration of the market price of the shares on the awarding date less the cash value of future dividends during the vesting period. Economic effects and net equity effects are demarcated over the term of the instruments' vesting period.

Group Executive Incentive System “Bonus Pool 2020” – shares

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

F.3.1.2 Group Executive Incentive System

	SHARES GRANTED GROUP EXECUTIVE INCENTIVE SYSTEM – BONUS POOL 2020					
	INSTALLMENT 2022	INSTALLMENT 2023	INSTALLMENT 2024	INSTALLMENT 2025	INSTALLMENT 2026	INSTALLMENT 2027
Date of bonus opportunity economic value granting	06. Feb. 2020	06. Feb. 2020	06. Feb. 2020	06. Feb. 2020	06. Feb. 2020	06. Feb. 2020
Date of board resolution (to determine number of shares)	05. Mar. 2021	05. Mar. 2021	05. Mar. 2021	05. Mar. 2021	05. Mar. 2021	05. Mar. 2021
Vesting period start-date	01. Jan. 2020	01. Jan. 2020	01. Jan. 2020	01. Jan. 2020	01. Jan. 2020	01. Jan. 2020
Vesting period end-date	31. Dec. 2020	31. Dec. 2021	31. Dec. 2022	31. Dec. 2023	31. Dec. 2024	31. Dec. 2025
UniCredit share market price (€)	8.561	8.561	8.561	8.561	8.561	8.561
Economic value of vesting conditions (€)	(0.120)	(0.558)	(1.121)	(1.801)	(2.483)	(3.166)
Performance shares' fair value per unit at the grant date (€) *)	**8.441**	**8.003**	**7.440**	**6.760**	**6.078**	**5.395**

*) The same fair value per share is used to quantify the costs associated with share-based remuneration to make possible severance payments.

Group Executive Incentive System 2021 (Bonus Pool)
The new Group Incentive System 2021 is based on a bonus pool approach geared towards the regulation requirements and market practices, which defines the following:

- Sustainability through a direct connection with the company's results and focus on relevant risk categories, the use of specific indicators connected with the risk appetite framework;
- Connection between bonuses and the company structure which defines the pool at country/business area level with further verification at Group level;
- Awarding of bonuses to management personnel and other relevant employees that have been identified based on the rules of the European Banking Authority (EBA) pursuant to local ordinances;
- Requirement of establishing the payment structure pursuant to regulations under supervisory law in Directive 2013/36/EU (CRD IV) and payment within a period of six years in the form of a mix of shares and cash.

All effects on the profit and loss account and net equity in connection with the programme are recorded during the vesting period.

Long Term Incentive 2017-2019
The economic value of performance-based share remuneration is measured in consideration of the market price of the shares on the awarding date less the cash value of future dividends during the vesting period.
The programme is split into blocks, each of which may comprise one to four instalments of share-based remuneration over a period established in the rules of the programme.

Long Term Incentive 2020-2023
The economic value of performance-based share remuneration is measured in consideration of the market price of the shares on the awarding date less the cash value of future dividends during the vesting period.
The programme is split into blocks, each of which may comprise one to five instalments of share-based remuneration over a period established in the rules of the programme.

F – Additional disclosures

F 3.2. – Further information

Effects on the profit and loss account

All share-based remuneration guaranteed after 7 November 2002 and whose vesting period ended after 1 January 2005 fall within the scope of application of IFRS 2.

F.3.2 Presentation of share-based remuneration in the consolidated financial statements

(€ thousand)

	YEAR 2021	YEAR 2020
Revenues (costs)	**(3,099)**	**(2,279)**
connected to equity-settled plans	(3,026)	(2,279)
connected to cash-settled plans	(73)	-
Debts for cash-settled plans	**-**	**-**

F.4 – Employees

In 2021 and 2020, the Bank Austria Group employed the following average numbers of staff (full-time equivalents):

F.4.1 Employees [1)]

	YEAR 2021	YEAR 2020
Salaried staff	5,174	5,261
Other employees	-	-
TOTAL	**5,174**	**5,261**
of which: in Austria	*5,138*	*5,201*
of which: abroad	*36*	*60*

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

F.5 – Auditors‘ fees

(pursuant to section 238 (1) 18 and Section 251 (1) of the Austrian Business Code)

The following table shows the fees charged by the auditors of the consolidated financial statements for the 2021 financial year in the following categories:

F.5.1 Auditors' fees

(€ thousand)

	YEAR 2021	YEAR 2020
Fees for the audit of the financial statements and the consolidated financial statements	**5,461**	**5,350**
Deloitte Network	3,963	4,150
Austrian Savings Bank Auditing Association	1,498	1,200
Other services involving the issuance of a report	**645**	**577**
Deloitte Network	640	572
Austrian Savings Bank Auditing Association	5	5
Tax consulting services	**-**	**-**
Deloitte Network	-	-
Austrian Savings Bank Auditing Association	-	-
Other services	**872**	**1,111**
Deloitte Network	-	248
Austrian Savings Bank Auditing Association	872	863
TOTAL	**6,978**	**7,038**

F – Additional disclosures

F.6 – Geographical distribution

Disclosures pursuant to Section 64 (18) of the Austrian Banking Act ("country-by-country reporting")
Section 64 (18) of the Austrian Banking Act requires disclosure of specific information on a country-by-country basis.
Information on the country in which each of our subsidiaries in the Group has its registered office is given in section A.8.
In addition, the following information is required to be given on a consolidated basis, broken down by country:

F.6.1 Geographical distribution

COUNTRY	NET INTEREST INCOME (€ MILLION)	OPERATING INCOME (€ MILLION)	TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS (€ MILLION)	TAX EXPENSE (INCOME) RELATED TO PROFIT OR LOSS FROM CONTINUING OPERATIONS (€ MILLION)	EMPLOYEES (FTE)
Austria	862	1,674	113	12	4,994
Slovakia	1	2	(1)	-	-
Poland	-	1	(1)	-	-
Other countries	1	-	(18)	-	-
TOTAL	**864**	**1,678**	**93**	**11**	**4,994**

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

F.7.1 Financial assets subject to accounting offsetting or under master netting agreements and similar agreements

(€ million)

INSTRUMENT TYPE	GROSS AMOUNTS OF FINANCIAL ASSETS (A)	FINANCIAL LIABILITIES OFFSET IN BALANCE SHEET (B)	NET BALANCE SHEET VALUES OF FINANCIAL ASSETS (C=A-B)	RELATED AMOUNTS NOT SUBJECT TO ACCOUNTING OFFSETTING: FINANCIAL INSTRUMENTS (D)	RELATED AMOUNTS NOT SUBJECT TO ACCOUNTING OFFSETTING: CASH COLLATERAL RECEIVED (E)	NET AMOUNT 31.12.2021 (F=C-D-E)	NET AMOUNT 31.12.2020
1. Derivatives	2,212	-	2,212	1,684	140	388	639
2. Reverse repos	2,100	-	2,100	-	-	2,100	230
3. Securities lending	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
Total 31.12.2021	**4,312**	**-**	**4,312**	**1,684**	**140**	**2,488**	**X**
Total 31.12.2020	**3,296**	**-**	**3,296**	**2,141**	**287**	**X**	**869**

F – Additional disclosures

F.7.2 Financial liabilities subject to accounting offsetting or under master netting agreements and similar agreements

(€ million)

INSTRUMENT TYPE	GROSS AMOUNTS OF FINANCIAL LIABILITIES (A)	FINANCIAL ASSETS OFFSET IN BALANCE SHEET (B)	NET BALANCE SHEET VALUES OF FINANCIAL LIABILITIES (C=A-B)	RELATED AMOUNTS NOT SUBJECT TO ACCOUNTING OFFSETTING		NET AMOUNT 31.12.2021 (F=C-D-E)	NET AMOUNT 31.12.2020
				FINANCIAL INSTRUMENTS (D)	CASH COLLATERAL RECEIVED (E)		
1. Derivatives	2,300	-	2,300	1,684	469	146	238
2. Reverse repos	1,832	-	1,832	-	-	1,832	1,085
3. Securities lending	-	-	-	-	-	-	-
4. Others	9,939	-	9,939	-	-	9,939	12,568
Total 31.12.2021	**14,071**	**-**	**14,071**	**1,684**	**469**	**11,918**	**X**
Total 31.12.2020	**16,805**	**-**	**16,805**	**2,141**	**774**	**X**	**13,891**

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

F.8 – Assets pledged as security

F.8.1 Assets used to guarantee own liabilities and commitments

(€ million)

PORTFOLIOS	AMOUNTS AS AT 31.12.2021	AMOUNTS AS AT 31.12.2020
1. Financial assets at fair value through profit or loss	716	729
2. Financial assets at fair value through other comprehensive income	7,589	8,091
3. Financial assets at amortised cost	33,643	29,817
4. Property, plant and equipment	-	-
of which: inventories of property, plant and equipment	-	-

Assets include loans and receivables as well as securities which are collateral for the bank's own liabilities and are not derecognised. The bank's own liabilities for which such collateral was provided primarily include cover pools of public-sector covered bonds and mortgage bonds, and for funded UniCredit Bank Austria bonds, funding transactions with the European Central Bank and other collateral arrangements. The contractual terms for these transactions are in line with normal market conditions.

F.9 – Transfer of financial assets

In the ordinary course of business, the Group enters into transactions that result in the transfer of financial assets, primarily debt and equity securities and loans and advances to customers. In the case of genuine repurchase agreements, the transferred financial assets remain fully recognised in the balance sheet; in the case of non-genuine repurchase agreements, they are derecognised in full.

The Group transfers financial assets primarily through the following transactions:
- Sale and repurchase of securities
- Securitisation activities in which loans and advances to customers or investment securities are transferred to special-purpose entities or to investors in the notes issued by special-purpose entities. Every special-purpose entity is assessed in order to evaluate whether consolidation is required in accordance with IFRS 10.

F – Additional disclosures

F.9.1 Transferred, but not derecognised financial assets (fair value) and corresponding financial liabilities

(€ million)

	FINANCIAL ASSETS HELD FOR TRADING		NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS		FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS		FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		FINANCIAL ASSETS AT AMORTISED COST		
	A	B	A	B	A	B	A	B	A	B	TOTAL
Balance-sheet assets	**-**	**-**	**-**	**-**	**104**	**-**	**976**	**-**	**32**	**-**	**1,112**
Debt securities	-	-	-	-	104	-	976	-	-	-	1,080
Loans	-	-	-	-	-	-	-	-	32	-	32
Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Associated financial liabilities	**-**	**-**	**-**	**-**	**111**	**-**	**882**	**-**	**-**	**-**	**993**
Deposits from customers	-	-	-	-	-	-	-	-	-	-	-
Deposits from banks	-	-	-	-	111	-	882	-	-	-	993
Debt securities in issue	-	-	-	-	-	-	-	-	-	-	-
TOTAL 31.12.2021	**-**	**-**	**-**	**-**	**(7)**	**-**	**94**	**-**	**32**	**-**	**119**
TOTAL 31.12.2020	**-**	**-**	**-**	**-**	**-**	**-**	**(10)**	**-**	**80**	**-**	**70**

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

The carrying amounts correspond to the fair values.

F.10 – Subordinated assets/liabilities

F.10.1 Subordinated assets and liabilities

(€ million)

	31/12/2021	31/12/2020
Financial assets held for trading	-	-
Financial assets designed at fair value	-	-
Financial assets mandatorily at fair value	12	12
Financial assets at fair value through other comprehensive income	-	-
Financial assets at amortised cost with banks	228	313
Financial assets at amortised cost with customers	24	23
Non-current assets and disposal groups classified as held for sale	-	-
Subordinated assets	**264**	**349**
Deposits from banks	-	-
Deposits from customers	43	90
Debt securities in issue	582	1,066
Liabilities included in disposal groups classified as held for sale	-	-
Subordinated liabilities	**625**	**1,156**

The total amount of expenses for subordinated liabilities in 2020 was €9 million (previous year: €14 million).

F – Additional disclosures

F.11 – Trust assets

F.11.1 Trust assets and trust liabilities

(€ million)

	31/12/2021	31/12/2020
Loans and receivables with banks	-	-
Loans and receivables with customers	113	136
Equity securities and other variable-yield securities	-	-
Debt securities	-	-
Other assets	-	-
TRUST ASSETS	**113**	**136**
Deposits from banks	50	51
Deposits from customers	62	85
Debt securities in issue	-	-
Other liabilities	-	-
TRUST LIABILITIES	**113**	**136**

F.12 – Return on assets

F.12.1 Disclosure pursuant to Section 64 (1) 19 of the Austrian Banking Act

	YEAR 2021	YEAR 2020
Net profit (in € million)	105	15
Total assets (in € million)	118,404	118,510
Return on assets	0.09%	0.01%

F – Additional disclosures

F.13 – Consolidated capital resources and regulatory capital requirements

F.13.1 – Capital management

Bank Austria, as part of UniCredit Group, places a high priority on capital management and capital allocation. The Bank's capital management strategy is characterised by a strong commitment to maintaining a sound capital base; the strategy is based on a risk-oriented and earnings-oriented allocation of capital to achieve the highest possible shareholder value.

At present, Bank Austria's internal capital is set at a level that will cover adverse events with a probability of 99.90 % (confidence interval).

At the same time regulatory capital ratio targets (Common Equity Tier 1 and capital adequacy ratio) are set so as to be consistent with regulatory expectations and the Risk Appetite Framework defined by the bank.

Capital management activities form a major part of the Group's planning and budgeting process as well as within ICAAP processes. Bank Austria regularly monitors capital evolution and regulatory trends at national and Group level.

Capital management activities comprise:
- planning and budgeting processes:
  - proposals as to risk propensity, development and capitalisation objectives
  - analysis of RWA development and changes in the regulatory framework
  - proposals for the financial plan and an appropriate dividend policy (MDA)
- monitoring processes
  - analysis and monitoring of limits for Pillar 1 and Pillar 2
  - analysis and monitoring of the capital ratios of the Bank Austria Group
- Stress tests
  - regular stress tests on regulatory and internal capital adequacy are carried out twice a year
  - the results of the stress tests are used to determine the risk appetite and capitalisation targets

Capital is managed dynamically which means that Bank Austria prepares the financial plan, monitors capital ratios for regulatory purposes on an ongoing basis and anticipates the appropriate steps required to achieve the goals set.

F.13.2 – Capital requirements

The capital requirements pursuant to the Capital Requirements Regulation comprise requirements resulting from credit risk, all types of risk in the trading book, commodities risk and foreign-exchange risk outside the trading book, operational risk and the CVA risk.

F.13.3 – Regulatory developments – Basel 3/CRD IV, CRR

With the EU Banking Package, additional, important components of the Basel 3 framework were implemented at the European level through changes to the CRR ("CRR II") and CRD IV ("CRD V"), among other things. The EU Banking Package was published on 7 June 2019 in the Official Journal of the European Union and has been in force since 27 June 2019.

Basel 3 demands stricter requirements for regulatory capital with a minimum of Common Equity Tier 1 Capital of 4.5% of RWA, Total Tier 1 Capital of 6 % and Total Capital of 8%.

In addition, all banks will be required to hold a capital conservation buffer consisting of Common Equity Tier 1 Capital of 2.5% on top of the new minimum requirements. This leads to an effective capital requirement of 7 % Common Equity Tier 1 Capital, 8.5% Tier 1 Capital and 10.5% Total Capital.

F – Additional disclosures

Member States can set an additional buffer requirement to dampen excess lending growth (counter-cyclical buffer up to 2.5 %). The Austrian Capital Buffer Regulation (Kapitalpuffer-Verordnung – KP-V) set the counter-cyclical capital buffer for major loan exposures in Austria at 0% from 1 January 2016. In addition, the authorities can set systemic risk buffers (SRB) and capital surcharges for systemically important banks.
The SRB for UniCredit Bank Austria Group is currently set at 1% and the surcharge for systemically important banks is 1%, both have to be applied cumulatively starting with June 2021, in accordance with CRD V.

In Austria, the BRRD II was implemented into national law by the amendment to the “Banken-Sanierungs- und Abwicklungsgesetz” (BaSAG) published on May 28, 2021. The MREL regulation based on the "Total Liabilities and Own Funds" (TLOF) has been removed and replaced by the calculation based on the RWA (Total Risk Exposure Amount, TREA) and the Leverage Ratio Exposure (LRE).
The regulatory MREL interim target will be binding from January 1, 2022.

F.13.4 – Development of equity at Bank Austria Group

In 2021, the total capital ratio decreased from 22.3% to 20.5% compared to the previous year. Regulatory capital increased by €392 million year-on-year to €7,421 million and risk-weighted assets increased by €4,756 million to €36,220 million. To improve the capital structure, additional Tier 1 capital of €0.6 billion was issued in 2021, leading to an increase in Tier 1 capital from €6.3 billion as at 31 December 2020 to €6.7 billion as at 31 December 2021.

Bank Austria continues to have a sound capital base to meet the capital requirements pursuant to Art. 92 of the CRR in conjunction with Art. 129 et seqq. of CRD IV (capital requirements, Pillar I).

F.13.4a Consolidated capital resources

(€ million)

	31.12.2021	31.12.2020
Paid-in capital instruments (excl. own instruments of Common Equity Tier 1)	1,681	1,681
Reserves (incl. profit) and minority interests	6,582	6,654
Adjustments to Common Equity Tier 1	(2,360)	(2,011)
Transitional adjustments to Common Equity Tier 1 [1)]	193	-
Common Equity Tier 1 (CET1)	**6,096**	**6,324**
Additional Tier 1 capital and qualifying Additional Tier 1 instruments issued by subsidiaries	603	3
Additional Tier 1 (AT1)	**603**	**3**
Tier 1 capital (T1=CET1+AT1)	**6,700**	**6,327**
Tier 2 capital (T2)	**721**	**702**
Total regulatory capital (TC=T1+T2)	**7,421**	**7,029**

1) According to the Austrian CRR Supplementary Regulation (CRR-Begleitverordnung) of 11 December 2013 and Regulation (EU) 2020/873 of 24 June 2020, of which transitional adjustments to CET 1 capital resulting from the application of the provisions in regulation (EU) 2020/873 to mitigate the effects of the implementation of IFRS 9 on regulatory capital (€193 million)

F.13.4b Total risk exposure amount

(€ million)

	31.12.2021	31.12.2020
a) Credit risk pursuant to standardised approach	6,092	6,380
b) Credit risk pursuant to internal ratings-based (IRB) approach [1)]	26,676	21,526
c) Other (securitisation and contribution to default fund of a central counterparty [CCP])	7	56
Credit risk	32,775	27,962
Settlement risk	-	-
Position. foreign exchange and commodity risk	230	348
Operational risk	3,176	3,110
Risk positions for credit value adjustments (CVA)	39	44
TOTAL RWAs	**36,220**	**31,464**

1) Including RWA add-on in the amount of €500 million (until fulfilment of the conditions relating to changes in the EAD model) and with the implementation of the new IRB-PD models in 3Q21, a surcharge (as of December 31, 2021: €3,300 million) will be taken into account until implementation of the full granular new rating

F – Additional disclosures

F.13.4c Key performance indicators

	31.12.2021	31.12.2020
Common Equity Tier 1 ratio 1)	16.8%	20.1%
Tier 1 ratio 1)	18.5%	20.1%
Total capital ratio 1)	20.5%	22.3%

1) Based on all risks

The calculation of consolidated regulatory capital and consolidated regulatory capital requirements as at 31 December 2021 is based, in conformity with the CRR, on International Financial Reporting Standards (IFRS).

F.14 – Trading book

F.14.1 Trading Book - Information pursuant to Section 64 (1) 15 of the Austrian Banking Act

(€ million)

	31/12/2021	31/12/2020
Securities (carrying amount)	-	-
Money market instruments	-	-
Derivatives (notional amount)	48,404	44,134

F.15 – Non-financial performance indicators

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

F.16 – Events after the reporting period

There are no major events after the reporting period.

Concluding Remarks of the Management Board

The Management Board of UniCredit Bank Austria AG has prepared the consolidated financial statements for the financial year beginning on 1 January 2021 and ending on 31 December 2021 in accordance with International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board as adopted by the European Union. The management report of the Group was prepared in accordance with the Austrian Business Code and is consistent with the consolidated financial statements.

The consolidated financial statements and the management report of the Group contain all required disclosures; in particular, events of special significance which occurred after the end of the financial year, and other major circumstances that are significant for the future development of the Group have been appropriately explained.

Vienna, 18 February 2022

Robert Zadrazil
CEO
Chief Executive Officer
(Chairperson)

Daniela Barco
Privatkundenbank

Gregor Hofstätter-Pobst
CFO Finance

Georgiana Lazar
People & Culture

Wolfgang Schilk
CRO Risk Management

Günter Schubert
Corporates

Report of the Auditors

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of UniCredit Bank Austria AG, Vienna (the Company), and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of 31 December 2021, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the consolidated financial position of the Group as of 31 December 2021, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements under section 245a UGB (Austrian Commercial Code) and the Austrian Banking Act.

Basis for Opinion

We conducted our audit in accordance with the Regulation (EU) No. 537/2014 and the Austrian Generally Accepted Auditing Standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of UniCredit Bank Austria AG in accordance with laws and regulations applicable in Austria and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- **Determination of Expected Credit Losses**
  (see the Notes to the Consolidated Financial Statements, E.2 and A.5.3.3)

Description and Issue

Loss allowances represent management's best estimate of the expected credit losses from the loan portfolios at the reporting date.

At 31 December 2021, loans and advances (financial assets at amortized cost, which include loans to customers and credit institutions) after impairments amounted to EUR 97,723 mn. For these assets loan loss provisions of EUR 1,510 mn were recorded. There are provisions for credit risks and issued financial guarantees in the amount of EUR 233 mn.

UniCredit Bank Austria AG has implemented processes to identify loss events and significant increases in credit risk and for the purpose of calculating expected credit losses. Depending on the asset class, various methods to determine the expected credit losses are applied. In principle, all of these methods are discounted cash flow methods considering multiple scenarios.

The considered parameters are estimated based on regulatory requirements and, where necessary, adapted for IFRS 9 purposes.

Report of the Auditors

Expected credit losses on loans in default (non-performing loans) that are deemed to be material on a customer level are determined individually:

- The probabilities of the scenarios, the expected cash flows and the expected recoveries from collateral are estimated based on all available external and internal information (for example valuation reports and prognoses for the continuation of businesses) and with the assistance of internal specialists.
- Expected credit losses on loans in default (non-performing loans) that have comparable risk profiles and that are not deemed to be material on an individual level are collectively determined. The expected credit losses are estimated using statistical methods and taking into consideration information about segments, exposure, cash flows from redemptions and collateral, ratings, and the length of the default period. Expected credit losses on loans that have not defaulted (performing loans) are calculated by using model-based estimates of default probabilities, loss rates, and conversion factors (CCF). If, at the reporting date, the credit risk has not increased significantly, the loss allowance is measured at an amount equal to 12-month expected credit losses. If credit risk has increased significantly, the loss allowance is measured at an amount equal to the lifetime expected credit losses.
- The models used for foreign currency loans that have not defaulted as well as for bullet loans with repayment vehicles in the retail segment are adapted to account for the special risk characteristics of these portfolios. For these portfolios, a significant increase in credit risk was identified which were thus transferred to stage 2.

The calculation of loss allowances in all described forms is based on significant management judgement and includes uncertainties. These exist in the identification of loss events or significant increases in credit risk as well as in the estimation of expected cash flows and the determination of parameters depicting the latter.

The uncertainties inherent in the determination of expected credit losses were exacerbated by the continuous consequences of the COVID-19 pandemic. Due to necessary adaptions in estimation methods and processes, management judgement is of great importance.

In order to contain the negative economic impact of the COVID-19 pandemic, numerous countries have set up a wide variety of relief measures (moratoria, deferral options, support programs, hardship funds, adaptation of insolvency law, etc.). While these relief measures have reduced the negative economic impact of the COVID-19 pandemic, they have resulted in lower observable default rates making it difficult to identify a potential deterioration in the loan portfolio early on. Although many of these support programs have already expired, their effects continue to have a negative impact on the predictive power of statistical credit risk models.

Therefore, UniCredit Bank Austria AG has made various adjustments regarding the forecast of the economic environment. As in the previous year, delay effects regarding the macroeconomic effects of the Covid-19 pandemic were considered to include forward-looking information in the estimation of credit risk parameters. Furthermore, an increased weighting of the negative scenario was maintained at the expense of the base and positive scenarios. In addition, management overlays were introduced or continued, on the one hand to take into account the effects of global supply chain bottlenecks and on the other hand to consider the generally increased credit risk of certain industries. For further details please refer to the notes of the consolidated financial statements (chapter E.2).

For the above-mentioned reasons, we considered the measurement of expected credit losses to be a key audit matter.

Audit Response

To assess the adequacy of loss allowances, we evaluated the calculation methodology for expected credit losses applied by UniCredit Bank Austria AG and its compliance with the requirements of IFRS 9.

We reviewed the key processes and models in credit risk management, as well as a sample of loans regarding the loan loss provisions. We identified and tested key controls in the credit process, especially in the monitoring and in the early warning process. We examined the internal control system for the correct application of rating models and collateral valuation.

We examined the adequacy of individual loan loss provisions based on a sample of test cases. Apart from the adherence to internal guidelines referring to rating, collateral assignment and collateral valuation, we examined whether major loss events were identified and addressed. For this, we tested loans and advances that had not been identified by management as defaulted to form our own assessment as to whether events with material impact on the repayment capability of the borrower had occurred. For non-performing loans we critically assessed the scenarios and their weightings as well as the estimated cash flows.

Report of the Auditors

We examined the adequacy of collective provisions considering lifetime parameters, forward looking information and the identification of significant increases in credit risk, as well as the underlying rating models. For credit risk models, we critically assessed the results of backtesting and model validations, the handling of these results and the analyses carried out by management to identify significant increases in credit risk.

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

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

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

- **Restructuring provisions for staff-related measures**
  (see the Notes to the Consolidated Financial Statements, A.2 and C.20)

Description and Issue

On 10 November 2021, the Management Board of UniCredit Bank Austria approved a multi-year plan ("UniCredit Unlocked") for the years 2022 to 2024, which is based on restructuring measures that include extensive staff reductions during this period. For this purpose, previously defined groups of employees are offered different voluntary bridging and early retirement models. Depending on which offer an employee accepts, the costs can vary considerably in individual cases. For the expected expenses, a restructuring provision amounting to EUR 242 mn was made in accordance with IAS 37.70.

The valuation of the restructuring provision is based on various assumptions, such as the expenses per employee for the different offers, the probability of acceptance of the offers and the expected period of the personnel measures. Because of the estimation uncertainties, the complexity of the calculation model and the importance for the financial statements, we have determined the recognition and measurement of the provision as a key audit matter.

Audit Response

We checked whether the requirements for recognizing a restructuring provision pursuant to IAS 37.72 et seq. are met.

We examined the process used by UniCredit Bank Austria AG to determine the provision, retraced the procedure for determining the relevant valuation parameters and evaluated the effectiveness of the key controls identified.

We compared the individual assumptions and relevant valuation parameters with empirical values from earlier restructuring programs at UniCredit Bank Austria AG, discussed them with management and responsible employees and critically assessed them.

We tested samples for the correct application of the underlying personnel and salary data. Moreover, we checked the plausibility of the assignment of individual data sets to the respective offer population and, using the offer-specific parameters, verified the arithmetical correctness of the provisions through a recalculation.

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

Description and Issue

In the consolidated financial statements, UniCredit Bank Austria AG recognized deferred tax assets in the amount of EUR 687 mn after netting with deferred tax liabilities. Of those deferred tax assets as per 31 December 2021 EUR 188 mn result from tax loss carryforwards.

Report of the Auditors

The assessment of the recoverability of deferred tax assets is based on a forecast of taxable income during the planning period. The taxable income depends to a large extent on the assessment of the future macroeconomic environment and is therefore subject to significant judgement. The recognition depends also on whether UniCredit Bank Austria AG regards the plans, despite the existing uncertainties as sufficiently convincing evidence for the recoverability of the deferred tax assets.

Because of the considerable amount of deferred tax assets and the uncertainties regarding the underlying data, forecasts and estimations, we have identified the recoverability of deferred tax assets as a key audit matter.

Audit Response

We have captured the process and internal controls regarding the calculation of deferred taxes and have reviewed the effectiveness of controls relevant for the audit process.

We have critically assessed the macroeconomic assumptions and parameters for the period of the multi-year plan 2022 to 2024 including internal and external forecasts and discussed them with management and other responsible employees.

We critically assessed the estimations regarding the profit development on the basis of the multiyear plan 2022 to 2024 and checked the assumptions underlying the update for plausibility. The figures in the plan were discussed with management and the responsible employees. Furthermore, we have analyzed past deviations from projections and evaluated their effects on the present plan.

We have reviewed the key data for the calculation of deferred taxes (amount of unused tax loss carryforwards, temporary differences) and audited the reconciliation of the IFRS plans to the planned tax base with the assistance of internal tax specialists. Furthermore, we have verified the mathematical accuracy of the calculation and carried out sensitivity analyzes for the planned utilization period.

- **Measurement of Associates**
  (see Notes to the Consolidated Financial Statements, A.5.4, B.16 and C.7)

Description and Issue

The investments in Bank für Tirol und Vorarlberg AG (BTV AG), BKS Bank AG and Oberbank AG are shown in the balance sheet item “investments in associates and joint ventures” and are accounted for using the equity method. The carrying amount as of 31 December 2021 amounted to EUR 1.969 mn. In the reporting period, impairments of EUR 80 mn were reversed and writedowns of EUR 86 mn were made. The shares of all three banks are listed on an exchange.

According to IAS 36, an impairment test has to be performed for these investments once a year or upon occurrence of certain indicator events. Additionally, it must be examined whether the reasons for impairments of prior periods still exist in whole or in part. To identify indicators for an impairment, market capitalization and quarterly reported results are available as external sources of information and budget figures as internal sources.

If an indicator for impairment is identified, the entity shall estimate the recoverable amount of the asset.

To test the recoverability of the associates, value-in-use calculations are carried out on the basis of the forecasts submitted by the respective companies. The forecasts take into account the scenarios which are presented in detail in the notes to the consolidated financial statements. The parameters used in these calculations are based on assumptions that are subject to high levels of uncertainty.

Minor changes in the assumptions or the discount rate used for the estimation can lead to significant changes in the result of the estimation. Because of the sensitivity of the estimation and the high degree of management judgement regarding the assumptions, we determined the measurement of the above-mentioned associates to be a key audit matter.

Audit Response

We analyzed the processes used to check the recoverability of associates, we verified the individual elements of the calculation and evaluated the effectivity of the identified key controls.

Report of the Auditors

The adequacy of the value-in-use calculation and the discount rate were reviewed based on the requirements of IAS 36 and current capital market data. The mathematical accuracy of the calculations was evaluated with the help of internal valuation specialists.

We critically assessed the assumptions used and back tested the annual forecasts with the respective annual results. The figures and scenarios used were discussed with management and responsible staff members taking into consideration the uncertainties in the market caused by the COVID-19 pandemic. Furthermore, the plausibility of the figures and scenarios was checked using internal and external forecasts.

Other Information

Management is responsible for the other information. The other information comprises the information in the annual report and in the annual financial report supplemented with company information but does not include the consolidated financial statements, the consolidated management report and our auditors' report thereon. The annual report and the annual financial report supplemented with company information is expected to be made available to us after the date of the auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the additional requirements under section 245a UGB and the Austrian Banking Act. Management is also responsible for internal controls that are determined as necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Regulation (EU) 537/2014 and in accordance with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit.

Report of the Auditors

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Statutory and Other Legal Requirements

Report on the Audit of the Consolidated Management Report

Pursuant to Austrian Commercial Code, the consolidated management report is to be audited as to whether it is consistent with the consolidated financial statements and whether it has been prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the consolidated management report in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with laws and regulations applicable with respect to the consolidated management report.

Report of the Auditors

Opinion

In our opinion, the consolidated management report is prepared in accordance with the applicable legal requirements, the disclosures pursuant to section 243a UGB are appropriate, and it is consistent with the consolidated financial statements.

Statement

Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the consolidated management report came to our attention.

Additional Information in Accordance with Article 10 of the EU Regulation

According to section 24 of the Austrian Savings Banks Act (SpG) and the Auditing Rules for Savings Banks (Anlage zu § 24 SpG), the Auditing Board of the Savings Bank Auditing Association (Prüfungsstelle des Sparkassen-Prüfungsverbands) acts as statutory auditor of Austrian savings banks and therefore also of UniCredit Bank Austria AG.

Under section 23 para 3 SpG in conjunction with sections 60 and 61 of the Austrian Banking Act (BWG, Bankwesengesetz), the audit requirement also includes the consolidated financial statements.

By resolution of Bank Austria's annual general shareholders' meeting on 8 April 2020, Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, was appointed as additional auditor of the unconsolidated and consolidated financial statements of Bank Austria for the fiscal year ending on 31 December 2021. In accordance with the above, the chairman of the Supervisory Board of Bank Austria engaged Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, as additional auditor.

Deloitte Audit Wirtschaftsprüfung GmbH has been the additional auditor uninterrupted since the financial year ending 31 December 2013.

We confirm that the audit opinion in the section "Report on the Consolidated Financial Statements" is consistent with the additional report to the Audit Committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

Report of the Auditors

Engagement Partner

The engagement partner responsible for the audit is Gerhard Margetich on behalf of Austrian Savings Bank Auditing Association and Wolfgang Wurm on behalf of Deloitte Audit Wirtschaftsprüfungs GmbH.

Consolidated Financial Statements 2021
UniCredit Bank Austria AG, Vienna

Vienna, 18 February 2022

Austrian Savings Bank Auditing Association
Auditing Board

Gerhard Margetich Certified Public Accountant	Reinhard Gregorich Auditor

Deloitte Audit Wirtschaftsprüfungs GmbH

Wolfgang Wurm Certified Public Accountant	Gottfried Spitzer Certified Public Accountant

This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the consolidated financial statements together with our auditors' opinion is only allowed if the financial statements and the management report are identical with the audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 para 2 UGB applies to alternated versions.

Report of the Supervisory Board

During the reporting period, the Supervisory Board fully performed its duties and obligations as defined by law and in the Articles of Association and the Rules of Procedure, it advised the Management Board at regular intervals and supervised the Management Board's activities. The Supervisory Board has set up four committees in order to ensure optimum performance of its duties.

Because of the COVID-19 pandemic, and as a consequence of the accompanying government restrictions, it was not possible to hold Supervisory Board meetings in the physical presence of its members in 2021. In line with the COVID-19 regulation regarding company law (*Gesellschaftsrechtliche COVID-19-Verordnung*), the Supervisory Board held six virtual meetings.

The Supervisory Board was involved in all decisions of fundamental importance and passed resolutions on matters within its competence after in-depth analysis. On five occasions, decisions were taken by circular vote. In addition, there were also continuous exchanges between the Chairman of the Supervisory Board and the Chairman of the Management Board concerning the main developments.

Focus of the Supervisory Board's activities

In the 2021 financial year, the Management Board regularly provided information to the Supervisory Board, both in writing and orally as well as in a timely and comprehensive manner, on the business policy, the financial development, the earnings performance, and on the risk, liquidity and capital management. With these activities, the Supervisory Board continuously performed its supervisory and advisory functions after in-depth analysis and consideration of all relevant facts.

One focal point of its activities related to the set of measures taken in connection with the unconsolidated financial statements and consolidated financial statements 2020, including the audit reports as well as the proposal for the selection of the auditors and the group auditors for the 2022 financial year. The Annex to the Audit Report pursuant to Section 63 (5) and (7) of the Austrian Banking Act (BWG) was brought to the attention of the Supervisory Board.

At regular intervals, the Supervisory Board dealt with reports presented by Internal Audit and granted powers to staff members to act on behalf of the company (*Prokura*). Whenever applicable, reports were received on adaptations of the Austrian corporate tax group. The risk strategy for 2021, the Capital Adequacy Statement, the structure of the loan portfolio, and the principles underlying risk policy, as well as the large exposures pursuant to Section 28b of the Austrian Banking Act (BWG) were also presented to the Supervisory Board.

A status reports on the *Puls* project was presented. On an ongoing basis, the legal updates covered the pending litigation concerning 3-Banken as well as developments in the Madoff case and the ASVG court proceedings. Reports were also received on the Outsourcing Process and Third-Party Risk Management.

In the framework of the OFAC Compliance Program, the Supervisory Board received training on financial sanctions.

The Supervisory Board extended two mandates of Management Board members and appointed three new Management Board members. The Supervisory Board adopted amendments to the Internal Rules of the Audit Committee and the Credit Committee and agreed on changes in the distribution of tasks and the rules of representation within the Management Board. The scope of activities also covered information about the use of advance approvals for loans to executive managers in 2020 pursuant to the Section 28 (1) and (4) of the Austrian Banking Act (BWG) as well as the advance approvals for 2022.

The Supervisory Board dealt extensively with the Multi-Year Plan 2021-2024, the budgets for 2021 and 2022, the Risk Appetite 2022-2024 as well as the Funding Plafond for 2022.

The Supervisory Board received information on an ongoing basis about the main issues under discussion as well as the results of meetings held by its Committees. The Fit & Proper training sessions for the Supervisory Board members covered the new issues in the ESMA/EBA F&P Guidelines and the Internal Governance Guidelines as well as information on the Gender Pay Gap and the 2020 ECB SREP results.

Report of the Supervisory Board

Committee activities

The **Credit/Risk Committee** held four meetings and passed forty-five resolutions by written circular vote.

The Credit/Risk Committee voted on the loan applications within the Committee's competences and was informed, on an ongoing basis, of the loans decided under the approval authority of the Management Board. Emerging risks in connection with the loan portfolio were the subjects of discussions, which also covered aspects of the COVID-19 crisis and the accompanying moratoria, processes and loan provisions.

In addition, reports were presented about market and liquidity risk, operating risk, reputational risk as well as ICAAP. Resolutions were taken on the 2021 risk strategy and the Capital Adequacy Statement. Moreover, an update was presented concerning the Model Road Map project, which deals with the implementation of the Basel III/CRR-EBA guidelines.

In addition to receiving information on individual risk exposures, the Committee was also informed regularly about the regulatory capital as well as the funding and liquidity management, including the status of the minimum requirements for own funds and eligible liabilities (MREL). The Committee was also informed about loans to political organizations. The work of the Committee also covered the 2021 Recovery Plan and the large exposures pursuant to Section 28b of the Austrian Banking Act (BWG).

The **Audit Committee** held four meetings, which were regularly attended by representatives of the audit firms. The Committee dealt in detail with the unconsolidated financial statements and the consolidated financial statements 2020 as well as the audit reports, and it forwarded the respective information to the Supervisory Board. The auditors informed the Committee about audit planning and the focus areas of the full-year audit of the 2021 accounts.

Compliance informed the Committee about its focal areas of activities at regular intervals. Moreover, the report on activities for the entire year 2020 and the annual reports for 2020 on Securities Compliance and Anti-Financial Crime were presented. The Committee also dealt with the 2021 Compliance Plan. Internal Audit presented its annual report for 2020 to the Committee, as well as detailed quarterly reports. In addition, the 2021 Audit Plan, including its reviews, was adopted. Internal Audit also reported on its self-assessment and the external quality assessment 2022. The activities of the Committee also covered the Governance Monitoring Report, the report for the year 2020 on complaints management as well as the evaluation of the ICS management in 2020. Moreover, the Committee monitored the financial reporting process, paying due regard to the 262 Savings Law, as well as the report on risk management. In the course of comprehensive reporting on regulatory matters, the findings of the regulatory bodies were discussed comprehensively. Detailed information was also provided on the inspections as well as the action plans focusing on the credit lending processes, the underwriting standards and the delegations as well as the internal models. The Committee received information about the final SREP operational letter 2020 and the optimization plan.

Further activities of the Committee related to a recommendation to the Supervisory Board on the appointment of the auditors for the unconsolidated financial statements and the consolidated financial statements for the 2022 financial year. The Committee dealt with the Management Letter of the auditors, approved the Engagement Letter for limited reviews of the quarterly results obtained for Q1, Q2 and Q3 of 2021 as well as the Engagement Letter for 2022. Moreover, UniCredit Leasing Austria applied for non-audit services in connection with the drafting of interim balance sheets and asked the Committee for its approval.

The **Strategic and Nomination Committee** held two meetings and passed four resolutions by written circular vote, which related to the evaluation of the Fit & Properness of new appointments of Supervisory Board members and the new appointment and extension of mandates of Management Board members. The Committee also undertook the Fit & Proper re-evaluation for 2021 of the Management Board and the Supervisory Board, dealt with the gender balance at the Bank, and reviewed the course pursued by the Management Board when selecting senior managers. In addition, the Committee passed resolutions on succession planning with regard to the Chairman of the Supervisory Board and its Committees. Moreover, the Committee dealt with the new organization of the Management Board and proposed two new Management Board members to the Supervisory Board after their respective Fit & Proper evaluation.

The **Remuneration Committee** held one meeting, where it received the report of the Risk Committee. The Committee dealt with an update of the regulatory framework on compensation, the Group Bonus Pools for 2020, severance payments as well as with an outlook on activities in 2021. The Committee also dealt with the Group Termination Payments Policy and the Group Remuneration Policy 2021.

Report of the Supervisory Board

Supervisory Board and Management Board changes

At the closure of the ordinary general meeting on 12 April 2021, Dr. Ernst Theimer resigned from his Supervisory Board mandate and Dr. Herbert Pichler was elected Supervisory Board member. Mr. Richard Burton was also elected a Supervisory Board member, with 20 July 2021 as the effective date, and thus succeeds Dr. Olivier Nessime Khayat, who resigned on 21 June 2021. The Employees' Council delegated Mr. Roman Zeller Msc LL.M to the Supervisory Board on 09 April 2021, as well as Mrs. Judith Maro, with 01 January 2022 as the effective date. Mag. (FH) Christine Buchinger left the Supervisory Board on 09 April 2021, and Mag. Karin Wisak-Gradinger resigned from her mandate on 31 December 2021.

Mrs. Tina Pogacic was appointed a Management Board member by way of circular vote, with responsibility for the COO division and 01 March 2021 as the effective date. She resigned from this function on 31 October 2021.

By way of Supervisory Board decision, Mrs. Daniela Barco was appointed as a new Management Board member, with responsibility for the Privatkundenbank division and 01 November 2021 as the effective date. Mag. Susanne Wendler and Mr. Mauro Maschio resigned as Management Board members on 31 October 2021.

Mrs. Georgiana Lazar O'Callaghan was appointed as a new Management Board member with responsibility for the People and Culture division and 01 November 2021 as the effective date.

The detailed list of Supervisory Board members and Supervisory Board Committee members as well as of the Management Board members during the 2021 financial year can be found in the business report in the section on officers of the company.

Audit of the Unconsolidated and the Consolidated Financial Statements

The accounting records, the 2021 unconsolidated financial statements and the management report were audited by the Auditing Board of the Austrian Savings Bank Auditing Association and by Deloitte Audit Wirtschaftsprüfungs GmbH. As the audit did not give rise to any objections, and as there was full compliance with the legal requirements, the auditors expressed their unqualified audit opinion.

The Supervisory Board endorsed the audit findings, indicates its acceptance of the unconsolidated financial statements and the management report and the proposal for profits distribution as presented by the Management Board, and it approves the 2021 unconsolidated financial statements of UniCredit Bank Austria AG, which are thereby adopted pursuant to Section 96 (4) of the Austrian Joint Stock Companies Act.

The 2021 consolidated financial statements were audited by the Auditing Board of the Austrian Savings Bank Auditing Association and by Deloitte Audit Wirtschaftsprüfungs GmbH, for consistency with the International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board, as adopted by the European Union; the Group management report was audited for consistency with Austrian legal provisions. The audit did not give rise to any objections and there was full compliance with the legal requirements. In the opinion of the auditors, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and of the results of the Group's operations and its cash flows for the financial year beginning on 1 January 2021 and ending on 31 December 2021, in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, as well as pursuant to the additional requirement of Section 245a of the Austrian Commercial Law Code (UGB) and the Austrian Banking Act.

The auditors certify that the Group management report is consistent with the consolidated financial statements, and that the legal requirements pursuant to Austrian law were met concerning the exemption from the obligation to prepare also separate consolidated financial statements, and they express their unqualified audit opinion.

The Supervisory Board has endorsed the audit findings.

Acknowledgements

The Supervisory Board thanks the Management Board, all staff members as well as the staff representatives for their valuable work that has made the Bank's success possible, also during the expired business year.

Vienna, 24 February 2022

The Supervisory Board

Gianfranco Bisagni
Chairperson of the Supervisory Board

Statement by Management

We state to the best of our knowledge that the consolidated financial statements prepared in accordance with the applicable financial reporting standards provide a true and fair view of the financial position and performance of the Group, and that in the management report of the Group the business trends including business results and the position of the Group have been presented in such a way as to provide a true and fair view of the financial position and performance of the Group, and that the management report of the Group describes the material risks and uncertainties to which the Group is exposed.

Vienna, 18 February 2022

The Management Board

Robert Zadrazil
CEO
Chief Executive Officer
(Chairperson)

Daniela Barco
Privatkundenbank

Gregor Hofstätter-Pobst
CFO Finance

Georgiana Lazar
People & Culture

Wolfgang Schilk
CRO Risk Management

Günter Schubert
Corporates

Consolidated Financial Statements 2021

Vienna, 18 February 2022

The Management Board

Robert Zadrazil
CEO
Chief Executive Officer
(Chairperson)

Daniela Barco
Privatkundenbank

Gregor Hofstätter-Pobst
CFO Finance

Georgiana Lazar
People & Culture

Wolfgang Schilk
CRO Risk Management

Günter Schubert
Corporates

Supervisory Board and Management Board

Information regarding the Management Board

Chairperson
Robert Zadrazil, born 1970
Chief Executive Officer (CEO)
Member from 01 October 2011
Chairman from 01 March 2016, end of the current term of office: 30 September 2023

Members
Daniela Barco, born 1982
Privatkundenbank
From 01 November 2021, end of the current term of office: 31 October 2024

Gregor Hofstätter-Pobst, born 1972
CFO Finance
From 01 October 2016, end of the current term of office: 30 September 2022

Georgiana Lazar, born 1980
People & Culture
From 01 November 2021, end of the current term of office: 31 October 2024

Mauro Maschio, born 1969
Privatkundenbank
From 01 January 2019 until 31 October 2021

Tina Pogacic, born 1986
COO
From 01 March 2021 until 31 October 2021

Günter Schubert, born 1968
Corporates
From 01 September 2019, end of the current term of office: 31 August 2022

Wolfgang Schilk, born 1967
CRO Risk Management
From 01 November 2020, end of the current term of office: 31 October 2023

Susanne Wendler, born 1967
Unternehmerbank
From 01 January 2019 until 31 October 2021

Supervisory Board and Management Board

Information regarding the Supervisory Board

The term of office of elected members will end with the Annual General Meeting in 2023. The employees' representatives are delegated to the Supervisory Board without a time limit.

Chairperson
Gianfranco Bisagni, born 1958
Head of Central Europe
UniCredit S.p.A.
(Member and Chairperson since 01 January 2020)

Deputy Chairperson
Ranieri De Marchis, born 1961
Group Operating Officer
UniCredit S.p.A.
(Member and Deputy Chairperson since 07 November 2016)

Members
Livia Aliberti Amidani, born 1961
(since 11 April 2018)

Richard Burton, born 1968
Head of Corporate and Investment Banking
UniCredit S.p.A
(since 20 July 2021)

Olivier Nessime Khayat, born 1963
(from 08 April 2019 until 21 June 2021)

Aurelio Maccario, born 1972
Group Credit Risk
UniCredit S.p.A.
(since 08 April 2019)

Herbert Pichler, born 1961
Member of the Management Board
Privatstiftung zur Verwaltung von Anteilsrechten
(since 12 April 2021)

Eveline Steinberger-Kern, born 1972
Managing Director
The Blue Minds Company GmbH
(since 04 May 2015)

Ernst Theimer, born 1947
(from 07 July 2010 until 12 April 2021)

Delegated by the Employees' Council
Christine Buchinger, born 1968
Member of the Central Employees' Council
(from 23 January 2017 until 09 April 2021)

Adolf Lehner, born 1961
Chairperson of the Central Employees' Council
(since 04 December 2000)

Supervisory Board and Management Board

Judith Maro, born 1967
Member of the Central Employees' Council
(since 01 January 2022)

Mario Pramendorfer, born 1973
Member of the Central Employees' Council
(since 23 September 2016)

Karin Wisak-Gradinger, born 1964
Member of the Central Employees' Council
from 01 December 2017 until 31 December 2021)

Roman Zeller, born 1988
Member of the Central Employees' Council
(since 09 April 2021)

Representatives of the Supervisory Authorities

Commissioner
Christoph Pesau
Federal Ministry of Finance

Deputy Commissioner
Nadine Wiedermann-Ondrej
Federal Ministry of Finance

State Commissioner for the Cover Fund
Alfred Katterl

Deputy State Commissioner for the Cover Fund
Christian Wenth

Trustee pursuant to the Austrian Mortgage Bank Act
Peter Part

Deputy Trustee pursuant to the Austrian Mortgage Bank Act
Thomas Schimetschek

Supervisory Board and Management Board

The Supervisory Board formed the following permanent committees:

Credit-/Risk Committee:
Chairperson:
Eveline Steinberger-Kern (Member since 08 May 2015, Chairperson since 16 April 2018)

Deputy Chairperson:
Richard Burton (Member and Deputy Chairperson since 22 July 2021)
Olivier Nessime Khayat (Member and Deputy Chairperson from 09 April 2019 until 21 June 2021)

Members:
Aurelio Maccario (since 09 April 2019)

Delegated by the Employees' Council:
Mario Pramendorfer (since 16 April 2018)
Karin Wisak-Gradinger (since 01 December 2017 until 31 December 2021)
Roman Zeller (since 01 January 2022)

Audit Committee:
Chairperson:
Aurelio Maccario (Member and Chairperson since 22 July 2021)
Olivier Nessime Khayat (Member from 09 April 2019 until 21 June 2021, Chairperson from 04 May 2021 until 21 June 2021)
Ernst Theimer (Member and Chairperson from 08 May 2015 until 12 April 2021)

Deputy Chairperson:
Ranieri De Marchis (Member since 16 April 2018, Deputy Chairperson since 23 January 2019)

Members:
Herbert Pichler (since 04 May 2021)

Delegated by the Employees' Council:
Christine Buchinger (from 27 April 2017 until 09 April 2021)
Adolf Lehner (since 02 May 2006)
Roman Zeller (since 09 April 2021)

Supervisory Board and Management Board

Remuneration Committee:

Chairperson:
Livia Aliberti Amidani (Member and Chairperson since 16 April 2018)

Deputy Chairperson:
Aurelio Maccario (Member and Deputy Chairperson since 09 April 2019)

Members:
Ranieri De Marchis (since 16 April 2018)

Delegated by the Employees' Council:
Christine Buchinger (from 16 April 2018 until 09 April 2021)
Adolf Lehner (since 06 November 2011)
Roman Zeller (since 09 April 2021 until 31 December 2021)
Judith Maro (since 01 January 2022)

Strategic & Nomination Committee:

Chairperson:
Livia Aliberti Amidani (Member and Chairperson since 16 April 2018)

Deputy Chairperson:
Richard Burton (Member and Deputy Chairperson since 22 July 2021)
Olivier Nessime Khayat (Member and Deputy Chairperson from 09 April 2019 until 21 June 2021)

Members:
Gianfranco Bisagni (since 01 January 2020)

Delegated by the Employees' Council:
Adolf Lehner (since 02 May 2006)
Judith Maro (since 01 January 2022)
Karin Wisak-Gradinger (from 01 December 2017 until 31 December 2021)

Additional Information

Office Network

Office Network Austria

Head Office

1020 Vienna, Rothschildplatz 1
Tel.: +43 (0) 5 05 05-0
Fax: +43 (0) 5 05 05-56155
Internet: www.bankaustria.at
E-Mail: info@unicreditgroup.at

Branches

Amstetten*, Baden, Bludenz, Bregenz*, Bruck/Mur, Dornbirn, Eisenstadt*, Feldkirch, Gänserndorf, Gmünd*, Graz* (4), Groß-Enzersdorf, Hall/Tirol, Hallein, Hollabrunn, Horn, Imst, Innsbruck* (2), Judenburg*, Kitzbühel, Klagenfurt*, Klosterneuburg, Knittelfeld, Krems*, Leibnitz*, Leoben*, Lienz*, Linz* (2), Mattersburg, Mödling* (2), Neunkirchen, Neusiedl/See*, Oberpullendorf, Oberwart*, Perchtoldsdorf, Purkersdorf*, Salzburg* (2), Schladming*, Schwechat, Spittal/Drau, St. Pölten*, Stegersbach, Steyr*(2), Stockerau*, Traun, Tulln*, Villach* (3), Vöcklabruck, Weiz*, Wels*, Vienna* (53), Wiener Neustadt*, Wolfsberg, Wörgl, Zell/See*.

*) With offices serving Business customers & Professionals resp. Premium Banking customers

Retail Banking - Regional Offices

Vienna City
1010 Wien, Stephansplatz 7a
Tel.: 05 05 05-31012

Vienna South-East
1110 Vienna, Simmeringer Hauptstraße 98
Tel.: 05 05 05-62300

Vienna West
1150 Vienna, Märzstraße 45
Tel.: 05 05 05-51055

Vienna North-West
1200 Vienna, Wallensteinstraße 14
Tel.: 05 05 05-50600

Vienna South-West
1120 Vienna, Schönbrunner Straße 263
Tel.: 05 05 05-50444

Vienna North-East
1210 Vienna, Am Spitz 11
Tel.: 05 05 05-59800

Lower Austria North
3100 St. Pölten, Rathausplatz 2
Tel.: 05 05 05-55066

Lower Austria South & Burgenland
2340 Mödling, Enzersdorfer Straße 4
Tel.: 05 05 05-38500

Office Network

Styria
8010 Graz, Herrengasse 15
Tel.: 05 05 05-37661

Carinthia & East Tyrol
9500 Villach, Hans-Gasser-Platz 8
Tel.: 05 05 05-64100

Upper Austria & Salzburg
4020 Linz, Hauptplatz 27
Tel.: 05 05 05-65100

Tyrol & Vorarlberg
6020 Innsbruck, Maria-Theresien-Straße 36
Tel.: 05 05 05-67100

Alternative Sales Channels
1020 Vienna, Rothschildplatz 1
Tel.: 05 05 05-50330

Premium Banking – Regional Offices

Vienna City
1010 Vienna, Fichtegasse 9
Tel.: 05 05 05-44001

Vienna East
1010 Vienna, Fichtegasse 9
Tel.: 05 05 05-52970

Vienna North
1020 Vienna, Am Tabor 46
Tel.: 05 05 05-46200

Vienna West
1170 Vienna, Hernalser Hauptstraße 72-74
Tel.: 05 05 05-48804

Austria North
4020 Linz, Hauptplatz 27
Tel.: 05 05 05-67242

Austria South
8010 Graz, Herrengasse 15
Tel.: 05 05 05-63100

Austria West
6900 Bregenz, Kornmarktplatz 2
Tel.: 05 05 05-46317

Business Customers & Professionals - Regional Offices

Vienna City
1010 Vienna, Stephansplatz 7a
Tel.: 05 05 05-47248

Office Network

Vienna West
1190 Vienna, Döblinger Hauptstraße 73a
Tel.: 05 05 05-36195

Austria East
2340 Mödling, Enzersdorfer Straße 4
Tel.: 05 05 05-36609

Austria South
9500 Villach, Bahnhofstraße 1
Tel.: 05 05 05-38121

Austria North
5020 Salzburg, Rainerstraße 2
Tel.: 05 05 05-66351

Austria West
6020 Innsbruck, Maria-Theresien-Straße 36
Tel.: 05 05 05-65158

Corporate Banking - Regional Offices

Vienna Large Corporates
1020 Vienna, Rothschildplatz 1
Tel.: 05 05 05-56022

Vienna SME
1020 Vienna, Rothschildplatz 1
Tel.: 05 05 05-47400

Austria East
3100 St. Pölten, Rathausplatz 3
Tel.: 05 05 05-58005
2340 Mödling, Enzersdorfer Straße 4
Tel.: 05 05 05-28501

Austria West
6020 Innsbruck,
Maria-Theresien-Straße 36
Tel.: 05 05 05-95182
6900 Bregenz, Kornmarktplatz 2
Tel.: 05 05 05-65125

Austria South
8010 Graz, Herrengasse 15
Tel.: 05 05 05-63436
9020 Klagenfurt, Karfreitstraße 13
Tel.: 05 05 05-64401

Austria North
5020 Salzburg, Rainerstraße 2
Tel.: 05 05 05-96161
4020 Linz, Hauptplatz 27
Tel.: 05 05 05-67501

Office Network

Selected subsidiaries and equity interests of UniCredit Bank Austria AG in Austria

Schoellerbank Aktiengesellschaft
1010 Vienna, Renngasse 3
Tel.: +43 (0)1 534 71-0
www.schoellerbank.at

Bank Austria Finanzservice GmbH
1020 Vienna, Rothschildplatz 4
Tel.: +43 (0) 5 05 05-53000
www.baf.at

Bank Austria Real Invest Immobilien-Management GmbH
1020 Vienna, Rothschildplatz 4
Tel.: +43 (0)1 331 71-0
www.realinvest.at

Bank Austria Wohnbaubank AG
1020 Vienna, Rothschildplatz 4
Tel.: +43 (0) 5 05 05-40304

card complete Service Bank AG
1020 Vienna, Lassallestraße 3
Tel.: +43 (0)1 711 11-0
www.cardcomplete.com

DC Bank AG (Diners Club)
1020 Vienna, Lassallestraße 3
Tel.: +43 (0)1 501 35-0
www.dcbank.at

UniCredit Leasing (Austria) GmbH
1020 Vienna, Rothschildplatz 4
Tel.: + 43 (0) 5 05 88-0
www.unicreditleasing.at

FactorBank Aktiengesellschaft
1020 Vienna, Rothschildplatz 4
Tel.: +43 (0)1 506 78-0
www.factorbank.com

Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H.
1010 Vienna, Parkring 12a
Tel.: +43 (0)1 515 30-0
www.oeht.at

UniCredit Services GmbH
(wholly-owned subsidiary of UniCredit Services S.C.p.A., Milan)
1020 Vienna, Rothschildplatz 4
Tel.: +43 (0)1 717 30-0

Glossary of alternative Performance Measures

Glossary of alternative performance measures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ROAC (return on allocated capital): net profit measured against allocated capital (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: 11.75% of Risk-Weighted Assets (2021) and 12.25% (2020)). If the return on allocated capital is calculated for a period of less than a full year, net profit is annualized.

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

Glossary of alternative Performance Measures

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

Investor Relations

Investor Relations, Ratings, Imprint, Notes

UniCredit Bank Austria AG / Corporate Relations

Rothschildplatz 1, 1020 Vienna, Austria	
Phone: +43 (0)5 05 05-57232	Fax: +43 (0)5 05 05-8957232
Email: investor.relations@unicreditgroup.at	Internet: https://ir-en.bankaustria.at
Günther Stromenger, phone: +43 (0)5 05 05-57232	
Andreas Petzl, phone: +43 (0)5 05 05-54999	

Ratings

	LONG-TERM / DEPOSITS	LONG-TERM / SENIOR UNSECURED	SUBORDINATED LIABILITIES	SHORT-TERM
Moody's 1)	A3	Baa1	Baa3	P-2
Standard & Poor's 1)	BBB+	BBB+	BBB-	A-2

Public-sector covered bonds and mortgage bonds of Bank Austria are rated Aaa by Moody's.
1) Securities issued before 31 December 2001 and therefore benefiting from the deficiency guarantee by the City of Vienna ("grandfathered debt" – exclusively subordinated debt), are rated Baa1 by Moody's and BBB- by Standard & Poor's.

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

Publisher and media owner:
UniCredit Bank Austria AG
Rothschildplatz 1, A-1020 Vienna
Phone: + 43 (0)5 05 05-0
Internet: www.bankaustria.at
e-Mail: info@unicreditgroup.at
BIC: BKAUATWW
Austrian bank routing code: 12000
Company register: FN 150714p
LEI: D1HEB8VEU6D9M8ZUXG17
Data Processing Register Number: 0030066
VAT Number: ATU 51507409

This Annual Report was produced by UniCredit Bank Austria AG, Rothschildplatz 1, 1020 Vienna (publisher and media owner).

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Cover and introduction creative definition: UniCredit S.p.A.

Sorter pages creative definition: M&C Saatchi

Design, graphic development and production: UniCredit S.p.A.

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

Persons (Management Board) authorised to represent the media owner:
Robert Zadrazil (Chairman of the Management Board), Daniela Barco, Gregor Hofstätter-Pobst, Georgiana Lazar, Wolfgang Schilk, Günter Schubert.

Supervisory Board of media owner:
Gianfranco Bisagni (Chairman of the Supervisory Board), Ranieri De Marchis (Deputy Chairman of the Supervisory Board), Livia Aliberti Amidani, Richard Burton, Adolf Lehner, Aurelio Maccario, Judith Maro, Herbert Pichler, Mario Pramendorfer, Eveline Steinberger-Kern, 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 Annual Report is prepared for the convenience of our English-speaking readers. It is based on the German original, which is the authentic version and takes precedence in all legal respects.

Ecological sustainability: Identifying a problem is the first step in solving it. Bank Austria has provided a home to more than a million bees over the past two years.

Our People
Bee Centre
Austria

UniCredit Bank Austria AG

II. UniCredit Bank Austria AG

Preliminary Remarks on the Financial Statements

Preliminary Remarks on the Financial Statements

UniCredit Bank Austria Aktiengesellschaft, the parent company of the Bank Austria Group, presents its balance sheet as at 31 December 2021 and its profit and loss account for the year ended 31 December 2021, as well as the management report and the notes pursuant to Austrian law.

The consolidated financial statements of the Bank Austria Group for the financial year beginning on 1 January 2021 and ending on 31 December 2021 were prepared in accordance with International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board as adopted by the European Union. The annual report of the UniCredit Bank Austria Group, which includes, inter alia, the consolidated financial statements, as well as the Group's management report and notes may be downloaded from the Investors/Financial Reports site of Bank Austria's website (**https://www.bankaustria.at/en/about-us-financial-reports.jsp**).

The two reporting formats – under IFRSs and under the Austrian Business Code/Austrian Banking Act (UGB/BWG) – cannot be compared with one another because the operations covered by the financial statements differ (consolidated financial statements versus separate financial statements of the Group's parent company), and the valuation and accounting principles are also different.

The annual report of the Group gives readers information on the status of the group of companies controlled by UniCredit Bank Austria AG. The consolidated financial statements provide international comparability, a fair value-based presentation of the financial position and performance, and more detailed information, for example through segment reporting. UniCredit Bank Austria AG's separate financial statements, prepared in accordance with Austrian rules, fulfil other important functions, especially under supervisory aspects.

They are also the basis for determining the profit available for distribution under Austrian law and the dividend payment of UniCredit Bank Austria AG. In making an economic evaluation of the bank, users of the separate financial statements should take into account especially the extensive financial relations between the parent company and its banking subsidiaries. For this reason, the financial statements of the Group provide more comprehensive information.

Management Report of UniCredit Bank Austria AG

Management Report of UniCredit Bank Austria AG

1. Report on business development and the financial situation

1.1 Economic environment – market developments

Global economic recovery in the second year of the pandemic

Hopes of a complete return to normal in 2021 were dashed by the spread of a number of variants of the virus. The second year of the COVID-19 pandemic was nonetheless characterised by an upturn in the global economy, though the strong start to the year was followed by a marked decrease in the pace of the recovery. In addition to the measures taken against the fourth wave of the pandemic from late autumn onwards, the strong recovery triggered problems due to the interruption of global supply chains. This not only curtailed growth momentum, but also led to significant price rises in many countries.

The decline of over 3% in global economic performance in 2020 was followed by a strong bounce-back over 2021 as a whole, with an estimated rise in GDP of 5.8%, supported by a strong recovery in China with economic growth of almost 8% as well as by a sharp rise of 5.7% in the United States. The recovery took a little longer to start for the European economy, which grew appreciably by just over 5% in 2021, though the German economy showed only a moderate pace of growth. This means that the losses of 2020 have not yet been offset. At the end of 2021, the economic performance of the eurozone was still around 4% below the pre-crisis level in 2019.

In the course of the recovery in 2021, many countries saw accelerated inflation due to a rise in commodity prices and transport costs, which were primarily caused by supply bottlenecks that proved to be highly persistent. Operating on the assumption that the increased inflation was for the most part a temporary phenomenon, the central banks of developed countries maintained their supportive monetary policy stance in 2021. The Fed Funds Target Rate remained within the range of between 0 and 0.25 percent, and the European Central Bank kept the key rate at 0 percent and the deposit rate at minus 0.5 percent up to the end of 2021. However, the Fed began to slow the pace of its securities purchases towards the end of 2021. The ECB continued its regular Asset Purchase Programme (APP) and its Pandemic Emergency Purchase Programme (PEPP) in 2021 but has announced that the purchase volume will be reduced in the first quarter of 2022 and that net purchases through the PEPP will be discontinued at the end of March 2022. Rising inflation concerns in 2021 led to a rise in nominal yields on longer-term US government bonds. At the end of the year, 10-year US Treasuries were trading at 1.5 percent, compared to 0.9 percent at the beginning of the year. Long-term yields in Europe also rose slightly as a result. At the end of 2021, the yield on the ten-year Austrian Federal bond was significantly higher at minus 0.11 percent than at the beginning of the year (-0.50 percent). At the same time, the sustained economic optimism has supported the stock markets. The Dow Jones Index rose by 18.7 per cent in 2021. Many European stock exchanges performed even better. The ATX Vienna Stock Exchange index rose by almost as much as 40 percent between the beginning and end of 2021. The increased interest rate differential between the US and the eurozone strengthened the US dollar exchange rate, particularly in the second half of the year, from 1.21 against the euro at the beginning of 2021 to 1.14 at the end of the year.

Economic situation and market developments in Austria

The Austrian economy benefited from the improved conditions after the end of the third wave of the pandemic in spring 2021, achieving an above-average recovery, and economic output was at pre-crisis levels by the autumn. In the winter months, the pace of growth began to slow down as a result of supply bottlenecks, and the lockdown starting in late November had an additional impact on many service sectors. After a drop in GDP of 6.7% in 2020, the first year of the pandemic, the Austrian economy grew by almost 5.0% in 2021. The recovery has allowed the labour market to improve rapidly. The unemployment rate for 2021 fell to an average of 8.0%, having hit an average of 9.9% in 2020. Unemployment in the construction, industrial and non-market services sectors has even fallen below the levels seen before the outbreak of the pandemic. As a result of the increased demand and, in particular, the supply-side delivery problems, inflation began to rise significantly from the spring onwards, even exceeding 4% year on year towards the end of 2021. Inflation doubled to 2.8% on average over the year.

Financing and deposit performance was once again heavily influenced by the pandemic in 2021. Credit growth was very strong with an average increase of almost 4%, though this was slightly less than in 2020. This was due both to the slowdown in loans in the public sector and to a reduced momentum in corporate loans, which fell to just over 4% despite the significant investment activity (2020: +5.6%). On the other hand, the increase in housing loans accelerated to reach almost 6% year on year, supported by the increased demand for residential property and sharp rise in property prices as a result of the pandemic as well as by continued favourable financing conditions. With consumer loans declining significantly less than in 2020, the growth in loans to private households rose to just over 4% on average over the year. In spite of the low-interest environment, deposits rose sharply in 2021 by 5.5% on average, supported by an acceleration in household deposit momentum and a strong increase in corporate deposits, albeit a much lower one than in 2020.

Management Report of UniCredit Bank Austria AG

1.2. Business development in 2021

Balance sheet development in 2021

A comparison of the most important balance sheet items
Generally speaking, the Bank Austria Group's balance sheet at 31 December 2020 reflects the target structure which was to be strategically achieved through an **Austrian universal bank** focused on traditional commercial banking business with customers. **Loans and receivables with customers** are the largest item on the asset side by far with a proportion of more than 50%. Unternehmerbank and Corporate & Investment Banking accounted for approximately two-thirds of total lending volume, underscoring Bank Austria's leading position as a major lender to the Austrian business sector. Furthermore, the bank holds an important position in lending to Austrian retail customers. **Deposits from customers** represent more than half of liabilities and equity. Close to 60% consists of deposits from Privatkundenbank and constitutes a solid refinancing basis for Bank Austria.

(€ million)

			CHANGE OVER 2020	
	31.12.2021	31.12.2020	+/- € MILLION	+/- %
Assets				
Cash in hand, balances with central banks	21,683	28,113	(6,430)	-22.9%
Treasury bills and other bills eligible for refinancing at central	9,933	9,392	541	5.8%
Loans and advances to credit institutions	7,620	6,525	1,095	16.8%
Loans and advances to customers	67,431	60,873	6,559	10.8%
Bonds and other fixed-income securities; shares and other variable-yield securities	4,324	4,653	(330)	-7.1%
Equity interests and shares in group companies	1,830	1,811	19	1.0%
Fixed assets, other assets, deferred tax assets (incl. intangible assets and accruals)	2,140	2,662	(522)	-19.6%
Total assets	**114,961**	**114,029**	**932**	**0.8%**
Liabilities and shareholders' equity				
Amounts owed to credit institutions	29,651	30,177	(526)	-1.7%
Amounts owed to customers	62,223	58,820	3,402	5.8%
Debts evidenced by certificates	9,510	11,678	(2,168)	-18.6%
Provisions	4,512	4,567	(55)	-1.2%
Other liabilities items	1,789	1,961	(172)	-8.8%
Tier 2 capital	588	947	(358)	-37.8%
Additional Tier 1 capital	602	-	602	n.m.
Capital and reserves	6,086	5,879	207	3.5%
of which: Net profit of the year	*207*	*-*	*207*	*n.m.*
Total liabilities and shareholders' equity	**114,961**	**114,029**	**932**	**0.8%**

n.m. = not meaningful

As at 31 December 2021, **the total assets** of UniCredit Bank Austria AG amounted to €115.0 billion, which represents an increase of €0.9 billion or +0.8%.

The item **"cash in hand, balances with central banks"** fell by 22.9%, or €-6.4 billion, to €21.7 billion in the reporting period, mainly due to the increase in loans and receivables with customers.

Loans and receivables with credit institutions increased by €1.1 billion to €7.6 billion.

The item **"loans and receivables with customers"** rose sharply by €6.6 billion (+10.8%) to €67.4 billion, with increases in volumes in all business segments (Privatkundenbank, Unternehmerbank and CIB), particularly in the fourth quarter as a result of an increased need for liquidity on the part of businesses.

Management Report of UniCredit Bank Austria AG

Amounts owed to credit institutions fell slightly to €29.6 billion (-1.7%), with an additional €1.55 billion borrowed in TLTRO III operations in March 2021.

Amounts owed to customers rose over the course of the year by €3.4 billion to €62.2 billion. Here too, all business segments recorded growth.

Debt securities in issue fell significantly (€-2.2 billion) to €9.5 billion. Among other things, two major Pfandbrief issues expired in the reporting period.

The excellent refinancing base from non-banks is documented as a whole by the consolidated item "**direct funding**" (deposits from customers + own issues), which amounted to €71.7 billion as at 31 December 2021. This means that loans to non-banks are covered by deposits from non-banks and debt securities in issue to the extent of about 106%.

Under the item "**provisions**", amounting to €4.5 billion, provisions for risks and charges for post-retirement benefit obligations totalled €3.7 billion (31 December 2020: €3.9 billion). As at 31 December 2021, the discount rate for social capital was 1.0%, an increase of 0.35 percentage points compared to the 2020 year-end rate of 0.65%.

Owing to the issue of **additional Tier 1 capital** in December 2021, an amount of €0.6 billion was reported for this item.

As at 31 December 2021, **equity** totalled €6.1 billion, an increase resulting from the annual profit of €207 million.

Major items in the profit and loss account for 2021

(€ million)

	2021	2020	+/- € MILLION	+/- %
Operating income	**1,665**	**1,602**	**62**	**3.9%**
Net interest income	798	800	(2)	-0.3%
Income from securities and equity interests	167	195	(28)	-14.1%
Net fee and commission income	504	471	33	7.0%
Net profit/loss on trading activities	84	73	11	15.2%
Other operating income	110	62	48	77.6%
of which: release of pension provision	*35*	-	*35*	*n.m.*
Operating expenses	**(1,469)**	**(1,222)**	**(247)**	**20.2%**
Staff costs	(766)	(628)	(138)	21.9%
of which: provisions for wages and salaries	*(266)*	-	*(266)*	*n.a.*
of which: allocation to the pension provision	-	*(129)*	*129*	*-100.0%*
Other administrative expenses	(506)	(464)	(41)	8.9%
Depreciation and amortisation	(46)	(22)	(24)	0.0%
Other operating expenses	(152)	(108)	(44)	40.9%
Operating results	**195**	**380**	**(185)**	**-48.6%**
Charge for loan loss provisions	(144)	(345)	200	-58.2%
Operating results less charge for loan loss provisions	**51**	**36**	**16**	**44.0%**
Net income/ expenses from disposal and valuation of securities / current assets	(1)	12	(14)	n.a.
Net income/ expenses from disposal and valuation of securities / financial fixed assets	145	3	142	0.0%
Net income/ expenses from the disposal and valuation of shares in group companies and equity interests	13	(80)	93	n.a.
Results from ordinary business activities	**208**	**(29)**	**237**	**n.a.**
Taxes	0	39	(38)	-98.8%
Other taxes	(1)	(61)	60	-97.6%
Annual surplus/ annual deficit	**207**	**(52)**	**259**	**n.a.**
Movements in reserves	0	52	(52)	-99.8%
Profit/loss for the year	**207**	**(0)**	**207**	**n.a.**
Profit/loss brought forward from previous year	-	0	(0)	-100.0%
Accumulated profit/loss	**207**	**0**	**207**	**0.0%**

n.m. = not meaningful

Management Report of UniCredit Bank Austria AG

Operating income reached €1,665 million in 2021 (+3.9% compared to the previous year's figure of €1,602 million).
While the current interest rate and margin environment meant that net interest continued to decline, most other income items showed some significant improvement compared to the difficult previous year.

Net interest remains the largest item in Bank Austria's operating income. At €798 million, it was 0.3% lower than the previous year's figure of €800 million. This was a result of the continued pressure on margins in an environment of extremely low and sometimes negative interest rates. However, posting the overall benefit of TLTRO income had a stabilising effect as the required target loan volume was significantly exceeded.

At €154 million, **income from securities and equity interests** was 20.4% lower than the previous year's figure, which included an extraordinary dividend from Immo Holding, among other things.

Net fees and commission income increased by 7% compared to the previous year's figure, totalling €504 million. While net fees and commissions from asset management produced substantial gains over the previous year's figure, the contribution from the payment transaction business was at the previous year's level, having been impacted by measures such as repeated lockdowns since the start of the COVID-19 pandemic, particularly in the card payments sector.

The income statement item "**other operating income**"includes items that are not attributable to the above-mentioned income items. Income of €110 million (compared to €62 million in the same period of the previous year) was generated in 2021; the figure for 2021 is largely linked to the change in the parameters for calculating the provisions for post-retirement and severance payments and also to a positive one-off effect relating to social capital. In accordance with the provisions of the Austrian Commercial Code (UGB), the overall positive effect resulting from the changes to the provisions for post-retirement and severance payments must be recorded under this item in the income statement.

Payroll costs amounted to €766 million, €138 million or 21.9% higher than the previous year's figure. The increase in the reporting year is primarily a result of an allocation of €266 million to the restructuring provisions for personnel expenses for temporary assistance and voluntary early retirement models based on the 2022–2024 strategic plan "***UniCredit Unlocked***" announced in December 2021. The previous year's figure included an allocation of €129 million to the provisions for post-retirement and severance payments. In accordance with the provisions of the Austrian Commercial Code, the overall negative effect resulting from the changes to the provisions for post-retirement and severance payments must be recorded under this item in the income statement.

Other administrative expenses increased by 8.9% to €506 million (2020: €464 million). A major item is the provisions posted for the aforementioned 2022–2024 strategic plan "***UniCredit Unlocked***", including for one-off expenses for onerous contracts or from contracts expected to produce lower economic benefits in future periods.

Depreciation and amortisation amounted to €46 million (previous year: €22 million). The increase is linked to extraordinary write-downs on property, plant and equipment, which were undertaken on the basis of the "***UniCredit Unlocked***" plan.

Other operating expenses totalled €152 million (previous year: €108 million). This included the contributions to the deposit guarantee fund and the resolution fund, which amounted to €108 million (2020: €79 million), of which the deposit guarantee scheme accounted for €58 million (2020: €36 million) and the resolution fund accounted for €50 million (2020: €43 million). The increase in the contributions for the deposit guarantee scheme is largely due to claims (Commerzialbank Mattersburg and Autobank) and the resultant withdrawal of some market players from the deposit guarantee scheme for banks.

Net write-downs of loans and provisions for guarantees and commitments were affected by conflicting effects. There were increases in performing loans due to model adjustments and calibration changes driven by regulatory requirements; however, reversals for foreign currency loans (mainly due to repayments) countered this. Net write-downs of loans and provisions for guarantees and commitments for non-performing loans fell sharply compared to the previous year. In total, net write-downs of loans and provisions for guarantees and commitments of €144 million were reported in 2021, after an expense of €345 million in the previous year.

Net income/expenses from disposal and valuation of securities/financial fixed assets includes the result from the repurchase of two subordinated bonds from affiliated companies for €127 million.

In total, the items listed generated a **result from ordinary business activities** of €208 million (previous year: €-29 million), which was posted after recording restructuring measures totalling €338 million, among other things.

Management Report of UniCredit Bank Austria AG

A positive amount of €+0.4 million was reported for the item "**taxes**".

The item "**other taxes**" amounted to €-1 million (previous year: €-61 million), which takes into account the bank levy of €2 million (previous year: €-61 million, which included for the last time a pro-rata special payment of €44 million). The reduced sum amounting to the reasonable limit was payable in 2021 due to the previous year's profit situation.

Net income for 2021 totalled €207 million (2020: €-52 million). After movements in reserves, an **annual profit of** €207 million (2020: €-0.2 million) was recorded. UniCredit Bank Austria AG has an **accumulated profit** of €207 million for 2021 (2020: 0).

Management Report of UniCredit Bank Austria AG

1.3. Permanent establishments

There are no permanent establishments.

1.4. Financial and non-financial performance indicators

Financial performance indicators

	2021	2020	2019
Total capital ratio	18.9%	20.0%	19.4%
Return on equity before taxes	3.5%	-0.5%	-0.3%
Return on equity after taxes	3.5%	-0.9%	0.7%
Cost/income ratio	88.3% [1]	76.3% [2]	96.1% [3]
Risk/earnings ratio	14.9%	34.6%	3.7%
Risk/earnings ratio (without dividends)	18.1%	43.1%	4.8%

[1] 2021 adjusted for special effects (strategic plan "UniCredit Unlocked") of €338.3 million; cost Income ratio 67.9%
[2] 2020 adjusted for special effects (social capital provision) of €184.5 million in 2020; cost Income ratio 64.8%
[3] 2019 adjusted for special effects (social capital provision) of €528.8 million in 2019; cost Income ratio 66.4%

Definitions of the performance indicators:

Total capital ratio: Attributable equity expressed as a percentage rate of the total receivable amount according to EU Regulation No. 575/2013 Art. 92

Return on equity before taxes: Net profit before taxes divided by the average balance sheet shareholders' equity

Return on equity after taxes: Net profit divided by the average balance sheet shareholders' equity

Balance sheet shareholders' equity: Subscribed capital, capital reserves, revenue reserves, risk reserve, untaxed reserves

Average balance sheet shareholders' equity Balance sheet shareholders' equity as of 1 January of the reporting year + balance sheet shareholders' equity as of 31 December of the reporting year, divided by 2

Cost-income ratio: Operating costs (incl. impairments) divided by operating income

Risk-earnings ratio: Net write-downs based on the net interest income, i.e. the sum of net interest income and investment income

Branch network

	2021	2020	2019
Domestic retail branches	117	122	122

	31.12.2021	AVERAGE FOR 2020	31.12.2020	AVERAGE FOR 2019
Headcount [1]	4,574	4,667	4,666	4,672
Full-time equivalents [1]	4,052	4,131	4,124	4,126

1) excluding unpaid employees but including workers and delegates according to the "operation principle"

According to the operation site principle, which applies to UniCredit Bank Austria AG and its subsidiaries, headcounts and staff costs are reported in those companies in which the employees are working.

Management Report of UniCredit Bank Austria AG

Non-financial performance indicators

As a member of UniCredit Group, Bank Austria does not prepare its own non-financial declaration in accordance with Section 267a of the Austrian Commercial Code (UGB), since it is included in UniCredit S.p.A's non-financial report pursuant to Section 267a (7) UGB. This report now also takes into account the requirements of EU Regulation 2020/852 on EU climate taxonomy, in particular the information that financial institutions are required to disclose for 2021. The report is available on UniCredit's website (https://www.unicreditgroup.eu/en.html).

Research and development

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

In the area of information and communication technology (ICT), investment at the UniCredit level focuses on further developing digitisation and optimising processes, while maintaining stringent cost management and aligning itself with the Group's ICT strategy as well as the ICT security strategy. The main objective is to enhance the customer experience and expand it to include digital channels in addition to automating internal processes. Since 2019, the main focus (in addition to the necessary regulatory and system maintenance measures) has been on the digitisation and further development of online channels (mobile banking, online sales, self-service devices), which has reduced processing times on the banking and customer side and has also strengthened environmental protection (e.g. through paperless processes). This has also made it easier to meet the needs of customers and further increase customer satisfaction during the COVID-19 pandemic despite the heightened security of the systems. ICT expenses and investments (investment budgets) are capitalised at the UniCredit subsidiary UniCredit Services and charged to Bank Austria. UniCredit Services provides the entire Group with IT services, enabling UniCredit to benefit from Group-wide developments and joint IT platforms as well as unlocking significant synergies in the IT sector.

Corporate sustainability/Sustainability management

UniCredit ESG-Strategie
As explained by the CEO of UniCredit Group at the Strategy Day in December 2021, embedding sustainability in the corporate culture is a key pillar of UniCredit's strategy. UniCredit strives to invest in and support activities that benefit society:

- Target of Net Zero on Group’s greenhouse gas emissions by 2030, and target of Net Zero on financed emission by 2050.
- 79% renewable energy in Group buildings (Austria: 97%), no single-use plastics in Group buildings by the end of 2022
- More than €40 million in contributions to charitable and philanthropic initiatives and to training for +120,000 young people, combined with a commitment to providing financial support to groups that are at risk of financial exclusion
- A commitment to close the gender pay gap over the next three years, implementing the global ESG guidelines and ensuring equal pay for equal work by investing €100 million. The Group's strong focus on diversity and inclusion is already reflected in the high proportion of women at senior levels

UniCredit Group aims to achieve a new ESG volume of €150 billion cumulative for the period 2022–2024, including environmental loans, ESG investment products, sustainable bonds and social loans. The Group has developed an ESG consulting model for companies and individuals, is financing innovation to drive the transition to a low-carbon economy and is working with key players to enrich and improve ESG offering in all sectors.

In addition, UniCredit is developing strategic projects with key partners for specific social challenges (e.g. job inclusion and female empowerment) and is focusing on financial literacy (e.g. basic financial and entrepreneurial skills and education for vulnerable categories).

Sustainability at Bank Austria
The following basic concepts are factored into all of the Group's corporate activities, and therefore those of Bank Austria: "Sustainability is an integral part of the DNA of UniCredit Group". Accepting our responsibility towards society and the environment and managing resources carefully and consciously in order to make a significant contribution to transforming the economy into an important driver of a sustainable, CO2-free society.

Management Report of UniCredit Bank Austria AG

The issue of sustainability is part of Bank Austria's business strategy – as part of the UniCredit Group's ESG strategy described above – and is therefore also embedded in its core business. But this is just the beginning: the relevance of a sustainable outlook will continue to grow. The SDGs (Sustainable Development Goals) and ESG (Environment, Social & Governance) already constitute benchmarks for the Group's economic activity and are involved in determining the products and services on offer. See also UniCredit's Integrated Report, which presents UniCredit's sustainability targets (which include withdrawing financing from environmentally harmful industries such as coal mining, and increasing credit facilities that contribute to energy efficiency). These targets are also crucial to Bank Austria in its position as a key part of the Group.

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

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

In the medium and long term, we can only be successful in transforming the economy together with our customers if we structure our financial and investment portfolio to meet the 1.5°C target set out in the Paris Agreement. In October 2021, UniCredit Group took the first important step towards achieving this by joining the Net-Zero Banking Alliance. The Net-Zero Banking Alliance is a voluntary, global alliance of banks, under the aegis of the United Nations Environment Programme Finance Initiative (UNEP FI), that aim to achieve net zero emissions across the entirety of their financing and investments by 2050 or before. The targets are subject to annual target achievement reports.
Further steps being implemented in the UniCredit Group by 2023 include an analysis and calculation of the carbon footprints of the various portfolios and the integration of climate, environmental and sustainability risks in the risk process.

Social commitment remains an essential component of our sustainability strategy. In keeping with our guiding principle of "Doing what is important", we will continue to make an active contribution to improving the social framework and, by applying our environmental management system, we want to help ensure that future generations have an environment worth living in. To this end, we are continuing to enter into cooperation agreements and seeking to exchange ideas with other companies and with experts.

Social Impact Banking (SIB), introduced in 2019 with the three pillars of "impact financing", "microfinancing" and "financial education", supports our aim of contributing to the positive development of society:

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

In 2021, projects were financed to benefit people in the following areas:
Products for facilitating mobility and making social reintegration easier for people with disabilities
Residences for people with disabilities
Reintegrating people with disabilities into the labour market
Expanding a bilingual nursery school group
Completing a church for a religious group

We support the start-up and expansion of small businesses through microfinancing. In doing so, we not only enable access to financial resources, but also pass on financial expertise through a network of mentors.

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We are particularly proud of our MicroCredit initiative: in 2021, more than 100 small businesses in different sectors received a total of over €3 million in support for their investments. MicroCredits are backed by a guarantee from Austria Wirtschaftsservice Gesellschaft mbH or by liability on the part of Wiener Kreditbürgschafts- und Beteiligungs AG.

The aim of our extensive financial education programme is to support not only company founders, but also young people and young adults. Through the blended learning programme "MoneyMatters", we aim to make prudent management of money and financial instruments accessible to pupils aged 14 and over. Following a successful pilot project in cooperation with the Burgenland Department of Education, we began rolling out the programme, which consists of workshops and an innovative online learning platform, in the Vienna Department of Education in autumn 2021.
At the "Bank Austria Business Plan competition – next generation", numerous student teams are able to put their entrepreneurial knowledge to the test every year. Furthermore, in cooperation with our partners in the social sector, we bring easily accessible financial education to vulnerable groups, in particular young people and those at risk of marginalisation. Our web app "Geldwissen2go" offers easy access to interesting information on money, background knowledge and a money diary.

Community
Once again 2021 was shaped largely by the effects of the COVID-19 pandemic. The Bank Austria Social Prize, the purpose of which is to lessen the impact of the pandemic on charitable and social organisations, was increased to a total of 90,000 euros in 2020 and kept at the same level in 2021. In each of Austria's states, an award of 10,000 euros was divided between three aid organisations. As another direct result of the pandemic, a new "advancement of women" category was added to the Bank Austria Social Prize. This was in view of the fact that women were particularly affected by the negative social consequences of the COVID-19 pandemic. Around one third of the 158 applications in 2021 were eligible for this new category of assistance.
In order to help those who are particularly affected by the crisis, in late 2021 we also decided to support the Volkshilfe "Mut.Schaffen" initiative. "Mut.Schaffen" (Build Courage) provides financial support to children from families at risk of poverty throughout Austria, as well as being there for them in school-related matters, for example.

Bank Austria continues to play an especially important role in the social sector in terms of long-term, mature partnerships with well-known charitable organisations. This strategy, which is focused on continuity, underlines, for example, our cooperation with SOS Children's Villages. This involves us acting as house sponsors in Children's Villages throughout Austria. Caritas is another partner with which we have maintained close cooperation throughout Austria for over 25 years. This covers projects such as the integration through sport initiative "Käfig League", the Bank Austria Volunteers' Day and cooperation in disaster relief activities. Since the start of our partnership with the Caritas Family Fund of Bank Austria, founded in 1994, we have helped over 800 Austrian families who have faced hardship through no fault of their own.
Even these long-term partnerships are subject to constant change, however, as shown by a new form of partnership with SOS Children's Villages: Not only did this benefit the children and young people of SOS Children's Villages thanks to the financial and personal contribution provided by Bank Austria, the employees of Bank Austria also had access to "family tips" regularly provided and distributed through internal communication channels by the experts at SOS Children's Villages. These tips have become particularly popular during the COVID-19 pandemic (especially in the context of home-schooling).

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

Promotion of the arts and culture is also an important part of our social commitment. Bank Austria has long been one of the most important private sponsors in Austria. We focus on long-term partnerships with renowned partners, such as the Bank Austria Art Forum, the Albertina or the Vienna Musikverein. We have also been promoting young talent for just as long, which we believe to be a sustainable investment in the future. In 2021 we launched a new and exciting programme in this area with Bank Austria Studios. The studios are available for two years rent-free to selected young graduates of Austrian art academies in order to provide them with the opportunity of gaining a foothold in the art market. This is supported by workshops on topics that are important for life as an independent artist. Cultural commitment therefore not only fits perfectly into the Bank's comprehensive sustainability programme, but also expands it to include a multi-layered perspective.

In order to reach as many projects as possible as well as keeping our finger on the pulse in terms of support, for the past seven years Bank Austria has been pursuing an innovative path that is unique in Austria in the field of cultural promotion: Every year, in cooperation with the wemakeit platform, we provide €100,000 for crowdfunding campaigns. As the projects each receive one third of their campaign total as sponsorship from the bank, a total project volume of three times the amount of the money invested is supported. Over the last seven years, the Bank has helped to implement a total of over 230 exciting projects and initiatives. Together with around 19,500 supporters, we have contributed to the Austrian art and cultural scene receiving around €2.4 million.

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In the field of sport, we focus on people with disabilities alongside conventional sponsoring activities. We are proud to have been a partner of the Austrian Paralympic Committee since its very beginnings and to support the dedicated sportsmen and sportswomen every year as well as the athletes of the Austrian wheelchair tennis team. This commitment is now being furthered by the cooperation with Special Olympics Austria, which adds a new dimension to the Olympic motto "Taking part is everything".

Disability

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

The initiatives already implemented for customers include a special bank card for visually impaired people, sections of Bank Austria's website which enable customers to listen to spoken information and read texts in simple language, and a shuttle service introduced in 2010 for customers with limited mobility. With the internationally recognised SmartBanking in sign language, our tried and tested Bank Austria consulting services have been available to the deaf via video calling since autumn 2015. Since 3 December 2020, UniCredit Bank Austria has offered customers a dedicated inclusion loan for purchasing aids at an especially low variable customer interest rate of 1.5% (tied to the 3 month EURIBOR) and zero percent processing fees upon presentation of an Austrian disability certificate with a disability of 50% or more or a certificate from the Hilfsgemeinschaft der Blinden und Sehschwachen (Austrian Aid Community for the Blind and Visually Impaired).

By promoting a diverse workforce and creating an inclusive culture, UniCredit Bank Austria AG facilitates an environment in which everyone can develop and contribute to success with their unique strengths. Employees with disabilities, of which there are around 230, are also met with a supportive environment that offers the best conditions tailored to their individual needs so that they can use their talents, skills and experience to create added value for the company. As a result, UniCredit Bank Austria AG has for many years been one of only 22% of Austrian companies (according to the Annual Report for 2020 issued by the Austrian Ministry for Social Affairs) that meet the statutory employment quota for people with disabilities.

We are very pleased to have become the leading financial institution in Austria and all of Continental Europe through our commitment in the field of accessibility and inclusion. This is evidenced by numerous international awards, such as the prestigious "Disability Matters Award 2018", "Austria's Leading Companies Award 2019" or being "Highly Commended" at the "Financial Adviser Diversity in Finance Awards 2020" and being named "Diversity & Inclusion Initiative of the Year" at the "Financial Adviser Diversity in Finance Awards 2021" for accessible offers during the COVID-19 crisis.

Commitment to the environment – climate protection as a high priority

Environmental and climate protection are key tasks which the world of business now has to tackle. As already mentioned, we at Bank Austria have decided to make a significant contribution towards a climate-neutral economy. It goes without saying that we do this together with our customers. Nevertheless, environmental protection starts with us and we have been aware of this for many years now. The UniCredit Group has committed itself to making a decisive contribution to climate protection that goes far beyond "business as usual" and has set itself some very ambitious goals: These include: meeting all electricity consumption requirements in buildings entirely from renewable energies by 2023, removing all non-recyclable plastic articles from the break areas of office buildings in all countries by 2023 and reducing greenhouse gas emissions to net zero by 2030.

Through its numerous initiatives and projects, Bank Austria has been making a very significant contribution to this for many years now and will continue to do everything it can to take a leading role within the UniCredit Group. For example, UniCredit Bank Austria AG has reduced CO2 emissions by around 90% since 2008. This is documented through the ISO 14001 environmental management system that has been in place since 2011, and confirmed annually in external audits by Quality Austria. Eliminating single-use plastics from office life has also been a major area of focus. Plastic tableware and cutlery in the kitchenettes have long been a thing of the past, and since 2021, plastic office articles such as slides, pens and document files have gradually been replaced by alternative, plastic-free products.
As regards energy procurement, Bank Austria continues to follow the highest Austrian standards, obtaining almost 100% green energy from renewable energy sources in accordance with the Austrian Eco-Label (UZ46).

This is made possible by adopting a structured approach, which, for instance, is supported by the ISO 14001 environmental management system, which was established in 2011. The benefits of this environmental management system, which covers not only the company headquarters but also all branch locations, are not only ecological and social but also operational in nature: A significant reduction in resource consumption represents huge cost savings. A major contribution to this reduction comes from the new corporate headquarters established in 2018, which were planned and built in line with strict environmental criteria and which have now been certified as DGNB Gold and LEED Gold. We also must not forget the geothermal plant built by Bank Austria at the same time at the same site, which is one of the largest of its kind in Europe.
To further underline the efforts made to protect the environment and the importance of this issue, Bank Austria, together with a few other pioneering companies, also joined the klimaaktiv Pakt 2020 of the Ministry for Climate Action in 2011. This voluntary commitment has now been successfully finalised, with all goals set regarding the reduction of CO2 emissions, increasing the share of renewable energy sources and improving energy efficiency now being in some cases significantly exceeded by Bank Austria. This has been confirmed by the Austrian Energy Agency, which carries out the annual monitoring of klimaaktiv Pakt members on behalf of the Ministry for Climate Action.
To emphasise the fact that the efforts cannot end here, Bank Austria also joined the new klimaaktiv Pakt in 2021, also launched by the Ministry for Climate Action. Together, the eleven partners have committed to an additional 8.4 million metric tons of CO2 savings by 2030, thereby making a significant and visible contribution to achieving Austria's national climate targets.

Bank Austria's green product range

A successful transformation to a zero-carbon economy is only possible if we work together with our customers. With mutual respect and by providing attractive products and services that cover the needs of customers while also meeting environmental needs.

In this regard, Bank Austria already has an extensive sustainable product portfolio ranging from a significantly expanded selection of ESG investment products for both private and institutional investors via ESG-linked loans, which are subject to internationally applicable criteria (based on an external ESG rating of the customer), to structured products (with better conditions linked to improved ESG ratings), to green mortgages and consumer loans. The range of account products bearing the Austrian Eco-Label for Sustainable Financial Products (UZ49) was also expanded in 2021. Accounts for business customers and young people have now also been awarded the UZ49 label, meaning that sustainable financing is guaranteed for the full amount deposited.

Products for corporate customers:
To build on our position as a strategic financial partner to our corporate clients, in 2021 we expanded our consulting and services range to include a strong **focus on ESG** especially for SMEs:

As well as our existing successful financing products for companies that have an affinity with capital and credit markets (e.g. green bonds, ESG-linked bonds, ESG-linked promissory note loans, ESG-linked loans, ESG-linked derivatives), Bank Austria is now offering a **standardised sustainability loan** with an interest margin that is tailored according to an external ESG rating.

The option of a customised on-site ESG assessment for information purposes is also available through the ***"Bank Austria Sustainability Barometer"***. This consulting tool has been developed by the UniCredit Group together with the sustainability specialists ISS-ESG. As well as E, S and G analyses, it also addresses issues specific to a number of different sectors (currently 19). This consulting approach provides customers with a broader understanding of, for example, the in-depth analyses of environmental risks required by the EBA, implementation of the EU taxonomy, green asset ratios (for banks) and expanded reporting obligations (sustainability report) for companies, and has been extremely positively received by our customers.

Products for retail customers:
Since 2020, Bank Austria has offered retail customers a comprehensive selection of sustainable products that ranges from sustainable accounts and sustainable financing to sustainable investment opportunities. We have also been cooperating since 2020 with WWF, which has been supporting Bank Austria in developing green financing in particular. Since 2021, we have also been partnered with Nationalparks Austria and the Austrian sustainability start-up *Glacier*.

The *GoGreen account* is Bank Austria's sustainable and Austrian Eco-Label-certified account. The full amount of all *GoGreen* account deposits is used to finance sustainable projects. The account is entirely digital and paper-free (including electronic account statements and automated account opening). Every customer receives a debit card that is made from an environmentally friendly material and sent to the customer using an FSC-certified and sustainably printed paper base. All *GoGreen* account holders also receive a reduction on the issue surcharge for selected ESG funds.

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The *GoGreen MegaCard account*, Bank Austria's young person's account for customers aged between 10 and 20, also bears the Austrian Eco-Label. The full amount of all account deposits goes exclusively to sustainable projects. This account can also be used entirely digitally (including electronic account statements). Every customer receives a debit card that is made from an environmentally friendly material and sent to the customer using an FSC-certified and sustainably printed paper base.

Sustainable financing for construction and housing is allocated to the construction of new energy-efficient housing and/or to renovation measures to improve energy classification. The customer receives €150 on presentation of the energy certificate. There is also a dedicated blog on the Bank Austria website including articles on sustainable construction and housing. From there, customers can get up to 15% off from selected partners (e.g. sustainable gardening and interior design).

The green consumer loan can be used to finance energy-efficient renovation measures or to purchase environmentally friendly products such as electric cars and electric bicycles. Customers receive a voucher worth up to €100 for our sustainable partners: Zotter, Sonnentor and Markta.

It is also important to Bank Austria that its employees receive training to ensure that they can provide comprehensive and high-quality advice on the topic of sustainability. All employees have completed a mandatory e-learning course on sustainability. A training session for around 60 sustainability ambassadors from sales was also held in collaboration with WWF in 2021.

Customers

Excellent customer experiences are a prerequisite for growth and change
Commitment and motivation to find solutions, as well as an understanding of our customers' personal situations, are what sets us apart. The flexibility shown by our employees has continued to have a positive effect on customer confidence, particularly in the challenging months of the pandemic.

We respond to changing expectations through measurement and analysis.
In addition to conventional phone surveys with around 5,000 interviews a year across all customer segments, we also measure customer satisfaction directly at the point of contact online via "*MyFeedback*", when customers have received advice in-branch or used our service and self-service facilities, or our online channels "*24You*" online banking and the "*MobileBanking*" app. In 2021, our customers again made extensive use of this feedback channel – around 82,000 "*MyFeedbacks*" were submitted in total. Measuring satisfaction at the various points of contact allows us to respond quickly to requests, expectations and complaints.
The feedback on our service, reliability and advice also serves as a basis for our consultants to implement our targets and as a starting point for improving our service. The high satisfaction figures are having a positive effect on the recommendation rate of Bank Austria: in 2021, the net promoter score (NPS) again showed a slight increase (+3) despite the persistent highly challenging environment caused by the ongoing pandemic.

Shaping the future – because every customer complaint is an opportunity to improve
We have set high standards for ourselves in the handling of complaints: to respond to any complaint within 48 hours. We achieve this 99% of the time for both verbal and written complaints. Rapid processing and a satisfactory solution can resolve negative experiences and restore customer confidence in Bank Austria. In 2021, the number of complaints was kept at the same low level as in the previous year thanks to consistent improvements – especially regarding measures taken in response to the COVID-19 pandemic. This was achieved by discussing problems and by developing and implementing improvements in the "*Customer Experience Taskforce*" and "*Customer Experience Board*". The special expertise pooled in our ombudsman's office made it possible to provide assistance rapidly and without needless bureaucracy to customers who were in financial difficulties as a result of the pandemic.

Employees

Employees of the Bank Austria Group and the resident UniCredit CEE units work at UniCredit Bank Austria's headquarters at the Austria Campus in the second district of Vienna. Across the whole of the Austria Campus, the greatest attention is focused on environmental and sustainability criteria.

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Examples include the reduction of expensive storage media to save energy, the use of new media to reduce hardware, printing using the FollowMe printing system and the implementation of an environmentally friendly paper policy for efficient use of paper, which is also in line with the objective of largely avoiding the use of paper in the future.

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

One particular measure designed to support the different lifestyles of employees is the "Career and Family" audit, an official seal of approval awarded by the Federal Ministry for Families, Seniors, Women and Young People. The bank successfully submitted its first external audit at the end of 2009. The re-audit, which was also successful, took place in 2021.

In the target agreement, which covers a further three years, one focus is on providing the optimum infrastructure to best support flexible working hours and remote working. Communication activities and special support services for managers are also at the heart of the initiatives supported by both management and the Works Council. Further activities to ensure equal opportunities for women and men and people with disabilities have been an integral part of the programme from the very beginning. The success of these initiatives depends to a large extent on management control: qualitative objectives and quantitative targets are defined with regard to the measures and the results are regularly evaluated.

Thanks to many years of experience in the field of remote working, Bank Austria was able, as in the previous year, to very quickly and efficiently move all central segments and large parts of the sales segments to the safety of home offices during the lockdown periods of 2021 while still providing customers with all services to the usual standard. In recognition of this, Bank Austria was awarded the supplementary "Mobile Working" certificate in 2021.

Human Capital Austria

We believe that, in order to respond quickly to market opportunities and challenges, we need to build on our efforts to structure and run our company in a dynamic way. This means that managers need to create a secure space that allows our employees to find their voice, take on personal responsibility and live up to our values in their actions and decisions. In 2021 we have also focused on creating an environment that allows us to remain flexible, to question the status quo, to identify new prospects and to ensure that we excel in our markets.

Our task is to create a positive working environment in which employees can get involved and actively contribute to our success. Our top priority in 2021 continued to be to support the physical and mental health and well-being of our employees, and we therefore placed significant emphasis on supporting work-life balance and creating a positive working environment for all of our employees, thereby giving them the opportunity to live up to their full potential. By supporting the work-life balance, continuously optimising the way we work and offering our employees comprehensive opportunities for further development, we want to create an environment that enables our employees to participate actively, grow and learn. This approach was endorsed in January 2022 when Bank Austria received the Top Employer 2022 certification from the Top Employers Institute.

Trust, individual responsibility and mutual consideration, along with the option of time and place flexibility, are the foundation for results-oriented work and a viable work-life balance. Our goal and expectation is to find solutions that meet both individual and business needs, based on mutual understanding and regular discussions. As the pandemic continues through 2021, we consider it our responsibility to support all our employees in a specific manner through targeted initiatives, measures and solutions aimed at increasing flexibility, complying with formal working hours, supporting management with remote teams, supporting home learning and establishing new working methods. We have also endeavoured to support all our customer-facing employees so that they can adapt to the new reality and serve our communities in a more digital way.

As part of our support for all our colleagues in this challenging environment, we have continued our existing initiatives, particularly in the area of "*well-being & (mental) health*". The newly introduced digital learning formats and special *Goodhabitz* training units, an article and toolkit series, provide support for maintaining a good work-life balance. It is important that we always take care of our health and wellbeing, in these times more than ever. We supported our employees with recommendations and information from our page on mental and physical wellbeing and support for individual needs.

Topics of particular interest included strengthening resilience, supporting mental health through special advisory services and supporting managers in maintaining contact and engagement among people during long pandemics, but there was also a focus on some physical illnesses where progress in early detection and prevention significantly reduces the risk of negative consequences (breast cancer prevention, testicular and prostate cancer prevention).

External recruiting: In this challenging situation, we made every effort in particular to safeguard the health and safety of all employees and all new recruits to ensure that this year, around 300 interns were able to gain their first professional experience at the Bank and all training initiatives were able to be implemented as planned. In total, around 215 internships were awarded to students at universities of applied sciences and universities. During the summer, an additional 73 school pupils in Vienna as well as in the other federal states were able to complete their holiday work placements, primarily in UniCredit Bank Austria branches. Through the implementation of online recruiting, we also managed to recruit 16 apprentices who started in August 2021. UniCredit Bank Austria also offered excellent opportunities for graduates who were embarking on their career. Bachelor's or Master's graduates were given the opportunity to start their career with us through our graduate programme in January 2021 – followed by a global graduate programme for Austria, Italy and Germany starting in February 2021 and an intake of graduates for the Corporate & Investment Banking (CIB) division in the spring and autumn.

During the corona crisis in particular, training initiatives are incredibly important for the Austrian economy and society as a whole, which is why one of our particular concerns, especially in the current situation, is to ensure the education of young talent and further invest in the future.

To ensure a positive experience for applicants, we also launched our new applicant tracking system Avature in autumn, a state-of-the-art online tool that also includes solutions for the onboarding process and a CRM module to promote active management of talent pools.

Internal recruitment: Bank Austria's internal job market is an integral part of the human capital strategy and provides a platform for internal vacancies. The aim is to show employees new prospects within the company. Depending on the individual skills, interests and resources, it is possible to work on short-term projects and initiatives across the Group in addition to the opportunity to move to a new position. Finding the right job or an exciting challenge no longer depends on employees' CVs and training alone, but also on their personal motivation and activity. The internal job board, which has been made clearly accessible thanks to various tools, shows employees new prospects, makes better use of employee potential and boosts employee satisfaction. In 2021, we placed additional focus on helping employees broaden their knowledge and experience by taking on challenges in different departments of the bank and applying for internal positions. As part of this project, a "job of the week" section was added to the weekly newsletter to advertise internal job offers.

Performance management: Sustainable differentiation, transparency, a feedback culture and commitment are the main drivers of our development and remuneration decisions. Our UniCredit Performance Management is a modern, fair and transparent performance evaluation and development system for all employees of Bank Austria. Each individual always has access to the evaluations and feedback documentation in his/her personal electronic archive. We use this process to strengthen the performance concept and inclusion within our bank and our group, always aware that this is based on our five fundamentals (Customers First – People Development – Cooperation & Synergies – Risk Management – Execution & Discipline) and that this is the most suitable way to implement the strengths and skills of our employees and to meet the need for future development. Regular feedback provides the basis for achieving individual goals and thus also corporate goals. Performance management supports this process as a Group-wide assessment and development tool. It includes assigning goals, assessing performance and potential and defining career plans and development measures. It therefore forms the framework for regular dialogue. Starting this year, we have introduced an upward feedback facility that prompts and encourages all employees to submit feedback to their line manager voluntarily. This initiative is an important step on our path towards an open and continuous feedback culture.

Learning & development: In order to support our employees and managers in their daily work and development, we have thoroughly strengthened our online learning offerings and expanded these with new cooperative partners. Digital learning methods are becoming increasingly important. While advancing digitisation opens up new channels for our customers to do banking business with us, it also offers our employees new ways of cooperating internally and learning. We have therefore expanded the comprehensive learning media portfolio to include digital self-learning media, with the emphasis on independent learning. We are committed to providing all employees with further attractive opportunities for personal development, on a voluntary, flexible and digital basis. With the introduction of the learning platform *goodhabitz.com*, our employees have been able to access numerous exclusive online training courses this year. This is how *goodhabitz.com* complements the existing learning offerings by providing division-specific online training and training that supports the business units in the best possible way.

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We also redoubled our efforts in 2021 to support employees in improving their knowledge of the languages most frequently spoken in the UniCredit Group in order to help them to assert themselves and succeed in an international environment such as this.

The world of work is changing, meaning that we need to adapt our way of working and our work behaviour. For that reason, we are supporting our managers and employees in their "learning" and in getting the most out of new ways of working, cooperation and the use of new tools. To make even better use of digital and peer-to-peer learning opportunities, we have introduced new learning formats in which employees can register to learn from internal and external experts on topics relating to changes and mega trends, as well as from all our colleagues who voluntarily share their knowledge and experience.

MyLearning Plus is a new and improved learning interface that has been introduced to enable colleagues to easily search for and find various learning collections on management, new trends, cooperation, team performance and personal and professional development.
The introduction of a learning management system has improved the roll-out of modern e-learning formats and ensured that compliance with minimum regulatory requirements is achieved efficiently. All of this supports our motto: *#NeverStopLearning*: Employees can learn on a self-determined basis and are not tied to specific time schedules, thereby increasing the return on learning for everyone.

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

Succession planning: Our targeted succession planning enables our experts and managers to pursue an attractive career within our company. Our Executive Development Plan (EDP) ensures that, in particular, critical positions can be refilled internally to the greatest extent possible by means of carefully prepared short, medium and long-term planning, while supporting the development of our executives with targeted development initiatives, both divisionally and across divisions. In continuing to implement our "*Rising Stars*" and "*Leadership Champions*" talent programmes, we have focused on innovation and disruptive thinking as well as on expanding the management repertoire of our prospective managers.

Diversity & inclusion: Diversity, in combination with an inclusive and psychologically secure environment, inspires and creates the perfect culture of innovation by bringing together many different talents, experiences and perspectives. This creates a level of diversity that encourages open-minded thinking and supports mutual respect and tolerance for each other. This is why we are committed to a corporate culture of inclusion which, in our eyes, is the key to sustainable success. As part of the UniCredit Group, we at Bank Austria have been establishing an environment where all employees can express their diverse ideas, talents and experiences and contribute their unique value to our company for many years. We are committed to promoting greater diversity by encouraging international cooperation and teamwork that extends across borders and roles. On our journey to promoting diversity and inclusion, we want to attract and employ candidates with a range of different qualifications, support the careers of our colleagues, promote loyalty to the company and further develop employees, boost our performance-based remuneration system and overall, foster an inclusive culture. The achievement of our diversity and inclusion projects is supported by:
- A focus on how we address candidates with a new employer brand strategy and our pledge to advertise vacancies transparently
- The introduction of several new training and learning programmes to support raising awareness and handling our subconscious prejudices – which we all have – as well as promoting inclusion and our promising female management employees
- Further development of our promotion and appointment process
- Continuation of our strong support for the Disability Management action plan

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At UniCredit in Austria, we have been successfully supporting the goals of diversity and inclusion for many years through various networks that have been initiated by employees, especially through our UniCredit Bank Austria Women's Network. This enthusiasm has inspired us to provide significant support to another two *employee resource groups* this year:
- *Unicorns of Bank Austria*
- *UniCredit Cultural Diversity Network*

We have also introduced a new employee group that focuses on younger colleagues, as well as on intergenerational cooperation and how it is understood:
- *Future Generations Network*

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

Bank Austria has also demonstrated its commitment to these values through a series of different events on topics including the culture of masculinity, LGBTQ+, inclusive communication, intergenerational understanding and cooperation and many more. This was offered to all our employees and attended by many of them.

Gender balance: UniCredit launched a Group-wide Gender Balance Programme with a view to creating fair workplaces based on equal rights for men and women and ensuring that these values are firmly anchored in the corporate culture. This initiative is supported not least by the signing of the "*Women in Finance Charter*" by the then UniCredit CEO in London in June 2018. The degree to which this objective is reached, especially at management level, is measured by means of an annual dashboard for the Strategy & Nomination Committee. The proportion of women on the Executive Committee is 40%. Particular value is placed on having candidates of both genders in the appointment process for management positions; candidates will be fairly assessed for each position, ensuring equal opportunities. Salary adjustments always consider gender-equal compensation. In order to promote the development of our female talent, in 2021 we developed a special mentoring program for management that focuses on promoting awareness of our new generation of female executives and supporting them in taking on new tasks in the future. At the same time, we have continued to take a strong interest in the global UniCredit programmes aimed at supporting our most promising executives.

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1.5. Equity capital and equity capital requirements of UniCredit Bank Austria AG

The equity capital as at 31 December 2021 (€6,614 million) is calculated according to Basel III requirements (Regulation (EU) No. 575/2013 CRR and (EU) 2019/876 CRR II) and is comprised of Common Equity Tier 1 capital (CET1), additional Tier 1 capital (AT1) and supplementary capital.

Owing to the issue of additional Tier 1 capital of €600 million in December 2021, Tier 1 capital as at 31 December 2021 increased by €719 million compared to the end of 2020.

The share of core capital (common equity + additional core capital) as a proportion of attributable equity is 88.8%.
The share of supplementary capital as a proportion of attributable equity is 11.2%.

Capital ratios based on all risks

	31.12.2021	31.12.2020
Common Equity Tier 1 capital ratio	15.1%	17.3%
Tier 1 capital ratio	16.8%	17.3%
Total capital ratio	18.9%	20.0%

Despite an increase in equity capital, the rise in the total risk exposure amount led to a reduction in the Common Equity Tier 1 ratio from 17.3% (end of 2020) to 15.1% as at 31 December 2021 and in the Tier 1 capital ratio from 17.3% (end of 2020) to 16.8% as at 31 December 2021. The total capital ratio fell from 20.0% to 18.9%. The sharp year-on-year increase in the total risk exposure amount is primarily due to the new IRB PD model introduced in the third quarter of 2021.

In addition to the minimum capital requirement of 8%, UniCredit Bank Austria AG is obliged to maintain a capital conservation buffer of 2.5% made up of Common Equity Tier 1 capital, a systemic risk buffer of 0.5% and a buffer for other systemically important institutions of 0.5%. The countercyclical capital buffer for material Austrian credit exposures is currently set at 0%.
UniCredit Bank Austria AG is also obliged to maintain an institution-specific Pillar 2 buffer of 1.75%.

The CET 1 ratio (15.1%) and the total capital ratio (18.9%) are significantly above the regulatory requirements.

1.6. Information on the share capital and exercise of special rights

As at 31 December 2021, the subscribed capital of UniCredit Bank Austria AG amounted to €1,681,033,521.40, all of which was represented by registered ordinary shares.

As at 31 December 2021, UniCredit S.p.A. held a direct interest of 99.996% in UniCredit Bank Austria AG.

The registered shares with restricted transferability which are held by "Privatstiftung zur Verwaltung von Anteilsrechten (AVZ Stiftung)", a private foundation under Austrian law, and by "Betriebsratsfonds des Betriebsrats der Angestellten der UniCredit Bank Austria AG Region Wien (Betriebsratsfonds)", the Employees' Council Fund of the Employees' Council of Employees of UniCredit Bank Austria AG in the Vienna region, have a long tradition and carry special rights based on historical developments: for specific resolutions to be adopted at a general meeting of shareholders, the holders of registered shares with restricted transferability have to be present when the resolutions are adopted. The relevant resolutions are specified in Article 20 (13) and (14) of UniCredit Bank Austria AG's Articles of Association.

The "Restated Bank of the Regions Agreement" (ReBORA) is a syndicate agreement concluded between UniCredit S.p.A., the AVZ Stiftung and the Betriebsratsfonds.

In the ReBORA, the AVZ Stiftung and Betriebsratsfonds have given an undertaking to UniCredit to the effect that if they want to sell UniCredit Bank Austria AG shares, they will first offer such shares held by them to UniCredit. If UniCredit does not accept the offer, the relevant contracting party could sell the UniCredit Bank Austria AG shares to a third party. In this case UniCredit has a right of preemption.
Under this agreement concluded in 2006, the AVZ Stiftung had the right, until 31 March 2016, to nominate two members of the Supervisory Board of UniCredit Bank Austria AG. Thereafter it can nominate one member of the Supervisory Board for the duration of the guarantee issued by "AVZ Stiftung" and the Municipality of Vienna.

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In connection with the transfer of CEE business, UniCredit S.p.A. has given certain undertakings in favour of UniCredit Bank Austria AG with regard to the future business activities and capital structure of UniCredit Bank Austria AG; the majority of the obligations on the part of UniCredit S.p.A. will end at the end of June 2024.

There are no compensation agreements between UniCredit Bank Austria AG and members of its Management Board and Supervisory Board or its employees in the case of a public takeover offer.

1.7. Information on the squeeze-out pursuant to the Austrian Federal Act on the Squeeze-out of Minority Shareholders (Gesellschafterausschlussgesetz) of the holders of bearer shares in UniCredit Bank Austria AG

The company's Annual General Meeting on 3 May 2007 adopted a resolution concerning the planned squeeze-out. The legal actions for rescission and declaration of nullity brought against various resolutions adopted at the Annual General Meeting on 3 May 2007 were terminated in spring 2008. The squeeze-out was entered in the Register of Firms on 21 May 2008. After that date, former minority shareholders initiated proceedings for a review of the cash compensation offered by UniCredit. The democratically legitimised party in these proceedings is not UniCredit Bank Austria AG, but rather UniCredit S.p.A. In these proceedings an appraiser has been appointed who is reviewing the amount of the cash compensation; the appraisal report is available and essentially confirms the adequacy of the cash compensation paid as part of the shareholders' resolution. The evidence proceedings have not yet been completed and a first-instance decision on this matter is not yet available.

2. Report on risk management, risks and third-party liabilities

2.1. Risk management

UniCredit Bank Austria AG identifies, measures, monitors and manages all risks of Bank Austria. In performing these tasks, Bank Austria works closely with the risk control and risk management units of UniCredit Group in line with the existing Group structure. In this context, Bank Austria supports UniCredit Group's ongoing projects, in particular the further harmonisation of Group-wide risk-controlling procedures and processes. Regular risk monitoring and risk management are also performed in close cooperation with a view to ensuring overall risk management across the Group. Moreover, risk management is one of UniCredit's five Fundamentals and is of relevance for the annual agreement on objectives and for performance evaluation, thereby contributing to further development of a Group-wide risk culture.

The Management Board and the Supervisory Board determine the risk policy and approve the principles of risk management and the establishment of limits for all relevant risks. The risk monitoring procedure follows Group standards. In performing these tasks, the Management Board is supported by specific committees, independent risk management units and units of other divisions. All centrally organised risk management activities of Bank Austria are combined within a management function at Management Board level directed by the Chief Risk Officer (CRO) and are thus separate from the other divisions up to Management Board level. Lending decisions which exceed the limits of the relevant business units' approval authority, and the handling of problem loans, are the responsibility of the two operative credit risk departments, i.e. Credit Operations Corporate/CIB and Credit Operations Retail. The risk management activities of these departments are complemented by the Strategic Risk Management & Control department and the Market & Liquidity Risk department. To guarantee the independence of the Operational and Reputational Risk and Internal Validation areas, they also report directly to the CRO. The Finance unit reports to the Chief Financial Officer (CFO) and is responsible for risk-adequate pricing of loans, capital planning, the Bank's own securitisations and funding (as part of the planning process and under contingency funding arrangements), among other things.

The Bank's internal control system (ICS) is effective at several levels: (1) in the various business areas, (2) at the Risk & Compliance level and (3) at the Internal Audit level. Internal Audit performs regular audits with regard to the adequacy of risk processes and compliance with them. The Management Board and the Supervisory Board are provided with reports on the results of these audits and recommendations. A comprehensive system of rules ranging from Group Policies to operational instructions governs processes at various levels. The most important Policies are adopted directly by the Management Board, managed in a separate system, rolled out and monitored with regard to the degree of implementation.

Cross-divisional management / control and reporting

Bank Austria essentially divides the monitoring and controlling processes associated with risk management into the following categories: credit risk (default risk and migration risk), liquidity and funding risk, market risk (interest rate risk, credit spread risk, currency risk and equity risk), structural FX risk, derivatives-linked risk (counterparty risk, CVA risk), operational (including legal) risk, reputational risk, sustainability risk, business risk, pension risk, financial investment risk and real estate risk. Bank Austria participates in a UniCredit Group-wide project to take ESG risks into account in the management of financial risks. In addition, all risk management activities in relation to the credit risk have a direct influence on the consideration of ESG risks in financial risk in the form of counterparty and issuer limits.

A key element of risk control by the Management Board is the annual definition of Bank Austria's Risk Appetite, which is approved by the Supervisory Board and takes place in coordination with UniCredit Group. The Risk Appetite describes the key principles of the Bank's risk orientation, in qualitative terms of a statement and in the form of a quantitative framework of key metrics. The Risk Appetite defines risk categories and the level of risk that Bank Austria is prepared to accept in pursuit of its strategic objectives and business plan and in view of its role within UniCredit Group. In this context the interests of external and internal parties (customers, shareholders and supervisory authorities in particular) are taken into account. For example, markets and investment banking operations are concentrated outside Bank Austria at Munich-based UniCredit Bank; this is reflected in Bank Austria's focus on commercial banking business and in correspondingly low trading book limits. The key Risk Appetite dimensions are business strategy, capital and liquidity adequacy. The defined bundle of key indicators comprises Pillar 1 and Pillar 2 indicators, and recovery plan indicators. The Risk Appetite is integrated in the budgeting process in the context of managing the objectives in defining and selecting the desired risk-return profile. A system of targets, thresholds and limits has been defined for the key indicators to ensure regular monitoring, timely escalation and a link to the recovery plan. In addition to the risk appetite, the Management Board and the Supervisory Board adopt a resolution, once a year, defining Bank Austria's risk strategy, which further operationalises the risk appetite and complements it with additional limits and targets.

Management Report of UniCredit Bank Austria AG

Regular risk monitoring at top management level is performed through the overall risk report. The overall risk report is regularly presented also to the Supervisory Board. It comprises a description of the risk appetite, the risk-taking capacity (RTC), of credit risk, liquidity risk, market risk and operational risk, and the results of stress tests. Specialised risk committees have been established at senior management level for the management of key risks.:

- Operational risks and risks to the Company's reputation are managed in the quarterly Non-Financial Risk Committee (NFRC) meeting.
- Credit risk is assessed by the Credit Committee.
- The Financial and Credit Risks Committee (FCRC), which was newly created in 2021 and meets on monthly basis, deals with liquidity, market, derivative and non-operational credit risk issues. With regard to liquidity, operational aspects of liquidity management, including ongoing monitoring of the market, are discussed and compliance with the liquidity policy is ensured. Market risk topics include short-term business management with regard to the presentation and discussion of the risk/earnings situation of Markets & Corporate Treasury Sales, and decisions are also made on limit adjustments, product approvals, positioning, replication portfolios and in connection with the derivatives business. The latter deals with classic credit risk and counterparty risk issues and aspects of reputational risk in customer business. The FCRC also discusses cross-divisional risk management issues arising between sales units and the overall bank management, it presents the respective risks from an economic capital perspective (Pillar 2) and discusses all material issues related to risk models, in particular the IRB, IFRS9 and credit portfolio models.

The resolutions and results from this committee are reported directly to the Bank's entire management board.

Risk-taking capacity (ICAAP/ILAAP)

Beyond compliance with regulatory capital rules and liquidity requirements of Pillar 1, Bank Austria controls capital and liquidity adequacy also via the relevant Pillar 2 approaches: Internal Capital Adequacy Assessment Process (ICAAP); Internal Liquidity Adequacy Assessment Process (ILAAP). As part of the Group-wide ILAAP, and in close coordination with UniCredit Group, the Bank reviews the adequacy of the liquidity risk management process, which comprises various components to ensure sufficient liquidity – such as limiting the short-term and the medium-term and long-term liquidity position, stress testing, the funding plan and key regulatory indicators. Risk measurement is based on Group-internal and regulatory requirements. In the context of ICAAP, Bank Austria applies the UniCredit Group approach to internal capital at the consolidated level (including subsidiaries). This approach includes the following phases:

- Perimeter definition and risk identification
- Risk measurement
- Definition of risk appetite and capital allocation
- Regular monitoring and reporting

The process ensures that Bank Austria's perimeter including all relevant Group units and risk types are fully covered and that risk and available financial resources are consistently taken into account. The risk types are measured using procedures which have been developed within the Group and also take concentration risks into account. The Risk-Taking Capacity (RTC) compares Available Financial Resources (AFR) with aggregate Internal Capital (IC): RTC = AFR/IC. It is calculated and reported on a quarterly basis under a going concern approach. This approach requires compliance with all regulatory requirements and the application of the relevant valuation rules and accounting standards. The observation period is one year for all risk categories. The unexpected losses are calculated with a confidence level of 99.9% for all risk types. An annual risk inventory analysis ensures that all materially relevant risk categories are taken into account.

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Bank Austria calculates internal capital (also referred to as "economic capital" for individual risk categories) for the following risk categories:
- Credit risk (default and mitigation risk) including possible exposure as a result of the counterparty risk
- Market risk including CVA for trading and banking books (interest rate risk, credit spread risk, currency risk and equity risk)
- Structural FX risk
- Pension risk
- Business risk
- Real estate risk
- Operational risk (including legal risks)
- Reputational risk
- Financial investment risk (for those equity investments which are not covered on the basis of their relevant individual risk categories, minority interests in particular)
- Model risk (as percentage surcharges on the risk types listed above)

The dominant risk category for Bank Austria is classic credit risk while the other risk categories are much less significant. Both ICAAP and ILAAP of Bank Austria are subject to annual review by Internal Audit.

Concentration risk

The VaR models used for internal capital take concentration risk into account, e.g. concentration risk associated with customers/customer groups and countries/sector concentrations in the credit portfolio model or risk factor concentrations in the market and counterparty risk model. At the holding company level, the allocation of limits with regard to individual and sector positions (bulk-risk and industry limits) is based on economic capital. In its lending operations, Bank Austria follows this Group strategy and the related limits for industrial sectors and large exposures. Monitoring and reporting the largest borrowers (individual customers and groups of companies) and the distribution among industries takes place through the overall risk report on a quarterly basis. At Bank Austria level, economic capital is also an important factor in the approval of large transactions. As part of the quarterly ICAAP report, the Credit Risk Economic Capital Detail Report shows credit positions with a large proportion of internal capital and presents capital allocation by various segments (divisions, asset classes, banking subsidiaries, major sub-portfolios, etc.). Granular sensitivity limits and reports complement VaR limits at the portfolio level in the area of market risk. Stress test limits are also used in connection with market risk. Counterparty limits and counterparty-risk simulations including stress considerations are applied to derivatives and repos. Sovereign limits and country limits specify the maximum amounts permitted for cross-border transactions (see section E.8 “Country risk and sovereign risk”).

The macro risk is concentrated in Austria and a few other European countries and also reflects regional areas of focus within the UniCredit Group. If we consider the industry distribution of loans, apart from the private customer business, commercial real estate and public sector customers account for the largest volume of loans, as in the previous year.

Limit system

Regular monitoring of key indicators, with appropriate limits and early warning thresholds, and a detailed network of operational limits ensure that the Bank operates within the adopted risk parameters and that management can take timely measures in the event of unfavourable developments. The top level is the risk appetite, with about 30 key indicators being monitored at Bank Austria Group level (also partly at the Bank Austria AG level). The most significant indicators include liquidity and funding indicators (short-term, structural and stress-based), capital and leverage indicators, risk/return indicators, and indicators focusing on specific risk categories. Violations of risk-appetite thresholds/limits are dealt with according to the defined escalation hierarchy (a number of levels up to Supervisory Board approval authority). The complete overview of all key figures (“Risk-Appetite-Dashboard”) is reported on a quarterly basis at FCRC meetings and as part of the overall risk report to the Management Board and the Supervisory Board.

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Some of the key figures in the dashboard are monitored on a quarterly basis, others monthly. In addition, numerous key figures or sensitivities are presented regularly outside of the dashboard, which allows us to manage them at a granular level. For example, the development of market and liquidity risk positions, including compliance with the respective sensitivity limits, is discussed every month in the FCRC. Depending on the degree of detail in the relevant dimensions (e.g. maturity bands, currencies), the escalation hierarchy comprises a number of levels in these areas, too. Many of the market and liquidity limits are based on daily reports. In the event that these limits are exceeded, the handling and any necessary escalation is therefore carried out very promptly and long before the complete dashboard is presented as part of the quarterly reporting of the Management Board and Supervisory Board. Other key indicators are not determined on a daily basis, with the escalation process following the respective frequency of reporting. A central planning variable on the credit risk side is the expected loss (EL) at the sub-portfolio level for existing and new business. Developments in this context are monitored in detail during the year against the defined targets and thresholds; changes in parameters contributing to such developments are analysed and discussed with the relevant business areas and at FCRC meetings with regard to a potential need for action. Individual lending decisions follow the defined loan approval process, which involves the operative credit risk departments, Bank Austria's Credit Committee and the relevant committees at the holding company, according to their respective levels of approval authority (see also section "2.2.1 – Credit risk").

Stress tests

Stress tests are a key component of risk analysis and planning at Bank Austria. The Bank performs overall bank stress tests and individual stress tests. The former cover major risk categories at a specific point in time, with detailed results being aggregated against the background of a coherent scenario and presented on an overall basis. The overall bank stress tests performed regularly include capital stress tests (Pillars 1 and 2) created in line with a regulatory and economic perspective and stress analyses under the recovery plan. Stress analyses under the recovery plan combine capital and liquidity aspects, showing developments over time and in the context of possible management reaction. Reverse stress tests attempt to find out what circumstances could cause the bank's failure. The most important regular individual stress tests cover credit risk, market risk, counterparty risk and liquidity risk.

The most important individual and overall bank stress tests are presented to the management bodies in the FCRC, but also as part of the overall risk report. Stress tests are performed at defined intervals (capital stress tests at least on a half-yearly basis, individual stress tests on a quarterly basis in most cases) and are also a fixed part of the annual budgeting and planning of the risk appetite. Stress tests may also be performed in response to specific issues, e.g. in response to suggestions made by Internal Audit or supervisory authorities. Scenarios are defined centrally and locally over a horizon of several years. The Holding Stress Test Council defines a minimum set of scenarios for Pillar 2 ICAAP stress tests on a half-yearly basis, which need to be calculated and reported locally. Local scenarios are additionally defined where required. Predefined thresholds for specific stress tests require management to consider action plans or contingency plans.

Stress testing is subject to an annual review by Internal Audit.

2.2. Risks

2.2.1. Credit risk

Credit risk is defined as the risk of incurring losses as a result of non-fulfilment by the borrower of terms and conditions agreed under the loan agreement. The credit risk is the Bank's most significant risk category, which is why the Bank's management has dedicated itself to this area in particular.

Bank Austria's credit risk is determined based on the classic commercial customer businesses geared towards the regional Austrian market and the equally significant private customer business. Of the loans and advances to customers in the amount of €67.7 billion (before deduction of impairment losses, prior year: €61.8 billion), approximately two-thirds are attributable to the Corporate Customers and Corporate & Investment Banking segments. The remaining third is attributable to loans and receivables from private customers.

Credit risk methods and instruments

Very important factors in the credit approval process are a detailed assessment of risk associated with each loan exposure, and the customer's credit rating in particular. The basis for every loan decision is a thorough analysis of the loan commitment. Following the initial loan application, the Bank's loan exposures are reviewed at least once a year. If the borrower's creditworthiness deteriorates substantially, shorter review intervals are applied.

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Our Bank-internal credit rating check is based on three different rating procedures. In order to estimate the (12-month) loss, the parameters (probability of default – PD; loss given default – LGD; exposure at default – EAD) for the customer/business segments to be assessed on the basis of models specifically developed for these purposes are calculated. The calculations are made in line with the various asset classes pursuant to Article 147 of the CRR, Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions. There are country-specific or region-specific models (e.g. for corporate customers, private and business customers) and Group-wide models (e.g. for sovereigns, banks, multinational corporates). Regarding the current status of the application of the internal ratings-based approach (IRB approach) to credit risk in Bank Austria, refer to the following chapter.

In order to estimate the expected credit loss (ECL) under IFRS 9 regulation, the aforementioned parameters are used in their appropriate adapted form.

In the individual valuation of a credit exposure, data from the annual financial statements of the customers who prepare annual financial statements and qualitative corporate factors are taken into account in addition to the customer behaviour observed internally at the Bank. Bank Austria uses an automated retail scoring system for assessing, monitoring and managing the large number of loan exposures to private customers, small businesses, independent professionals and small non-profit organisations. Retail scoring consists of application scoring, which is based on proven and recognised mathematical-statistical methods, and behavioural scoring, which takes account, among other things, of account deposits and customer payment behaviour and results in customer scoring that is updated monthly. This gives the Bank a tool for lending decisions and early recognition of risk. Automated data processing helps Bank Austria to reduce costs required for credit control while accelerating lending decisions.

The various rating and scoring models provide the basis for efficient risk management of Bank Austria and are embedded in all decision-making processes relating to risk management. They are also a key factor for capital required to be held against risk-weighted assets. Great attention is given to consistency in the presentation for supervisory purposes and the requirements of internal control. Risk-adequate pricing and proactive risk management improve the portfolio's diversification and risk/return ratio on an ongoing basis.

All Bank-internal rating procedures are subject to ongoing monitoring. The IRB model is verified regularly. The relevant rating model is verified as to whether it depicts the risks to be measured correctly. The focus of the IRB validation in 2021 was on validating the model changes and implementations for the PD and LGD models, the ongoing validation of the IRB models with regard to the model, data, IT and process, and quarterly model monitoring. Since the new PD models went live in July 2021, simplified model monitoring has been carried out for a transitional period on the basis of the latest validation reports for the respective model. This is necessary as the new models with a default history of one year must be live in order to reintroduce model monitoring in its previous form. For this reason, we will be working with this transitional solution until July 2022. All model assumptions are based on long-term statistical averages of historical defaults and losses, taking into account current risk-relevant information. Credit risk stress tests, which are required by banking supervisory authorities and are carried out on a regular basis, are an essential instrument for assessing future risks in an unfavourable economic environment. The FCRC is defined as an expert body within the meaning of Article 189 of the CRR, which deals with all material aspects related to credit risk models (their development, adjustment, control and validation of model soundness). The Strategic Risk Management & Control department, with the relevant methodology and control units and with independent validation units, acts as credit risk control unit within the meaning of Article 190 of the CRR.

Current status of the application of the internal ratings-based approach (IRB approach) for credit risk at UniCredit Bank Austria AG

UniCredit Bank Austria AG applies the internal ratings-based approach, using its own estimates of loss given default and of conversion factors for the major part of its loan portfolio (advanced IRB approach). Simplifying and further developing local and Group-wide models and, to a lesser extent, the introduction of additional Group-wide models is taking place on an ongoing basis or according to a multi-year plan (model road map). Following the new EBA guidelines, material model amendments for all local PD models and the new default definition were submitted in 2019. The corresponding material on-site audits by the European Central Bank (ECB) have now been completed, the relevant approvals have been granted and the new models including the new default definition (calibration changes) were used in 2021. The application for the local LGD model was also subjected to a material on-site audit by the ECB in 2021. UniCredit Bank Austria AG plans to switch to the new 2022 model, subject to the conditions of the final supervisory model approval (this is not yet available as of the end of 2021). 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.

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Implementation of the advanced IRB approach has been established as a Group-wide programme. Therefore, UniCredit Group is responsible for overall planner, Group-wide issues and decisions and specifically for the development of Group-wide models, such as for countries, banks and multinational companies. The local IRB models are modelled locally in accordance with Group-wide specifications.

Group standards have for the most part already been prepared and adopted by UniCredit Group in cooperation with the major IRB legal entities, and are used as an 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 complemented. Group standards are integrated into business areas both in procedural and organisational terms, where local particularities and legal regulation are considered when ensuring Basel Compliance.

All Austrian subsidiaries of UniCredit Bank Austria AG use the standardised approach. From a current perspective, for reasons of materiality, it is not planned to switch to one of the IRB approaches.

With regard to the changes in the new definition of default by EBA which are in place since January 2021 (EBA/GL/2016/07), the following aspects should be emphasized. For the most part, the Bank's previous practices were already in line with the new EBA rules. The area that had to be adjusted concerns the changes in the “Past Due” calculation logic. This has been adapted to reflect the new thresholds. In relative terms, it is now 1% (previously 2.5%); in absolute terms, the old de minimis threshold was always €250; the new values are €100 for the retail segment and €500 for the corporate segment. Furthermore, it is no longer possible to offset different credit lines of the same customer. The result of this change was determined by retroactively simulating the “Past Due” calculation (2013-2018) and then running the old and new calculation logic in parallel. In the sample accounting, which already anticipated the official changeover, additional defaults were identified and subsequently used for the recalibration of the credit risk models. The new default definition was also implemented for regulatory reporting purposes in January 2021, after it had already been anticipated for IFRS9 in late 2020.

Information on forborne exposures

Forbearance measures are concessions made by a bank to a debtor facing or about to face difficulties in meeting its financial commitments. These may take the form of a modification of the terms and conditions of a contract that would not have been agreed if the debtor had not been in financial difficulties, or the form of total or partial refinancing. The primary objective of granting forbearance measures is that the borrower remains solvent and, if possible, to prevent the borrower from becoming non-performing or to enable the borrower to regain performing status. Debtors that are classified as “forborne” are subject to special monitoring requirements and are to be clearly marked as such. If a forbearance measure is granted for a transaction classified as “performing”, this has the effect that this transaction is assigned to Stage 2 in any case.

Forbearance measures exist if, for example, a deferral or rescheduling agreement has been concluded, a new agreement on the conditions has been concluded at interest rates below the market level or the conversion of part of the loan into an equity investment or the reduction of the capital amount has taken place due to financial difficulties of the borrower. The probation periods to be observed with regard to forbearance status and non-performing classification are in line with the relevant EBA guidelines (EBA/GL/2018/06) and the EBA Technical Standards (ITS 2013/03 (rev1)), respectively, and are subject to backtesting/monitoring.

Before granting a forbearance measure, an assessment must be performed of the borrower’s debt service capability. In addition, it must also be checked whether this measure results in a loss, for example, due to capital or an interest waiver (impairment test), in which case the forbearance measure is registered as distressed forbearance, which always results in a non-performing classification. A risk provision resulting from this is determined as described in the “Provisioning process” section.

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Apart from the impairment test, an examination must be performed to see if the modification of the contract results in a partial or full disposal of the financial instrument. In the case of financial assets, there is a disposal if a material change in contractual conditions leads to a situation in which the modified financial instrument, in substance, no longer corresponds to the instrument before the modification. In such a case the previously recognised financial instrument is to be derecognised and a new financial instrument is to be recognised, even if – in legal terms – the same contract continues to exist in an adjusted form. Derecognition in such cases also relates to any provision made in connection with the financial instrument.

Credit risk mitigation techniques

UniCredit Bank Austria AG uses various credit risk mitigation techniques to reduce credit losses in case of obligor default.
With specific reference to credit risk mitigation, guidelines issued by UniCredit and Bank Austria are in force. These guidelines govern and standardize credit risk mitigation processes, in line with Group principles and best practice as well as in accordance with the relevant regulatory requirements – especially strategies and procedures for collateral management. Specifically, these relate to eligibility for recognition as collateral, valuation and monitoring rules and ensure the stable value, legal enforceability and timely realisation of collateral in accordance with local law.

According to the credit policies, collateral or guarantees can be accepted only to support loans and they cannot serve as a substitute for the borrower's ability to meet obligations. Collateral and guarantees are also subject to a specific valuation and analysis with regard to their supporting function to repay the outstanding amount.
The main types of collateral accepted in support of loans granted by Bank Austria include real estate (both residential and commercial), guarantees and tangible financial collateral (including cash deposits, bonds, stock and investment fund units). Further types of collateral comprise pledged goods, receivables and insurance contracts as well as other types of funded protection. Bank Austria also makes use of bilateral netting agreements for OTC derivatives (by means of ISDA and CSA agreements), repos and securities lending.

Processes and controls focus on the requirements of legal certainty, hedging and the assessment of the suitability of the collateral or guarantee. In the case of personal guarantees, the ability to pay and the risk profile of the guarantor (or in the case of credit default swaps, of the protection provider) must be assessed.

In the case of collateral, market values are recognized reduced by corresponding haircuts in order to consider any lower revenue, utilisation costs etc. in the case of utilisation.
Monitoring processes of credit risk mitigation techniques ensure that general and specific requirements established by credit policies and regulatory rules are met at all times.

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The internal rating scale
As already mentioned under the item Credit risk methods and instruments, risk assessment is based on differentiated rating and scoring procedures which, among other things, also calculate the probability of default of customers.

The internal rating distribution shown above for the year 2021 follows the group-wide UniCredit Group rating master scale set out below (amended vs. 2020) and takes into account the Probability of Default (PD) ranges shown below. Class 1 to 3 correspond to investment grade classes of external ratings. Class 9 corresponds to the non-performing loan portfolio according to Bank of Italy (and includes the risk classes bad loans, unlikely to pay and past due).

UniCredit Master Scale

INTERNAL RATING CLASSES	PD MINIMUM	PD MAXIMUM
1	0.00%	0.05%
2	0.05%	0.12%
3	0.12%	0.31%
4	0.31%	0.77%
5	0.77%	1.96%
6	1.96%	4.96%
7	4.96%	12.57%
8	12.57%	99.99%
9	IMPAIRED	

The presentation of **the rating distribution for the year 2020** still followed the rating scale set out below.

INTERNAL RATING CLASSES	PD MINIMUM	PD MAXIMUM
1	0.00%	0.00%
2	0.00%	0.02%
3	0.02%	0.12%
4	0.12%	0.58%
5	0.58%	1.37%
6	1.37%	3.22%
7	3.22%	7.57%
8	7.57%	17.80%
9	17.80%	99.99%
10	IMPAIRED	

*) PD = Probability of Default

Realisation of mortgage collateral

Mortgages are the main type of collateral accepted by UniCredit Bank Austria AG for real estate finance. If the mortgage needs to be realized, Bank Austria will first try to sell the property in the market by mutual agreement with the customer and to use the proceeds for loan repayment. Where this is not possible, the property will be sold in accordance with the rules of the Austrian Enforcement Code or the Austrian Bankruptcy Code. As there are orderly market conditions in Austria, mortgaged real estate is normally not acquired by Bank Austria (debt asset swap).

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Credit risk stress testing

Credit risk stress tests are an essential component of Pillar 1 and Pillar 2 stress tests (which analyze the impact on regulatory capital and economic capital) and are therefore presented at meetings in the FCRC.

The main dimensions of stress analysis include the following:
- increase of non-performing loans and associated losses
- increase of losses in already non-performing loans (LGD change)
- impact on expected loss on performing exposures (IFRS 9)
- impact on Pillar 1 RWAs and shortfall
- impact on economic capital

The calculation is based on dependency models developed and continuously updated by the UniCredit Group. The model takes into account both local and regional macroeconomic factors, such as changes in gross national product, interest rate levels, unemployment, inflation and exchange rates. The resulting impact on credit risk parameters is analyzed with regard to the respective loan portfolio. Results are reported in detail for relevant sub-portfolios, in particular the CHF portfolio in the Privatkundenbank.

As a minimum, the relevant multi-year ICAAP scenarios are used as stress scenarios (typically a base scenario and 3 different stress scenarios for a reporting date) and supplemented by additional scenarios as required.

Finance

The Finance unit completes the following tasks relevant to credit risk:
First, preparing and monitoring the risk-adequate pricing of loans. To ensure uniform pricing within the UniCredit Group, the risk-adjusted spread is calculated on the basis of multi-year default probabilities / PDs (depending on the term of the loan), added as a price component and monitored continuously. Such pricing rationale follows the approach defined in the Group Risk Adjusted Pricing Discipline, which was approved as a Policy in UniCredit Bank Austria AG in July 2014.
The unit is also responsible throughout Bank Austria for transactions to reduce credit risk and increase liquidity. The instruments available for these purposes include securitizations, CLNs and CDSs.

Securitization transactions

Qualitative Information
Bank Austria’s main objectives in its securitization transactions (whether traditional or synthetic) are the optimization of the loan portfolio by freeing up regulatory and economic capital and obtaining fresh liquidity together with greater diversification of its sources of funding.

The investments in third-party securitizations, i.e. structured credit products/ABS, were transferred to a separate portfolio whose management is aimed at maximizing future cash flows. This portfolio had already shrunk significantly due to repayments and was sold completely in 2021.

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2.2.2. Liquidity risk

Qualitative Information

Basel 3 sets a liquidity standard under stressed conditions in the short-term maturity range (Liquidity Coverage Ratio – LCR). Under this standard, net outflows of liquidity have been required to be covered by high-quality liquid assets to the minimum extent of 100%. In addition to the regulatory requirements mentioned above, UniCredit Bank Austria AG defines its internal risk appetite far more conservatively; as a result, the liquidity coverage ratio had to exceed at least 114% in 2021. In the medium-term and long-term range, compliance with the Net Stable Funding Ratio (NSFR 100%) will be mandatory from 2021, requiring full funding of the assets side. On the basis of new deposit products and the optimized structure of assets and liabilities of, and the holdings of high-quality liquid assets (cash and government bonds), the ratios required by law are exceeded. The regulatory liquidity coverage ratio for UniCredit Bank Austria AG as at 31 December 2021 stands at around 170.8% (2019: 191.7%).
Despite a stronger increase in loans compared with customer deposits, UniCredit Bank Austria AG and its individual institutions had a comfortable liquidity position throughout 2021.

The liquidity requirements have been integrated in the planning and risk monitoring process to ensure compliance with the liquidity ratios at all times. Both ratios have been defined as key indicators in the Risk Appetite.

General information, processes and management model
In line with Group standards, Bank Austria deals with liquidity risk as a central risk in banking business by introducing and monitoring short- term and long-term liquidity requirements. In this context the liquidity situation for the next few days and months and also for longer periods is analyzed against a standard scenario and stress scenarios. Methods and procedures of liquidity analysis, analyses of the degree of liquidity of customer positions, management responsibilities and reporting lines in this area have been summarized in the Liquidity Policy. The Contingency Liquidity Management in the event of a liquidity crisis is described in a specific Contingency Liquidity Policy.

Liquidity management in UniCredit Bank Austria AG is an integral part of UniCredit Group liquidity management. In line with the Group-wide distribution of tasks, UniCredit Bank Austria AG as liquidity reference bank (LRB) ensures the consolidation of liquidity flows and the funding for Austrian subsidiaries. The flow of funds is thereby optimized and external funding is reduced to the necessary extent. The solid funding is based on a strong customer base, supplemented with capital market activities in a Pfandbrief (covered bond) and benchmark format.

Liquidity management methods and control
In medium and long-term liquidity management, assets with a residual term of more than 1/3/5 years must be covered by liabilities at a minimum of 104.2% in each of these periods. The Net Stable Funding Ratio (NSFR) based on CRR2 must be held above this limit at the individual bank level. At the end of 2021, UniCredit Bank Austria AG a NSFR of 128% for the > 1-year segment (2020: 129%). Moreover, there are the adjusted NSFRs in which the time horizon is differentiated further. In the >3-year segment, the share of UniCredit Bank Austria AG was 117% (2020: 117%) and 147% for the > 5-year segment (2019: 150%). In addition, absolute limits are defined for material currencies - in the case of UniCredit Bank Austria AG these are in US dollars and the other currencies combined in a group; cross-currency refinancing is therefore only possible within the limits stated.

For the purpose of short-term liquidity management, volume limit values have been implemented in Bank Austria at group level and at individual bank level for maturities up to nine months, which limit all treasury transactions and the securities portfolio of the respective bank. Liquidity fluctuations resulting from customers' investment decisions have also been taken into account via a liquidity buffer. Volume limits are also established for open maturities in various currencies to keep down the risk of a need for follow-up funding in the event that foreign currency markets dry up.

These limits were essentially observed at all levels. If a limit is exceeded, this will trigger the defined escalation process and a report will be presented to the relevant risk committee.

Liquidity stress test
UniCredit Bank Austria AG performs liquidity stress tests for Bank Austria and for relevant subsidiary banks on a regular basis, using a standardized Group-wide instrument and standardized Group-wide scenarios. These scenarios describe the effects of market-driven or name-driven crisis signals on liquidity inflows and outflows, with assumptions also being made about the behavior of non-banks. In addition to the existing set of scenarios, once a specific stress test was performed assuming a further increase in the drawing of credit lines against the backdrop of the current pandemic.

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The liquidity outflows expected to occur in stress situations are compared with available liquidity reserves (essentially, securities – government bonds – and credit instruments eligible as collateral at the central bank) to examine the banks' risk-taking capacity in the maturity range of up to one year.

Similarly to the previous year, the composition of the liquidity reserve is largely influenced by Bank Austria's participation in the ECB's TLTRO programme.

Composition of the Liquidity Reserve

(€ million)

COMPOSITION OF LIQUIDITY RESERVE [1)]	31.12.2021	31.12.2020
Cash and balances with central banks	21,095	27,545
Level 1 assets	3,950	1,979
Level 2 assets	450	528
Other unencumbered assets eligible as collateral for central bank borrowings	191	514
Liquidity reserve	**25,642**	**30,567**

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

A simulated name and market crisis with assumptions regarding the prolongation behavior of customer deposits and loans, increased drawing of credit lines, additional funding obligations from the derivatives business and rating downgrades currently results in a "survival period" of more than 12 months from a liquidity perspective; the prescribed minimum of this "time-to-wall" period is defined as one month.

Funding

The business model of Bank Austria as a Commercial Bank leads to a well-diversified refinancing basis. The funding pillars are a strong customer base and an extensive product mix (call, fixed-term and savings deposits), supplemented by the placement of own issues in the medium-term and long-term maturity segment to fulfil the relevant funding needs under the various regulatory requirements, including buffers (e.g. Liquidity Coverage Ratio, Net Stable Funding Ratio). Against this background, the medium and long-term refinancing base was topped up by €1.55 billion in 2021 and now stands at €16.95 billion due to an increase in central bank deposits under the ECB's TLTRO III programme. In addition, the Bank placed an additional Tier 1 issue with UniCredit S.p.A. in the amount of €0.6 billion in 2021. This significantly strengthened UniCredit Bank Austria AG's capital base, while also complying with the "internal MREL requirements".

2.2.3. Market risk

Market risk management at Bank Austria encompasses all activities in connection with our Markets and Corporate Treasury Sales operations and management of the balance sheet structure. Risk positions are aggregated at least daily, analyzed by the independent risk management unit and compared with the risk limits set by the Management Board and the committees (including the Market Committee MACO and the Financial & Credit Risk Committee „FCRC") designated by the Management Board. At Bank Austria, market risk management includes ongoing reporting of the risk position, limit utilisation of all positions associated with market risk. The existing positions in Bank Austria are largely attributable to the banking book; trading book activities were primarily driven by XVA hedges. In addition to the trading book and banking book, which are relevant dimensions from a regulatory aspect, a new focus was placed on the accounting categories for internal management purposes and a distinction was made between PL (profit and loss, i.e. affecting the income statement) and OCI (other comprehensive income, i.e. affecting capital).
Bank Austria uses uniform Group-wide risk management procedures for all market risk positions. These procedures provide aggregate data and make available the major risk parameters for the various risk takers once a day. Value at Risk (VaR) is calculated daily with a 99% quantile based on 250 PnL strips (i.e. PnL of the last 250 business days) and is scaled to a ten-day horizon to calculate the regulatory RWAs. Besides Value at Risk (VaR), other factors of equal importance are stress-oriented sensitivity and position limits. The limit system is supplemented by Loss Warning Levels (based on the cumulative results in a specific period), Stressed VaR (SVaR) Limit (calculated for the trading book with a separate observation period), IRC (Incremental Risk Charge)[15] Limit, Stress Test Warning Limit (limiting the loss when applying a predefined stress event) and Granular Market Risk Limits (GML)[16] . A separate GML framework was established for XVA hedging activities.

[15] IRC (incremental risk charge) forms the migration and default risks for a defined period and a defined confidence interval (one year, 99.9%). The scope includes CDS and bond positions in the trading book
[16] e.g. BPV or CPV limits, which describe the sensitivity to changes in interest rates or credit spreads

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In preparation for the "Fundamental Review of the Trading Book" ("FRTB"), FRTB reporting in accordance with the standardised approach was implemented in accordance with regulatory requirements in Q3.

Bank Austria uses a standard measurement procedure which is also applied in UniCredit Group. The model, approved by supervisory authorities, is used for internal risk management and for determining regulatory capital requirements for market risk. Bank Austria is embedded in the market risk governance framework of UniCredit Group and leverages on the Group-wide risk management platform UGRM. The Group-wide Front-to-Back Office platform “Murex” and UGRM form an integrated risk system.

It is applied by Market & Liquidity Risk within Bank Austria and is being further developed in cooperation with UniCredit Group. Further development includes reviewing the model as part of back-testing procedures, integrating new products, implementing requirements specified by the Management Board and the Market Risk Committee, and executing the Model Maintenance Report on a quarterly basis.

Risk governance

A new product process (NPP) has been established for the introduction of new products in the area of market and liquidity risk in which risk managers play a decisive role in approving products. The risk model covers all major risk categories: interest rate risk and equity risk (both general and specific), credit spread risk, currency risk and commodity position risk. The IMOD[17] is subject to an annual review by Group Internal Validation (GIV) and internal audit. The structure of the risk report presented at MACO's resp. FCRC meetings, which are held every month, covers (stress) sensitivities in addition to VaR, and utilisation levels in the areas of IRC and SVaR (both for the regulatory trading books). Regular and specific stress tests complement the information provided to MACO, the FCRC and the Management Board.

Stress tests
Bank Austria executes a comprehensive stress test programme for market risk. The results are reviewed and reported in the MACO resp. FCRC at least quarterly or on an ad-hoc basis given unfavourable market developments. Macro scenarios show the potential adverse impacts of global developments with specific effects on the respective risk categories, while stress sensitivities of individual risk factors or groups of risk factors show the potential adverse impacts on partial market segments. Stress scenarios are based on assumptions of extreme movements in individual market risk parameters. The Bank analyzes the effect of such fluctuations and a liquidity disruption in specific products and risk factors on the Bank’s results. The assumed fluctuations are dependent on currency, region, liquidity and credit rating, and are set in the Open Market Risk Forum (OMRF) with the relevant experts from other bank areas (such as UniCredit research, trade and market risk). Bank Austria takes part in the UniCredit Group-wide Open Market Risk Forum (OMRF), which is the platform for CRO units to discuss stress test results and agree on further common Group-wide scenario definitions. The “ICAAP scenarios” are updated at least once per year and used for stress test analyses, monitoring stress test limits and the regulatory stress report in the entire UniCredit Group.

Prudent Valuation
The regulatory approach to prudent valuation in the trading book is implemented primarily by Market Risk and further developed on an ongoing basis through cooperation within UniCredit Group. A Group-wide Independent Price Verification (IPV) process ensures the independence and reliability of valuation and risk measurement. The front-end system “Murex” is supplied with the “golden copy” market data of UniCredit Group for daily valuation purposes. The Group-wide “golden copy” is drawn up by competence centers which are structured by asset class and independent of trading operations. Moreover, UniCredit Bank Austria AG takes part in meetings of the asset-class committees, which address and resolve valuation and market-data issues. The regulatory principle of prudence is met by determining all relevant Additional Valuation Adjustments (AVA).

Backtesting
Bank Austria performs a daily backtesting of both the hypothetical and actual (i.e. economic P/ L excluding fees, commissions, and net interest income) changes in the portfolio’s value in accordance with Article 366 of the CRR. As at 31 December 2021, the number of backtesting excesses (negative change in value larger than model result) for Bank Austria in both P/L dimensions was equal to 1, thus the add-on factor for the VaR multiplier for the number of excesses is equal to 0.

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

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Capital requirements for market risk
The parameters used for calculating capital requirements are a 10-day holding period, a confidence level of 99% and a multiplier of 3 (based on 3; the current quantitative add-on is 0) in respect of the Value-at-Risk figures, which is used in determining the capital requirement for market risk. The Qualitative Addend was set uniformly across the Group at 0 in February 2021 in accordance with a horizontal analysis by the ECB UniCredit following TRIM.

As of 31 December 2021, the following capital requirements resulted for Bank Austria in connection with Value at Risk (VaR), stressed VaR (SVaR) and incremental risk charge (IRC):

- VaR: €5.2 million (€9.1 million year-end 2020)
- SVaR: €11.8 million (€18.2 million year-end 2020)
- IRC: €0,5 million (€0.04 million year-end 2020)

Management of balance sheet structure
An allocation to the Bank's business divisions according to the costs-by-cause principle is possible as a result of the reference interest rate system applied across UniCredit Group. The banks' risk committees ensure that the Bank's overall liquidity and interest rate gap structure is optimized.

Products for which the material interest-rate and capital maturity is not defined, such as variable-rate sight deposits, are modelled in respect of maturity and interest rate sensitivity by means of analyses of historical time series, and taken into account in the banks' overall risk position. In addition, prepayments were also taken into account for fixed loans in the Privatkunden sector by means of historical time series analyses.

The Risk division is responsible for modelling customer deposits.

To assess the Bank's balance-sheet and profit structure, the Value-at-Risk assessment is used with scenario analyses concerning the simulation of future net interest income under different interest rate scenarios ("earnings perspective").

The low and sustained negative interest rate level in the Group's main currencies had a negative impact on the interest margin. Taking into account the current pricing of loans, the simulation calculations show a deterioration of net interest if interest rates move into negative territory as a result of further reductions.

Legal provisions require the measurement at Group level and for UniCredit Bank Austria AG of "interest rate risk in the banking book" in relation to the Bank's capital by comparing a change in the market value of the banking book after a 2% interest rate shock with the Group's net capital resources. In the event that such an interest rate shock absorbs more than 20% of a bank's net capital resources, the bank supervisory authority could require the bank to take measures to reduce risk. Likewise, a reduction in core capital of more than 15% may result in a sudden change in interest rates (in the case of six shock scenarios prescribed by the EBA) or a sharp decline in net interest income due to sudden and unexpected interest rate changes, resulting in risk-reducing measures by the banking supervisory authority. The revised requirements of the supervisory authorities (EBA, Basel) in regard to interest rate risk in the banking book are generally taken into account through the Group's Group-wide application. Regulatory requirements generally provide for underlying customer business to be broadened with regard to available options (especially against the background of a negative interest rate environment) and base risks while significantly expanding scenario and stress analyses to cover present-value and interest-income dimensions.

At the end of 2021, a negative 2% interest-rate shock uses approximately 5.84% (2020: 1.83%) of UniCredit Bank Austria AG's chargeable equity. This means that the figure for UniCredit Bank Austria AG is far below the outlier level of 20%. In addition, the rest – based on the worst of 6 prescribed EBA interest rate shocks – is significantly more restrictively limited (15% in relation to Tier 1 capital, 6.43% as at year end 2021 and 2.12% as at year end 2021) in the context of risk appetite.

2.2.4. Financial Derivatives

Derivatives are classified as financial derivatives and credit derivatives, according to the underlying financial instrument. In these categories, a distinction is made between trading book and banking book and between different counterparties. UniCredit Bank Austria AG's business volume in derivatives focuses on interest rate contracts.

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2.2.5. Currency risk

CHF-Risiko
The reduction in CHF loans was continued in 2021. Loans and advances to customers decreased to €4.3 billion (2020: 4.8 billion) when viewed in terms of gross volume (before deduction of loan loss provisions). Around 3.1% of these were classified as non-performing (2020: 2.6%).
The CHF volume is almost exclusively attributable to the retail bank segment.

Other currency risks
Customer loans in other currencies (exclusive CHF) amounted to €3.0 billion as at 31 December 2021 (2020: €3.0 billion), a large part of which were loans in USD (primarily to customers in the Corporate & Investment Banking segment).

2.2.6. Counterparty risk

Trading in derivatives at Bank Austria is primarily related to the hedging of positions entered into vis-à-vis customers.

Contracts are valued at current prices using recognised and tested models. Market values show the contract values as at the balance sheet date, positive current market values and estimated future market values indicate the potential default risk arising from the relevant activity.

For the purposes of portfolio management and risk limitation in connection with derivatives, securities lending transactions and repurchase agreements, UniCredit Bank Austria AG uses an internal counterparty risk model (IMM). The model is based on a Monte Carlo path simulation for risk management in derivatives and securities financing business with banks and customers to estimate the potential future exposure at portfolio level for each counterparty.

The UCI Group-wide counterparty risk model applies an expected shortfall of 87.5% (equals a 95% quantile) and 3,000 scenarios with 52 gridpoints for the purpose of internal risk control. Furthermore, the model is based on a standardized margin period of risk and on the use of default conditional metrics.
The calculations are based on market volatility, correlations between specific risk factors, future cash flows and stress considerations. Netting agreements and collateral agreements are also taken into account for simulation purposes.

The simulation calculations are performed for all major types of transactions, e.g. forward foreign exchange transactions, commodity futures transactions, interest rate instruments, securities lending transactions and repurchase agreements, equity-related, commodity-related or inflation-related instruments and credit derivatives. Other products (some of them exotic) are taken into account with an add-on factor approach (depending on volatility and maturity).
In addition to determining the potential future exposure for internal risk control purposes, the path simulation also enables the Bank to calculate the average exposure and the modified average exposure (exposure at default) pursuant to Basel 3, as well as the effective maturity of the exposure and the “stressed EPE” (Expected Positive Exposure) for each counterparty. This makes it possible to include counterparty risk in a Basel 3-compliant internal model to calculate capital requirements. The regulatory exposure at default is calculated at netting-set level. A netting set is a group of transactions between the Bank and a customer which is subject to a legally enforceable bilateral netting agreement.

UniCredit Bank Austria AG has implemented the requirements in the area of counterparty credit risk resulting from the publications of the Basel Committee (Basel 3) and the Capital Requirements Regulation (CRR). The regulatory requirements include the calculation of normal counterparty exposure and of stressed counterparty exposure (comparable with the stressed VaR in market risk), the capital backing for market risk in respect of credit valuation adjustments (CVA market risk) and stricter standards for collateral management.

The requirements regarding the mandatory exchange of securities in bilateral margining agreements with financial counterparts for margin variation were implemented in line with regulations.

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The requirements to be met with regard to stress testing and backtesting in respect of counterparty credit risk have also been implemented at UniCredit Bank Austria AG. Backtesting is performed at regular intervals – at the level of individual counterparties and at overall bank level – to review the model quality on a regular basis.

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

In 2020, the implementation of the new legal requirements of CRR 2 for the new standard approach for counterparty credit risk (SA-CCR) began, and was successfully implemented in the Bank's internal risk systems as of June 2021. The SA-CCR will be used for the calculation of regulatory capital requirements for those transactions that are not captured in the internal counterparty risk model by means of a Monte Carlo simulation (e.g. exchange derivatives or securities transactions).

The internal IT systems are used for calculating counterparty risk arising from derivatives business, securities lending transactions and repurchase agreements, and for determining risk arising from other risk types. This ensures that exposures resulting from derivatives business as well as money-market risk, issuer risk and settlement risk are calculated centrally using the internal IT systems (FRE – Full Revaluation Engine, AGE – Aggregation Engine).

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

Line utilisation for trading business is available in real time in the central treasury system MLC ("Murex Limit Controller"). The MLC treasury system is the central limit system used by UniCredit Bank Austria AG. In addition to current line utilisation – at customer level – resulting from derivatives and securities financing transactions, the system shows utilisation levels for money-market, issuer and settlement risk.
UniCredit Bank Austria AG additionally limits the credit risk arising from its derivatives business through strict use of master agreements, through collateral agreements and break clauses. These collateral agreements were changed to eligible benchmarks (e.g. from EONIA to ESTR) in 2021 in accordance with regulatory requirements. In combination with the very good average credit rating of our business partners, management takes proper account of default risk.

In 2021, UniCredit Bank Austria AG continued to expand its online trading platform (UCTrader/ExCEED) which was introduced in 2020 and enables our customers to conclude derivatives transactions in real time. In the course of the project, the relevant risk checks were implemented enabling, for example, an online real-time review and compliance with pre-settlement and settlement risk limits.

Moreover, in accordance with the European Market Infrastructure Regulation (EMIR), the central clearing obligation for OTC derivatives was implemented at UniCredit Bank Austria AG. UniCredit Bank Austria AG is a clearing member of the London Clearing House (LCH Clearnet) clearing institution and, since 2020, also a clearing member of the LCH SA clearing institution in Paris. Furthermore, UniCredit Bank Austria AG clears repurchase agreements at EUREX Clearing AG, the central counterparty.

Separate reporting on counterparty credit risk is in place with a view to informing UniCredit Bank Austria AG's Market Risk Committee (MACO) and Derivative Committee (DECO) resp. the new Financial & Credit Risk Committee „FCRC", of current exposure trends, stress testing, collateral management and wrong way risk while also providing additional information relevant to risk management.

Based on the calculation method of counterparty credit risk used in the Group-wide risk systems, derivative transactions, repurchase agreements and securities lending transactions resulted in the following exposures for Bank Austria at the end of the year:
BA AG exposure: €2,497 million (previous year: €1,877 million)

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The **total exposure at the end of 2021** can also be split into the following sectors:

Exposure by sectors

(€ million)

SECTOR	2021	2020
Trade and industry	676	855
Financial services sector	621	297
Real estate	452	473
Energy and Commodity	284	77
Public sector	43	51
Central Clearing Counterparties (CCP)	420	123
TOTAL	**2,497**	**1,877**

Exposure by rating class

(€ million)

RATING CLASS	2021	2020
1	449	278
2	476	226
3	829	729
4	420	345
5	126	144
6	126	123
7	49	13
8	8	2
9	13	19
10	-	-

2.2.7. Country risk and sovereign risk

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

2.2.8. Operational risk

Operational risk (OpRisk) is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events (including legal risks – see also "E.13 – Legal risks"). For example, compensation paid to customers for incorrect/inadequate product-related advice, IT system failures, damage to property, processing errors or fraud are subject to accurate and consolidated risk measurement and management (collection of loss data, external data, scenarios, indicators), on which the calculation of capital to be held for operational risk is based.

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Loss data are collected, and processes are optimized, in close coordination and cooperation across departments and units including the business areas, Internal Audit, Compliance, Legal Affairs, ICT & Security Management and the insurance sector. Over the years, UniCredit Bank Austria AG has taken numerous measures in the various divisions to manage and reduce operational risk. Thus data security measures, actions to ensure the confidentiality and integrity of stored data, access authorisation systems, the two-signature principle, and a large number of monitoring and control processes as well as staff training programmes have been implemented. Raising awareness of operational risks plays a particularly important role and is supported by a variety of measures such as “tone from the top” mailings from the Management Board, training courses for managers and mandatory online training.

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

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

Activities in 2021 focused on:

- Integrating the OpRisk & RepRisk strategy issues of 2021 and their monitoring by reference to key risk indicators in the Permanent Work Group (a cross-divisional OpRisk work group which holds regular meetings).
- Implementing risk-minimizing measures for the identified strategy topics (through DORRMs and experts) and their report in the Permanent Work Group and the Operational & Reputational Risk Committee (OpRRiCo). Since October 2021, OpRisk topics have no longer been reported in the OpRRiCo, but in the newly established, quarterly, Non-Financial Risk Committee.
- Monitoring of OpRisk exposure using key figures that are part of the Risk Appetite Framework (ELOR – Expected Loss on Budget Revenues; ICT Risk Metric).
- Carrying out and expanding the annual OpRisk ICT assessment process for critical business processes at UniCredit Bank Austria AG.
- Implementation of OpRisk assessments for relevant outsourcings.
- Revising the KRI monitoring framework on an ongoing basis to measure risk more effectively and carry out the scenario analysis.
- Raising awareness of OpRisk topics through various training courses for different target groups and by adapting the online training mandatory for all employees.
- Revising OpRisk-relevant accounts and books as part of accounting reconciliation, general ledger analysis and transitory and suspense account analysis in order to ensure complete OpRisk data collection.
- Conducting focus analyses on various OpRisk-relevant topics, also triggered by relevant external OpRisk incidents, e.g.: Internal Fraud, External Fraud in the credit business, document filing process.
- Performing a Risk & Control Self-Assessment (RCSA) for relevant company processes of UniCredit Bank Austria AG,
- Increased focus on a unified approach to managing subsidiaries.
- I Implementation of ICT Project Risk Assessments for all relevant ICT projects.
- Implementation of 2nd level control ICT and ICT security KPIs for UCBA AG and all relevant subsidiaries
- Implementation of standardized OpRisk Assessments for all relevant process changes initiated by the respective process owner.

A network of independent functions and teams are involved in managing and controlling risks, providing the Management Board with sufficient information on the risk situation and enabling the Management Board to manage risk.

Operational risk agendas were discussed in the independent Operational and Reputational Risk Committee (OpRRiCo) until September 2021. This has been done in the newly established Non-Financial Risk Committee since October 2021. The Committee is a major step towards integrating operational risk in the Bank's processes and in particular reports on current OpRisk issues and developments, signs off documents relevant to OpRisk, reports losses and acts as an escalation committee. The entire Management Board of UCBA is represented on the Committee.

Since the beginning of 2008, UniCredit Bank Austria AG has been using the Advanced Measurement Approach (AMA Approach) for calculating the OpRisk capital, with the model calculation for all AMA subsidiaries being performed by the UniCredit Group.

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Implementation of disclosure requirements pursuant to the Capital Requirements Regulation (CRR)
Within UniCredit Group, comprehensive disclosure (under the Pillar 3 disclosure requirements pursuant to the CRR) is carried out by the parent company UniCredit on its website, based on the consolidated financial position in its function as EU parent bank. Bank Austria is a large subsidiary pursuant to Article 13 of the CRR and, for the 2020 financial year, discloses information regarding its capital resources ("own funds", Article 437 of the CRR), capital requirements (Article 438 of the CRR), capital buffers (Article 440 of the CRR), credit risk adjustments (Article 442 of the CRR), remuneration policy (Article 450 of the CRR), leverage ratio (Article 451 of the CRR), liquidity coverage requirements (Article 451a of the CRR) and use of credit risk mitigation techniques (Article 453 of the CRR).

The disclosure by Bank Austria is available at its website www.bankaustria.at About Us/Investors /Disclosure according to Basel 2 and 3 (CRR).

2.2.9. Reputational risk

Bank Austria and UniCredit Group define reputational risk as the current or future risk of a decline in profits as a result of a negative perception of the Bank's image by customers, counterparties, shareholders, investors, employees or regulators.

Since 2012, the CRO team has been entrusted with managing and monitoring strategic reputational risk agendas. In 2018, the Op&RepRisk office was directly assigned to the CRO as a staff unit. Together with other areas such as Identity & Communications, Compliance, Legal, Complaint Management, Customer Satisfaction & Stakeholder Insight etc., the central risk unit is responsible for managing the reputation of UniCredit Bank Austria AG.

Subjects relevant to reputational risks are reported in the Operational & Reputational Risk Committee – resp. since October 2021 in the newly established Non-Financial Risk Committee - on a quarterly basis. For example:
- Business decisions, which were made in the Reputational Risk / Credit Committee
- Report on RepRisk Assessments which were analyzed in the context of the new product process.
- Information on accepting new RepRisk policies
- Relevant reports on UniCredit Bank Austria AG
- RepRisk status of AMA subsidiaries
- Other issues affecting the reputation of the bank

In 2021, reputational risk activities focused on supporting subsidiaries, expanding structures, implementing RepRisk policies, supporting business areas and training.

Last year, updated RepRisk regulations were rolled out to regulate the handling of specific industrial sectors, such as the coal industry or the oil and gas industry. The new regulations focused in particular on environmental aspects and on supporting customers to achieve greater sustainability.

Another focus was on raising Reputational Risk Management awareness through training activities at UniCredit Bank Austria AG and its subsidiaries.

2.2.10. Business risk

Business risk is defined as unexpected adverse changes in business volume and/or margins which cannot be attributed to other types of risk. Adverse impacts of such changes on profitability result mainly from a significant deterioration in market conditions, changes in the competitive position or customer behavior, and from changes in the legal environment.

Business risk measurement thus measures the influence of external factors on a decline in profits and the effect on the market value.

As part of general income and cost management, operational management of business risk is the responsibility of the individual business units.

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2.2.11. Financial investment risk and real estate risk

In dealing with risks arising from the Bank’s shareholdings and equity interests, Bank Austria takes into account potential market price fluctuations in its equity holdings in listed and unlisted companies.

Not included are equity interests in consolidated subsidiaries of Bank Austria because risks associated with such companies are determined and recorded under the various other risk types. The portfolio includes various strategic investments; real estate holding companies are taken into account in real estate risk.

Financial investment risk and real estate risk are covered by a value-at-risk approach under the ICAAP.

2.2.12. Legal risks

In general, provisions are made for those procedures where imminent losses are probable or certain, but where the amount or timing of the occurrence of such losses is 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.

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.

2.2.13. Sustainability risks

ESG risks (Environmental, Social & Governance)

The consideration of climate-related risks is a focus of our response to climate change and our efforts to reduce sustainability risks.

The term "sustainability" refers to Articles 3 and 9 of the Taxonomy Regulation. Article 3 defines the criteria for environmentally sustainable economic activities (significant contribution to the achievement of the environmental objectives defined in Article 9, no significant impairment of these environmental objectives through measures implemented, compliance with the minimum level of protection with regard to human rights and labour laws, and consideration of the technical evaluation criteria of the annexes to the Taxonomy Regulation) and Article 9 defines the corresponding environmental objectives (climate protection, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, the protection and restoration of biodiversity and ecosystems).

Both internally and by taking part in industry-wide initiatives, we are working to develop and implement a comprehensive framework for dealing with climate risks so that they can be managed across all departments.
The risk framework aims to ensure that we identify the threat of negative effects of climate change and provide our Bank with the best possible protection against this.

These consequences include:
- Possibly higher defaults on loans and/or losses from the revaluation of customer exposures or assets that may be affected by physical[18] and/or transitory[19] climate risks
- Damage to reputation and claims for damages if it is not possible to respond accordingly to climate risks
- Disruptions to our business processes affecting employees, buildings, and/or processes at locations that are exposed to physical climate risks, for example, due to extreme weather events and/or longer-term rises in global temperatures.

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[18] A distinction is made here between acute physical risks (hot and dry periods, floods, storms, hailstorms, forest fires, avalanches) and chronic physical risks (long-term changes in climatic and environmental conditions such as precipitation frequency/quantities, weather uncertainty, rises in sea level, changes in ocean and airflows, over-acidification and accumulation of waste in oceans, rising average temperatures with regional extremes).
[19] Transitory risks are the risks associated with the transition to a low-carbon economy (e.g. introduction of new or stricter CO_2 emission guidelines, enforcement of new technologies or business models, changes in market sentiment or societal preferences).

Management Report of UniCredit Bank Austria AG

Legislators and regulators have both accelerated and intensified their activities in relation to climate change. The European Central Bank (ECB) issued guidelines on climate and environmental risks in November 2020. At the same time, the European Banking Authority (EBA) published a comprehensive discussion paper explaining in detail what regulatory expectations will be set for banks and investment firms in future to manage and control ESG (environmental, social and corporate governance) risks.

UniCredit Group's focus is on further developing the instruments, methods, and measures to promote the integration of climate-related risks into our framework for determining risk appetite using key figures and in the corresponding guidelines and processes (credit application, reporting, credit risk strategy, stress tests, operational risk/reputational risks) in 2022 and 2023. Against this background, climate risks related to our balance sheet and business processes should be identified, assessed, and monitored, and quantitative limits must be set for risk tolerance that ensure the adequate consideration of potential risks.

Consideration of environmental risks in the Bank's internal credit process

The regulatory requirements (ECB, EBA, FMA) and the UniCredit Group's commitment to sustainable development require the appropriate consideration of climate risk in the credit process. This includes an analysis of the impact of environmental risks on the counterparty risk of our borrowers, the results of which must be taken into account in the lending decision.

As a first step, a climate and environmental risk questionnaire was therefore developed, which must be filled in by the sales unit. The results of this must be submitted to the responsible risk manager in the form of a scorecard in the course of the loan application.

Since the beginning of 2021, the scope of application has included all corporate clients (including Real Estate) for which GTCC[20]/GCC[21] is responsible and, since December 2021, all positions for which TCC[22] is responsible (local Bank Austria credit committee), with the exception of financial institutions, banks, sovereign entities, the public sector and non-performing loans.

The climate and environmental risk questionnaire must not be older than 12 months when the application is submitted. In the case of multiple applications during the year, the sales unit must check the validity of the questionnaire in relation to the information and responses of the customer.

Other **focal points in connection with climate risks** include:
- the implementation of the Taxonomy Regulation *(Taxonomie-VO[23])* through the integration of customer-specific and product-specific information with regard to environmental and climate-related risks in our processes and IT systems
- the further development of the measurement of emissions of our portfolios in accordance with industry standards, such as the methods developed by the "Partnership for Carbon Accounting Financials" (PCAF)
- the examination of approaches being developed to adapt to emission pathways, including collaboration with SBTI[24] and PACTA[25]
- the broader integration of sustainability factors into our risk management policies and procedures
- the development of portfolio-specific and customer-specific strategies that support our customers in their transition to a lower-carbon economy while protecting our balance sheet from negative effects.

2.3. Third-party liability

Under Section 92 (9) of the Austrian Banking Act, “Privatstiftung zur Verwaltung von Anteilsrechten” (“AV-Z Stiftung”, a private foundation under Austrian law) serves as deficiency guarantor for all liabilities of UniCredit Bank Austria AG in the event of the company’s insolvency.

After the change in the legal form of Anteilsverwaltung-Zentralsparkasse into a private foundation (“AV-Z Stiftung”) in 2001, the Municipality of Vienna serves as deficiency guarantor for all outstanding liabilities, and obligations to pay future benefits, of UniCredit Bank Austria AG (then Bank Austria Aktiengesellschaft) which were entered into prior to and including 31 December 2001.

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

23 VO (Verordnung): Regulation
23 VO (Verordnung): Regulation
23 VO (Verordnung): Regulation
23 VO (Verordnung): Regulation
24 SBTI: Science-Based Target Initiative
25 PACTA: Paris Agreement Capital Transition Assessment

Management Report of UniCredit Bank Austria AG

3. Future development (outlook for 2022)

3.1. Economic scenario

Economic environment 2022

The global recovery from the economic slump caused by COVID-19 is set to continue in 2022. While restrictions in response to the omicron variant of COVID-19 are expected to have little impact on economic activity, the severe and prolonged supply bottlenecks and the increase in inflation will slow the pace of growth. The rise in global GDP is expected to decrease from an estimated 5.8% in 2021 to just over 4% due to the drop in momentum in developed countries as well as in the most important growth markets. Economic growth in China is expected to slow to less than 5% in 2022, though this is mainly due to structural reasons and spillover effects on the overall economy from financial vulnerabilities in the property sector. In the Eastern European growth markets too, momentum will be more moderate in 2022 due to weaker demand from the eurozone, where GDP growth is expected to fall from 5.0% to 3.9%. In the United States, economic growth is likely to slow from 5.7% to 3.4%.

The rise in inflation in 2021 is largely considered to be a temporary phenomenon, being caused largely by supply-side bottlenecks in materials and by transport problems that are not only set to stop starting with the second half of 2022, but are in fact likely to reverse. The high inflation rates in early 2022 should therefore decrease significantly over the course of the year, but inflation rates will nonetheless be markedly higher than in 2021 at an annual average of almost 5% in the United States and almost 4% in the eurozone. In view of the continuing economic recovery, the central banks are set to accelerate the pace of their normalisation of monetary policy. The US Federal Reserve is expected to stop its net purchases of assets in spring 2022, and then to increase key interest rates. The European Central Bank will cut back its purchases of securities when the Pandemic Emergency Purchase Programme (PEPP) expires, but net purchases will continue in the near term and interest rate increases are expected later than in the United States. In contrast, key interest rates in most Eastern European growth markets will be raised further in 2022. The tightening of monetary policy in the United States promises an upward trend in short and long-term market interest rates, such as yields on US government bonds. In contrast, yields on long-term debt securities in the eurozone are set to remain low. The widening interest rate differential between the United States and the eurozone is expected to keep the euro exchange rate against the US dollar on a moderate downward path, which should reach about 1.10 by the end of 2022. The credit spreads of European corporate bonds are expected to remain narrow, with some room to tighten further in riskier segments, although with higher volatility. Volatility is also set to increase on the equity market, but most OECD-based stock indices are expected to perform positively, particularly in Europe. In contrast, the prospects for the growth markets appear increasingly problematic in most asset classes.

The outlook for Austria

Following an almost 5% increase in GDP in 2021, the recovery from the pandemic is expected to continue into 2022 with economic growth of 4.5%. This growth will be driven largely by private consumers, supported by catch-up effects, positive employment trends and a tail-off in the savings rate. Investment activity will increase again as the supply problems are resolved, which is expected to happen in the second half of the year, and there will be strong momentum buoyed by the continuation of favourable financing conditions in the Austrian economy. After two years of negative contributions to growth, foreign trade is expected to have a positive effect again in 2022, thanks in particular to service exports as the tourism industry recovers. Thanks to the strong pace of recovery, the Austrian economy will not only be able to recover the loss caused by the pandemic but will also gradually return to the growth trend before the start of the pandemic. This means that, unlike the financial crisis of 2008/2009, the COVID-19 crisis will have no long-term impact on the economy. This will be reflected above all in a sustained improvement in the labour market. Having reached 8.0% on average in 2021, the unemployment rate will drop to 7.2% in 2022, lower than before the pandemic. With values currently exceeding 4% year on year, inflation in Austria is expected to slow during the course of 2022. A base effect and the expected decline in the price of crude oil from almost $80 per barrel at the end of 2021 to less than $70 by the end of 2022 are likely to bring about a turnaround in inflation. After averaging almost 4 percent in 2022 due to the high starting values for the year, inflation should again be less than 2 percent in the following years 2023/24.

As the ECB begins to normalise its monetary policy in 2022, the currently extremely favourable financing conditions are expected to change slightly. Combined with the lower pace of recovery, the growth in lending in 2022 should therefore remain behind that in the previous year due to the slower momentum in both corporate and household loans. Housing loans in particular are likely to see a noticeable slowdown, while consumer loans could increase slightly for the first time in years due to lower uncertainty and the improved employment situation. Strong household consumption and capital expenditure mean that deposits, including corporate deposits, are expected to perform lower in 2022 than in the previous year.

Management Report of UniCredit Bank Austria AG

3.2. Medium- and long-term objectives

As Bank Austria continues to evolve, it continues to focus on growing and strengthening the customer base through more efficient and optimised products and services, while improving the customer experience as a key driver for all strategic initiatives. Fully digitised processes are designed to deliver the best customer experience while reducing costs and operational risk. At the same time, the bank will focus on simplicity, fast processes and sustainability.

UniCredit Bank Austria will improve the service model for its retail customers, in particular by means of a further optimised mix of online and offline channels: The focus here is on direct channels for customer service and transactions, so that sales can devote itself fully to consulting. Moreover, direct channels for the service of the broad business will be made available in order to exploit growth opportunities through a greater coverage and improved investment services in Private Banking and wealth management. UniCredit is also focusing on the further expansion of digital solutions such as video consulting or digital contract signing in the corporate customer sector, particularly in terms of support for small and medium-sized companies.

UniCredit Bank Austria is optimising its corporate customer business by merging its Corporate & Investment Banking and Unternehmerbank segments into the new Corporates division – a division for all corporate customers that offers them everything in one place. This initiative is an important step in simplifying the bank's organisational structure. The aim is to generate additional synergies and closer contact with customers.

Following the appointment of the new UniCredit CEO, Andrea Orcel, and the changes to the Group Executive Committee of UniCredit S.p.A., the Group's new strategic plan "***UniCredit Unlocked***" was presented to the market on 9 December 2021.

One important pillar of "***UniCredit Unlocked***", 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 will be redesigned, leveraging organizational simplification and digitalization. Fast implementation of cutting-edge technology is crucial to expanding client reach and support all business segments in increasing value generation. Lean business model will reduce complexity and boost business effectiveness. In view of this, more than 50% of UniCredit Bank Austria's investments will go towards 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: RWA optimisation to mitigate regulatory headwinds, fostering capital light business and focusing on value generating client segments.
- +5% net revenue: recover natural market share in the retail business, building on the bank's leading position in private banking and achieving additional growth in corporate banking.
- -4% cost: streamline the operating model to reduce complexity.

Continuing the disciplined management of risk provisions and risk weighted assets (RWAs) is a further important precondition for achieving the overriding objective: to achieve profitability that is considerably greater than the capital invested in all business areas. The central aim is to achieve significant improvements in return on allocated capital (RoAC).

The organisational and digital transformation will focus particularly on the following targets until the end of 2024:
- generating a return on allocated capital (RoAC) of over 12%,
- improving the cost/income ratio to around 50%, minus 13 percentage points in the period from 2021 to 2024, and
- generating a net profit of €0.7 bn, about 15% of the net profit of the entire Group.

Management Report of UniCredit Bank Austria AG

The focus is on recovering natural market shares in core products. through efforts along **three different dimensions**:

The organisation:
At the forefront is a redesigned, streamlined operating model, focusing on simplifying the organisation and on digitisation. The operating model to be implemented is generally streamlined, reduces complexity, and increases efficiency and lowers the cost/income ratio in the business. At the same time, more than 50% of capital expenditure is being directed towards growth and optimisation.

Customers:
UniCredit Bank Austria plans to rapidly implement customer-focused framework conditions based on state-of-the-art technology. This is aimed at broadening the scope of the customer base. Specifically, the market share is set to increase by 3 percentage points in mortgage financing and by 8 percentage points in consumer loans compared to 2021.

Employees:
All the business segments are expected to increase their value creation and thus make a contribution that is greater than the cost of capital. Process automation is changing the way transactions and processes are handled and is set to reduce our total costs by a total of -12% between 2021 and 2024.

It is important that this reduction in total costs – which covers all material and personnel costs – be brought about through significant investments in digitising our products and services and significantly simplifying our processes and the entire operating model.

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

Throughout the **COVID-19 crisis**, UniCredit Bank Austria has once again demonstrated its organisational strength and flexibility, as well as the high degree of commitment and know-how of its employees:
- The relocation to the new headquarters at the Austria Campus in 2018 enabled employees to work 20% of their weekly working hours from home. This successful remote working concept provided an important basis to enable over 90 percent of the 5,300 employees at the headquarters to continue working from home and supporting customers as effectively as possible within just a few days of the start of the COVID-19 lockdown in March 2020.
- All employees will continue to have the option of working from home in future: up to 40 percent of weekly working hours in central areas and up to 20 percent in the branches.
- Over the rest of the year, safety and protective measures in the branches and at the Austria Campus were continually adapted to the decisions made by the Federal Government in response to epidemiological developments. The top priority was always to keep the risk of infection for customers and employees as low as possible, while ensuring that all bank services continued to run smoothly for customers.

Meanwhile, UniCredit Bank Austria also began **supporting the economy through the COVID-19 crisis** in many respects. During the initial acute crisis phase, our main focus was on supporting businesses and households as well as possible:

- The bank has supported companies directly by way of forbearance measures, bridging loans, special credit limits for export losses and comprehensive advice.
- An increase in forbearance measures and increases in credit lines have prevented customers from getting into emergency situations, allowing them to remain liquid and continue contributing to domestic demand in Austria, which is now more important than ever.
- Since the beginning of the crisis, up to €3 billion has been lent (at the top end) and tens of thousands of deferments have been implemented. Moreover, every second export guarantee by OeKB, i.e. around 50 per cent, has been processed through UniCredit Bank Austria, which is well above the typical market share of 30%. Even in other guarantee systems (*aws*, *OeHT*), more guarantees have been provided than corresponded to the market shares. Even in this crisis, UniCredit Bank Austria has therefore shown itself to be a reliable partner to its customers as one of the leading banks in the country.
- As a leading corporate bank and preferred partner in funding advice, UniCredit Bank Austria is the ideal point of contact for all entrepreneurs who want to obtain an overview of the current funding opportunities. Funding experts have advised and supported customers in the past few months, mainly through telephone and video calls.

Management Report of UniCredit Bank Austria AG

In a second phase, the medium-term and long-term objectives were increasingly brought to the foreground to make the **business models** and the **equity basis of the company** fit for the future. Companies need both credit and funding as well as sufficient equity to get through the crisis:

- Key points from discussions with customers in this phase are also opportunities brought about from the current situation: such as expansion possibilities through targeted purchases, the preparation and implementation of company handovers in SME or the expansion of the e-commerce offering.
- UniCredit Bank Austria also supports companies in positioning themselves in a way that is sustainable and considerate of the environment, especially through investments in digitisation, climate and environmental protection. The bank offers advice and analysis to show customers what their targets should be in terms of ESG criteria (environmental/social/sustainable governance) and how the bank can support them on the way to sustainable financing.

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, launched in 2020, which is certified with the Austrian Eco-Label. Here, sustainable financing is carried out to the amount of the deposits in GoGreen accounts: for companies, projects in the field of renewable energies (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. For sustainable investment products, reduced purchase costs apply for the GoGreen account. The GoGreen account is also available as a GoGreen account for children and young people and, since 2021, as a GoGreen business account. This green account allows self-employed people, freelancers and small and medium-sized enterprises to contribute to climate protection through their payments.

An important – and quite positive – effect of the COVID-19 crisis is the strong economic and social impetus in the field 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 of UniCredit Bank Austria AG

4. Report on key features of the internal control and risk management systems in relation to the financial reporting process

The Management Board is responsible for establishing and designing internal control and risk management systems which meet the company's requirements in relation to the financial reporting process. The audit committee oversees the efficacy of the internal control and risk management system in addition to the accounting process as a whole; it may, if required, issue recommendations and suggestions to ensure the reliability of the accounting process.

The objective of the internal control system is to assist management in assuring internal controls in relation to financial reporting which are effective and are improved on an ongoing basis. The system is geared to complying with rules and regulations and creating conditions which are conducive to performing specific controls in key accounting processes.

Following the integration of the Bank Austria Group in UniCredit Group, the Italian Savings Law, Section 262 (detailed descriptions of processes, risk and control for minimising risk in preparing financial statements) in particular, must be complied with in addition to the existing internal control system.

Internal Audit performs independent and regular reviews of compliance with legal provisions and internal rules also in the area of accounting. The Head of Internal Audit reports directly to the Management Board and provides the Chairman of the Supervisory Board and the Audit Committee with quarterly reports.

Control environment

UniCredit S.p.A., the parent company of UniCredit Bank Austria AG, works to maintain effective communication and convey the corporate values defined in the Integrity Charter.

The Integrity Charter embodies the UniCredit Group's identity and is based on the following shared values: fairness, transparency, respect, reciprocity, freedom to act and trust.
The implementation of the internal control system in relation to the financial reporting process is also set out in the internal rules and regulations.

All accounting entries are made within the guidelines established in the Accounting Policy, and release follows defined instruction and control criteria. Appropriate processes have been implemented and are reviewed by Internal Audit on an ongoing basis.

Risk assessment

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

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

Controls

All controls are applied in the current business process to ensure that potential errors or deviations in financial reporting are prevented or detected and corrected. Coordination measures range from a management review of results for the various periods to specific reconciliation of accounts and the analysis of continuous accounting processes.

The levels of hierarchy are designed so that an activity and the control of that activity is not performed by the same person (four-eye principle). In the course of the preparation of financial reports, the general ledger accounts are reconciled with business and front-end systems.

Management Report of UniCredit Bank Austria AG

IT security controls are a cornerstone of the internal control system. Defined IT controls are documented under the “262 Saving Law” and are audited by external auditors pursuant to the “International Standards for Assurance Engagements (ISAE) No. 3402”.

Information and communication

Management regularly updates rules and regulations for financial reporting and communicates them to all employees concerned.

Moreover, regular discussions on financial reporting and on the rules and regulations applicable in this context take place in various bodies and are repeatedly communicated to UniCredit Bank Austria AG. Employees in Financial Accounting receive regular training in new methods of international financial reporting in order to counteract risks of unintended misreporting at an early stage.

To perform monitoring and control functions with a view to proper financial accounting and reporting, extensive financial information is made available at key levels of the Bank. The Supervisory Board and Management Board shall receive relevant information and middle management shall also be provided with detailed reports.

Monitoring

As part of the implementation of the internal control system pursuant to the “262 Savings Law”, instruments were introduced to monitor the effectiveness of controls. In connection with the compulsory, half-yearly certification process for the preparation of the management report, the relevant responsible persons are required to carry out tests to check the up-to-dateness of descriptions and the effectiveness of controls. It must be ascertained whether the controls work according to their design and whether the persons who perform controls have the competence/authority and qualifications required to perform the controls effectively.

All relevant responsible persons shall confirm, by means of certification, that their processes are adequately documented, risks have been identified and controls have been evaluated with a view to deriving measures to minimise risk.

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

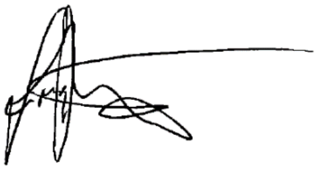
Management Report of UniCredit Bank Austria AG

Vienna, 18 February 2022

The Management Board

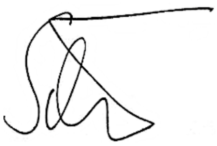
Robert Zadrazil
CEO
Chief Executive Officer
(Chairperson)

Daniela Barco
Privatkundenbank



Gregor Hofstätter-Pobst
CFO Finance

Georgiana Lazar
People & Culture



Wolfgang Schilk
CRO Risk Management

Günter Schubert
Corporates

Financial Statements of UniCredit Bank Austria AG

Balance Sheet as at 31 December 2021 - UniCredit Bank Austria AG

Assets

	31.12.2021 (€)	31.12.2020 (€ THOUSAND)	CHANGE +/- € THSD	+/- %
1. Cash in hand, balances with central banks and postal giro offices	**21,683,191,885.40**	**28,113,340**	**(6,430,148)**	**-22.9%**
2. Treasury bills and other bills eligible for refinancing at central banks	**9,932,550,363.65**	**9,391,761**	**540,789**	**5.8%**
a) treasury bills and similar securities	9,932,550,363.65	9,391,761	540,789	5.8%
b) other bills eligible for refinancing at central banks	-	-	-	-
3. Loans and advances to credit institutions	**7,619,913,815.92**	**6,525,045**	**1,094,869**	**16.8%**
a) repayable on demand	1,218,045,615.45	756,758	461,288	61.0%
b) other loans and advances	6,401,868,200.47	5,768,287	633,582	11.0%
4. Loans and advances to customers	**67,431,430,967.96**	**60,872,868**	**6,558,563**	**10.8%**
5. Bonds and other fixed-income securities	**4,294,154,022.37**	**4,621,440**	**(327,285)**	**-7.1%**
a) issued by public borrowers	1,164,555,022.33	1,006,535	158,020	15.7%
b) issued by other borrowers	3,129,599,000.04	3,614,904	(485,305)	-13.4%
of which: own bonds	33,576.78	294,109	(294,075)	-100.0%
6. Shares and other variable-yield securities	**29,437,902.30**	**31,920**	**(2,482)**	**-7.8%**
7. Equity interests	**232,869,506.67**	**225,401**	**7,469**	**3.3%**
of which: in credit institutions	167,496,990.06	167,497	-	0.0%
8. Shares in group companies	**1,597,321,376.72**	**1,585,949**	**11,373**	**0.7%**
of which: in credit institutions	281,644,800.63	276,635	5,010	1.8%
9. Intangible fixed assets	**1,820,000.00**	**2,100**	**(280)**	**-13.3%**
10. Tangible fixed assets	**121,564,454.16**	**166,845**	**(45,281)**	**-27.1%**
of which: land and buildings used by the credit institution for its own business operations	18,133,502.54	17,653	480	2.7%
11. Shares in a controlling company or a company holding a majority interest	**-**	**-**	**-**	**-**
of which: par value	-	-	-	-
12. Other assets	**1,318,247,979.69**	**1,768,518**	**(450,270)**	**-25.5%**
13. Subscribed capital called but not paid	**-**	**-**	**-**	**-**
14. Prepaid expenses	**111,472,877.96**	**129,207**	**(17,734)**	**-13.7%**
15. Deferred tax assets	**586,826,893.72**	**594,858**	**(8,031)**	**-1.4%**
TOTAL ASSETS	**114,960,802,046.52**	**114,029,251**	**931,551**	**0.8%**

Items shown below the Balance Sheet

Assets

	31.12.2021 (€)	31.12.2020 (€ THOUSAND)	CHANGE +/- € THSD	+/- %
1. Foreign assets	**29,200,784,320.83**	**27,339,418**	**1,861,366**	**6.8%**

Financial Statements of UniCredit Bank Austria AG

Liabilities and Shareholders' Equity

	31.12.2021 (€)	31.12.2020 (€ THOUSAND)	CHANGE +/- € THSD	+/- %
1. Amounts owed to credit institutions	**29,651,091,842.15**	**30,177,096**	**(526,004)**	**-1.7%**
a) repayable on demand	4,312,373,344.81	5,448,654	(1,136,280)	-20.9%
b) with agreed maturity dates or periods of notice	25,338,718,497.34	24,728,443	610,276	2.5%
2. Amounts owed to customers	**62,222,663,541.22**	**58,820,494**	**3,402,170**	**5.8%**
a) savings deposits	15,735,910,709.27	15,433,143	302,768	2.0%
aa) repayable on demand	9,330,746,143.28	8,281,849	1,048,897	12.7%
bb) with agreed maturity dates or periods of notice	6,405,164,565.99	7,151,293	(746,129)	-10.4%
b) other liabilities	46,486,752,831.95	43,387,351	3,099,402	7.1%
aa) repayable on demand	40,412,554,913.44	33,463,259	6,949,296	20.8%
bb) with agreed maturity dates or periods of notice	6,074,197,918.51	9,924,092	(3,849,894)	-38.8%
3. Debts evidenced by certificates	**9,509,613,551.49**	**11,677,523**	**(2,167,909)**	**-18.6%**
a) bonds issued	9,509,613,551.49	8,733,294	776,320	8.9%
b) other debts evidenced by certificates	-	2,944,229	(2,944,229)	-100.0%
4. Other liabilities	**1,764,807,629.29**	**1,931,680**	**(166,873)**	**-8.6%**
5. Deferred income	**24,484,372.10**	**29,534**	**(5,050)**	**-17.1%**
6. Provisions	**4,512,120,146.20**	**4,566,970**	**(54,850)**	**-1.2%**
a) provisions for severance payments	303,299,353.42	315,025	(11,726)	-3.7%
b) pension provisions	3,391,869,000.00	3,633,312	(241,443)	-6.6%
c) provisions for taxes	34,321,587.11	35,792	(1,470)	-4.1%
d) other	782,630,205.67	582,842	199,789	34.3%
6a. Special fund for general banking risks	**-**	**-**	**-**	**-**
7. Tier 2 capital pursuant to Chapter 4 of Title I of Part Two of Regulation (EU) No 575 /2013	**588,352,959.53**	**946,652**	**(358,299)**	**-37.8%**
8. Additional Tier 1 capital pursuant to Chapter 3 of Title I of Part Two of Regulation (EU) No 575 /2013	**601,717,808.22**	**-**	**601,718**	**>100%**
of which: Contingent convertible bonds pursuant to Section 26 of the Austrian Banking Act	-	-	-	-
8b. Instruments without voting right pursuant to Section 26a of the Austrian Banking Act	**-**	**-**	**-**	**-**
9. Subscribed capital	**1,681,033,521.40**	**1,681,034**	**-**	**-**
10. Capital reserves	**1,876,354,199.40**	**1,876,354**	**-**	**-**
a) subject to legal restrictions	876,354,199.40	876,354	-	-
b) other	1,000,000,000.00	1,000,000	-	-
11. Revenue reserves	**192,056,563.11**	**192,166**	**(109)**	**-0.1%**
a) for own shares and shares in a controlling company	-	-	-	-
b) statutory reserve	-	-	-	-
c) reserves provided for by the bye-laws	-	-	-	-
d) other reserves	192,056,563.11	192,166	**(109)**	**-0.1%**
12. Reserve pursuant to Section 57 (5) of the Austrian Banking Act (BWG)	**2,129,748,409.45**	**2,129,748**	**-**	**-**
13. Accumulated profit/loss	**206,757,502.96**	**-**	**206,758**	**-**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**114,960,802,046.52**	**114,029,251**	**931,551**	**0.8%**

Financial Statements of UniCredit Bank Austria AG

Items shown below the Balance Sheet
Liabilities and Shareholders' Equity

	31.12.2021 (€)	31.12.2020 (€ THOUSAND)	CHANGE +/- € THSD	+/- %
1. Contingent liabilities	**8,791,932,587.48**	**8,258,383**	**533,550**	**6.5%**
of which: a) acceptances and endorsements	-	-	-	-
b) guarantees and assets pledged as collateral security	8,791,932,587.48	8,258,383	533,550	6.5%
2. Commitments	**12,060,935,861.01**	**11,632,157**	**428,779**	**3.7%**
of which: commitments arising from repurchase agreements	-	-	-	-
3. Liabilities arising from transactions on a trust basis	**-**	**-**	**-**	**-**
4. Eligible capital pursuant to Part Two of Regulation (EU) No 575 /2013	**6,614,222,229.25**	**5,956,652**	**657,570**	**11.0%**
of which: Tier 2 capital pursuant to Chapter 4 of Title I of Part Two of Regulation (EU) No 575 /2013	739,502,576.48	800,462	(60,959)	-7.6%
5. Capital requirements pursuant to Article 92 of Regulation (EU) No 575 /2013	**35,011,733,394.22**	**29,725,038**	**5,286,696**	**17.8%**
of which: capital requirements pursuant to points (a) to (c) of Article 92 (1) of Regulation (EU) No 575 /2013				
a) Common Equity Tier 1 capital ratio	15.07%	17.35%		
b) Tier 1 capital ratio	16.78%	17.35%		
c) Total capital ratio	18.89%	20.04%		
6. Foreign liabilities	**11,259,932,562.61**	**13,241,200**	**(1,981,267)**	**-15.0%**

Profit and Loss Account

Profit and Loss Account for the year ended 31 December 2021

Profit and Loss Account 2020

	2021 (€)	2020 (€ THOUSAND)	CHANGE +/- € THSD	+/- %
1. Interest and similar income	**1,277,860,895.30**	**1,252,931**	**24,930**	**2.0%**
of which: from fixed-income securities	92,084,495.31	132,528	(40,444)	-30.5%
2. Interest and similar expenses	**(479,873,860.80)**	**(452,701)**	**(27,173)**	**6.0%**
I. NET INTEREST INCOME	**797,987,034.50**	**800,230**	**(2,243)**	**-0.3%**
3. Income from securities and equity interests	**167,489,104.92**	**195,015**	**(27,526)**	**-14.1%**
a) income from shares, other ownership interests and variable-yield	28,352.91	144	(116)	-80.6%
b) income from equity interests	13,336,959.57	11,091	2,246	20.2%
c) income from shares in group companies	154,123,792.44	183,779	(29,655)	-16.1%
4. Fee and commission income	**627,959,644.60**	**586,342**	**41,617**	**7.1%**
5. Fee and commission expenses	**(123,705,235.99)**	**(114,979)**	**(8,726)**	**7.6%**
6. Net profit / loss on trading activities	**84,396,246.84**	**73,281**	**11,115**	**15.2%**
7. Other operating income	**110,406,857.46**	**62,164**	**48,243**	**77.6%**
II. OPERATING INCOME	**1,664,533,652.33**	**1,602,052**	**62,481**	**3.9%**
8. General administrative expenses	**(1,271,443,534.09)**	**(1,092,569)**	**(178,875)**	**16.4%**
a) staff costs	(765,913,611.41)	(628,392)	(137,522)	21.9%
of which: aa) wages and salaries	(624,500,230.30)	(342,451)	(282,049)	82.4%
bb) expenses for statutory social-security contributions and compulsory contributions related to wages and salaries	(87,410,028.63)	(83,483)	(3,927)	4.7%
cc) other employee benefits	(6,778,465.14)	(7,186)	408	-5.7%
dd) expenses for retirement benefits	(33,642,212.80)	(46,523)	12,880	-27.7%
ee) allocation to the pension provision	-	(128,667)	128,667	-100.0%
ff) expenses for severance payments and payments to severance-payment funds	(13,582,674.54)	(20,082)	6,499	-32.4%
b) other administrative expenses	(505,529,922.68)	(464,177)	(41,353)	8.9%
9. Depreciation and amortisation of asset items 9 and 10	**(46,020,035.41)**	**(21,707)**	**(24,313)**	**>100%**
10. Other operating expenses	**(151,724,149.39)**	**(107,653)**	**(44,072)**	**40.9%**
III. OPERATING EXPENSES	**(1,469,187,718.89)**	**(1,221,928)**	**(247,259)**	**20.2%**
IV. OPERATING RESULTS	**195,345,933.44**	**380,124**	**(184,778)**	**-48.6%**
11./12. Balance of impairments on loans and advances and additions to provisions for contingent liabilities and for credit risk, as well as income from the reversal of impairments on loans and advances and of provisions for contingent liabilities and for credit risk	**(145,655,818.36)**	**(332,560)**	**186,904**	**-562.0**
13./14. Balance of impairments on securities valued in the same way as financial assets and on equity interests and shares in group companies, as well as income from valuation of securities valued in the same way as financial assets, as well as of equity interests and shares in group companies	**157,988,363.78**	**(77,057)**	**235,046**	**n.a.**
V. RESULTS FROM ORDINARY BUSINESS ACTIVITIES (carry-over)	**207,678,478.86**	**(29,493)**	**237,171**	**n.a.**

Profit and Loss Account

	2021 (€)	2020 (€ THOUSAND)	CHANGE +/- € THSD	+/- %
Carry-over (V. RESULTS FROM ORDINARY BUSINESS ACTIVITIES)	**207,678,478.86**	**(29,493)**	**237,171**	**n.a.**
15. Extraordinary income	-	-	**-**	**-**
of which: releases from the special fund for general banking risks	**-**	**-**	-	-
16. Extraordinary expenses	**-**	**-**	**-**	**-**
of which: allocations to the special fund for general banking risks	**-**	**-**	-	-
17. Extraordinary results (sub-total of items 15 and 16)	**-**	**-**	**-**	**-**
18. Taxes on income	**446,367.58**	**38,505**	**(38,059)**	**-98.8%**
19. Other taxes not included under item 18	**(1,476,352.73)**	**(61,293)**	**59,816**	**-97.6%**
VI. ANNUAL SURPLUS/ANNUAL DEFICIT	**206,648,493.71**	**(52,281)**	**258,929**	**n.a.**
20. Movements in reserves	**109,009.25**	**52,038**	**(51,929)**	**-99.8%**
VII. PROFIT/LOSS FOR THE YEAR	**206,757,502.96**	**(243)**	**207,001**	**n.a.**
21. Profit / loss brought forward from previous year	**-**	**243**	**(243)**	**-100.0%**
VIII. ACCUMULATED PROFIT/LOSS	**206,757,502.96**	**-**	**206,758**	**100.0%**

n.m. = not meaningful

Notes to the Financial Statements

Notes to the Financial Statements

Notes to the Financial Statements

1. General information

The financial statements of UniCredit Bank Austria AG for the 2021 financial year were prepared pursuant to the regulations of the Austrian Business Code (Unternehmensgesetzbuch – UGB) in its currently applicable version and in compliance with the rules of the Austrian Banking Act (Bankwesengesetz – BWG) and the Austrian Joint Stock Companies Act (Aktiengesetz – AktG) that are applicable to credit institutions. The formats of the balance sheet and of the profit and loss account comply with the forms in Annex 2 to Section 43 of the Austrian Banking Act.

The disclosure in the balance sheet items “Loans and receivables with banks” or “Loans and receivables with customers” as well as “Deposits from banks” or “Deposits from customers” is due to technical and procedural reasons, as well as for better comparability with the consolidated financial statements of the BA Group according to the regulations of CRR 575/2013.

As securities issued by UniCredit Bank Austria AG are admitted to trading on a regulated exchange in the European Union, UniCredit Bank Austria AG prepares its consolidated financial statements as a credit institution in accordance with International Financial Reporting Standards (IFRSs). The consolidated financial statements are published on the Internet (**www.bankaustria.at**).

UniCredit Bank Austria AG is a subsidiary included in the consolidated financial statements of UniCredit S.p.A.
The consolidated financial statements prepared by the Group’s parent company are published at the following address: UniCredit S.p.A, registered office: Piazza Gae Aulenti 3 – Tower A – 20154 Milan, Italy. They are published on the Internet at **www.unicreditgroup.eu.**

COVID-19-Pandemie

Once again, 2021 was shaped by the COVID-19 pandemic, which broke out in early 2020 and continued to exert a significant impact on the whole economic and working environment. Owing in part to the start of the vaccination campaigns and the economic upturn that was starting to take effect in Austria and around the world, the environment in 2021 was markedly better than in the previous year, although the omicron variant of the virus, which emerged in late 2021, gave rise to further uncertainty. UniCredit Bank Austria AG's income statement was therefore significantly less impacted by the pandemic in the reporting period than in the previous year, particularly in the area of the cost of risk, as there was significantly less need for preventive measures in 2021 following the risk provisions posted in 2020 in connection with the COVID-19 pandemic.

Disclosure (“Pillar 3”) according to Regulation (EU) No 575/2013 (“CRR”)
UniCredit Bank Austria AG is a part of UniCredit Group. The EU parent credit institution of UniCredit Group is UniCredit S.p.A.
Within UniCredit Group, a comprehensive disclosure is carried out by UniCredit S.p.A. on its website, based on the consolidated financial position (www.unicreditgroup.eu).

The Austrian Financial Market Authority ("FMA") classified UniCredit Bank Austria AG as a significant subsidiary within the meaning of Article 13 of the CRR and UniCredit Bank Austria AG fulfils its disclosure requirements on a sub-consolidated basis.
Disclosure is made quarterly with data as at 31 December on the website of UniCredit Bank Austria AG (**www.bankaustria.at**).

Size classification pursuant to Section 221 of the Austrian Business Code
According to the size classification pursuant to Section 221 of the Austrian Business Code, UniCredit Bank Austria AG is classified as a large company.

Multi-year plan – "UniCredit Unlocked"
In December 2021, UniCredit S.p.A. announced the new strategic plan "UniCredit Unlocked", which includes the following three interconnected priorities/levers for further improvement of financial success: cost savings combined with investments in digital and data transformation and business development; optimal capital allocation, and an increase in operating income of approximately 2% per annum. Based on the new strategic plans set out by UniCredit S.p.A., provisions for risks and charges or restructuring expenses were recognised for the measures relating to UniCredit Bank Austria AG in 2021, which primarily include the following:
- Necessary personnel expenses for temporary assistance and early retirement models, which continue to be implemented on a socially responsible and voluntary basis. Selected employees who reach the statutory retirement age (early retirement or normal pension) in 2028 or 2029 will receive an offer from the bank to leave early on a voluntary basis with assistance to bridge the period until they reach the statutory retirement age. The calculation of the restructuring provision was based on assumptions regarding the acceptance rate, which are based on experience from similar programmes in the past. These restructuring expenses are reported under "Staff costs" in the amount of €266,100,000.00 (2020: €0 thousand);
- One-off expenses for onerous contracts or from contracts with expected lower economic benefits in future periods are reported under "Other administrative expenses" in the amount of €32,086,700.13 (2020: €0 thousand) and under "Other operating expenses" in the amount of €15,015,741.61 (2020: €0 thousand);
- Extraordinary write-downs on property, plant and equipment are reported under " Depreciation and amortisation of asset items 9 and 10" amounting to €25,068,304.00 (2020: €0 thousand).

Notes to the Financial Statements

2. Accounting and valuation methods

2.1. General rule

The financial statements were prepared on the basis of generally accepted accounting principles and in compliance with the general requirement of giving a true and fair view of the company's assets and liabilities, its financial position and results. Assets and liabilities were valued in accordance with the principle of individual valuation on a going concern basis. The annual financial statements were prepared in accordance with the principle of completeness.

2.2. Accounting and valuation methods

2.2.1. Fremdwährungsumrechnung

Assets and liabilities denominated in foreign currencies were stated in the balance sheet at the European Central Bank's reference rates as at 31 December 2021. Expenses and income in foreign currencies were translated at the ECB's end-of-month reference rates. Forward transactions that had not been settled at the balance sheet date were translated at the forward rate.

2.2.2. Fair Value

In UniCredit Bank Austria AG, financial instruments measured at fair value and stated at their fair values in the balance sheet are primarily measured at market value. If it is not possible readily to determine the market value of financial instruments as a whole, the market value will be derived from the market values of the components of the financial instrument or from the market value of a financial instrument that is substantially the same. If a reliable market value cannot be readily determined, generally recognized valuation models and techniques will be used to determine the value if such models and techniques ensure a reasonable approximation of the market value.

The following value adjustments are taken into account when determining fair values using valuation models and methods:

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

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

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

In general, a bilateral CVA calculation based on market-implied values for PD and LGD (CDS) is used for performing counterparts. There are exceptions for Specific Wrong Way Risk, which are calculated on a unilateral basis. In 2021, the use of market-implied PDs and LGDs (CDS) was converted to new, improved sector/rating/region-specific CDS curves from MARKIT.

In the case of non-performing counterparts, a bilateral CVA calculation was also carried out on the basis of the expected loss of credit spread curves corresponding to a stress situation on the part of the customer.

Notes to the Financial Statements

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

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

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

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

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

2.2.3. Loans and advances

Under consideration of the „Guideline for Banks on Impaired Loans" of the European Central Bank, UniCredit Bank Austria AG has implemented internal guidelines for the recording, administration and valuation of loans, which govern both value adjustments and write-offs or partial write-offs of loans.

Provisioning process

On the basis of the joint position paper by AFRAC and the FMA from September 2017 and on the basis of AFRAC 14 (June 2021), UniCredit Bank Austria AG decided to also apply the IFRS 9 credit risk provisioning model under regulations of the Austrian Business Code.

UniCredit Bank Austria AG has implemented internal guidelines for the recording, administration and valuation of loans, which govern both value adjustments and write-offs or partial write-offs of loans. The impairment model for recognition of expected credit losses is to be applied to all debt instruments that are measured at "amortised cost" and also to off-balance sheet instruments such as guarantees and lending commitments.

Depending on the change in credit risk between the time of the initial recognition and the current credit risk on the valuation date, these instruments are categorised either in Stage 1, Stage 2 or Stage 3:
- Stage 1 includes all newly added financial instruments, and those for which no significant increase in the default risk since the initial recognition has been determined and instruments with a low default risk ("low credit risk exemption" for securities with an "investment grade" credit rating). (specifically, an IFRS 9 twelve-month probability of default below 30 basis points).
- Stage 2 includes instruments for which a significant increase in risk has been identified since the initial recognition, but in which there have been no failures yet, and are therefore classified as "performing", as well as instruments without a PD at the time of access.
- Stage 3 is for the non-performing portfolio, which is made up of unusual risk positions pursuant to Article 178 of Regulation (EU) No. 575/2013.

Notes to the Financial Statements

UniCredit Bank Austria AG's current definition of default, which is also used for regulatory purposes, has been adopted for the definitions of the terms "performing" and "non-performing".

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

Impairment Losses for Stage 1 and Stage 2 (performing portfolio)

For Stage 1 instruments, a credit loss equal to the expected 12-month credit loss ("1 year ECL") is recognised. For Stage 2 and 3 instruments, on the other hand, a credit loss amounting to the expected lifetime credit loss ("lifetime ECL") is recognised. The credit risk parameters used are generally based on the regulatory IRB models, and are adapted in relation to IFRS 9-specific requirements (e.g. consideration of future-oriented macroeconomic information).

The stage transfer criteria (between Stage 1 and Stage 2) form a central component of the impairment regulations and determine when a significant increase in credit risk ("SICR") has occurred since initial recognition. These include both relative and absolute criteria. The significant criteria for a transfer from Stage 1 to Stage 2 include:

- **Quantitative transfer logic**: a relative comparison on a transaction basis between default probability (PD) at the reporting date and that at initial recognition using internal models. The threshold values are defined using a complex statistical procedure that takes into account the probability of default, the age and residual term of the loan (the variable residual term was re-recognised as part of the 2021 recalibration of the transfer criteria) and the historical default behavior of the segment in question. Each month, the probability of default as at the observation date is compared with the probability of default at the start of business. The comparison is based on the PD profile for the entire term of the transactions. The limit from which deterioration is considered significant is determined for each individual transaction, using a function which applies this PD at the time of the initial recognition as most important variable. The higher the PD is at the start of business, the lower the relative tolerated deterioration is, which leads to a shift into Stage 2. The functions are determined for various sub-portfolios and are calibrated differently. This calibration is based on the long-term rate of default, including the forbearance portfolio share and items where payment is delayed by at least 30 days. The quantitative calibration of the stage transfer criteria is designed to ensure that a corresponding share of the sub-portfolio will be classified as Stage 2 for average economic situations. This share may increase or decrease, depending on the respective economy. Transactions for which the probability of default has at least tripled (PD over the entire residual term) are classified as Stage 2 regardless of the function described above, as well as transactions with a probability of default of 20% or more (IRB PD). Conversely, all transactions with a PD below 30 basis points (12-month PD) are classified as Stage 1.
- **Qualitative criteria**: All quantitative criteria are supplemented by a number of qualitative criteria, any one of which will lead to a Stage 2 classification: "30-day arrears", "forbearance" and certain "watch list cases".
- **Stage upgrade**: If the PD of the transaction has improved sufficiently again by the next reporting date and no qualitative Stage 2 criteria apply, it is transferred back to Stage 1. However, a shift from Stage 2 to Stage 1 may only be made if the transaction would consistently have been assigned to Stage 1 on the previous three monthly reporting dates.
- **Special portfolios in Stage 2**: Foreign currency loans in the retail banking segment, taking into account the inherent risks since initial recognition in Stage 2.
- **Portfolios in Stage 1**: Internal transactions within the UniCredit Group are in Stage 1 unless individually assigned to Stage 2 at the transaction level.
- The COVID-specific factors/criteria that were added to the internal criteria in 2020 continued to apply in 2021.

Adjustments to the Stage transfer criteria in 2021
Some of the above stage criteria were first introduced across the Group in the fourth quarter of 2021. The adjustments also resulted from a discussion with the ECB. The key adjustments include the introduction of a rule whereby a tripling of the probability of default must always lead to a Stage 2 classification, as well as transactions with a probability of default of 20% or more. These two changes have not led to any significant increases in impairments compared with the previous Group-wide stage transfer criteria, but they are a better match for the ECB's expectations in the European environment. Another adjustment was the introduction of a good conduct period such that an upgrade to Stage 1 is only permitted if the transaction would consistently have been assigned to Stage 1 on the preceding three monthly reporting dates. This ensures that a stage upgrade only gives rise to impairment reductions if they have been confirmed to be sustainable through this good conduct period. Finally, a further extension of the low risk credit exemption (LCRE) was introduced to cover all loans with a probability of customer default below 30 basis points (Stage 1 assignment). Overall, the effects leading to increases in impairments were predominant.

Impairment Stage 3 (non-performing portfolio)

Impairments are formed at customer level as follows, depending on the amount of the customer exposure:

Notes to the Financial Statements

Specific write-downs
Customers with a total exposure of more than €2 million (based on Group of Connected Clients, GCC) are transferred to the restructuring management (NPE Operational Management & Monitoring) until there are first concrete indications of a possible default. In the event of these engagements, designated as "significant" due to the credit amount, the responsible restructuring manager calculates the impairment requirement on a case-by-case basis, for the first time when taking over the case and subsequently, on a quarterly basis. The calculation is based on weighted scenarios of expected future cash flows. The amount of impairment corresponds to the difference between the carrying amount of the loans and receivables and the present value of the expected cash flows (repayments and interest payments), discounted by the original effective interest rate.

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

Portfolio-based specific provisioning method
UniCredit Bank Austria AG applies a parameter-based method for the calculation of a portfolio-based specific provisioning method ("Pauschale Einzelwertberichtigung" – PEWB) for defaulted assets grouped by similar credit risk characteristics and with no significant exposure (total exposure of less than €2 million) at the GCC (Group of Connected Clients) level. By decision of the restructuring management, customers who belong to a GCC over €2 million can also be allocated to this method, provided the individual customer exposure does not exceed €1 million. Depending on the customer segment, the amount of the exposure and collateral, the credit rating and the duration of the default are determined and recognised. The parameters used to calculate the loss rate are re-estimated and back-tested annually.
If necessary, the value adjustment can also be determined by means of a specific provisioning method.

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

For impaired instruments, forward-looking information is also taken into account based on the application of multiple scenarios, which, in the case of specific provisioning, make use of specific probabilities for each customer.

Special features of the group of foreign currency loans

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

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

As a result of the special significance of the currency development for this portfolio, in addition to the forward-looking information described below that is applied to the remaining portfolios, the following factors are considered:
- A scenario-weighted adjustment of the lifetime EAD is made, based inter alia on the long-term exchange rate development of the Swiss franc and continuously adjusted.
- Certain components of the regulatory PD model are also adjusted to the PD curve logic used for IFRS 9. Because the majority of the foreign currency loans are paid off at maturity, the probability of default is not reduced according to the residual term, but is instead based on the total term.
- For LGD, a special markup had been used in recent years, which was replaced in 2021 in favor of a calibration based on the new LGD model.

Write-offs of Non-Performing Loans

Credit exposures which can no longer be viewed as recoverable are written off by reducing the carrying amount of the receivable in good time. If only a determinable share of the current credit exposure is seen as being realisable, the non-recoverable residual amount is written off. The modalities of the writedowns to be made are specified in detail in the internal policy for individual portfolios. Once a writedown has been made, it constitutes a derecognition and can therefore no longer be written up. In addition to the time and amount of the write-off, the related process, the competency limits for the amounts, the monitoring and the reporting are regulated in the internal guidelines, among other things. Full or partial writedowns do not represent a loss of legal title to the recoverability of the credit. If the legal claim is forfeited externally, derecognition takes place, which can no longer be written up.

Notes to the Financial Statements

Consideration of forward-looking information

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

The inclusion of forward-looking macroeconomic information is consistent with other macroeconomic forecasting techniques used in the UniCredit Group (e.g. taking into account macroeconomic forecasts of expected credit losses within the EBA Stress Test and the ICAAP), using independent UniCredit Research functionalities. This results in the creation of a unified starting point, which is adjusted to meet each of the now divergent regulatory requirements, using internally developed scenarios. The respective macroscenarios are modelled by the UniCredit Group unit responsible for stress tests, with regard to their effect on the credit risk parameters (“multifactor model”). This leads to adjustments of the parameter on the multi-year horizon of the scenario. For subsequent terms, the parameters of the base scenario are gradually approximated to their original values.

In November 2021, the bank selected three macro scenarios based on the economic environment in order to determine the forward-looking information: a basic scenario, a positive scenario and a negative scenario. The basic scenario is considered the most likely and therefore forms a central reference point. The positive and negative scenarios represent possible alternative developments, which are better or worse than the basic scenario. All three scenarios are based on expected economic growth of 5% in the eurozone and 4% in Austria in 2021, and the average unemployment rate in Austria for 2021 as a whole is 6.5%.

Basic scenario
The economic recovery continues, provided that Covid-19 can continue to be controlled with vaccines and the economic damage caused by future waves of Covid-19 gets progressively smaller. Financial policy will gradually normalise but continue to provide support if necessary, and many households are able to draw on the savings accumulated in the pandemic. The big economies will remain on a solid expansion path in 2022, followed by a slowdown in growth rates towards their longer-term potential in 2023 and 2024. The current sharp rise in inflation proves to be mainly temporary. The Fed and the ECB gradually reduce their stimulus to the economy through bond purchases. However, financing conditions remain favourable, especially in the eurozone, where the economic recovery has not advanced as far and where inflation is lower than in the United States.

Economic growth in the eurozone is 4.3% in 2022, having been at 5% in 2021. In Austria, after an increase of 4% in 2021, growth in 2022 is at 5.1%, significantly above that of the eurozone.

The "base effect" due to the sharp energy price rises in 2021 and the resolution of pandemic-related imbalances between supply and demand due to disrupted supply chains result in a decline in inflation in 2022. In the eurozone, inflation falls below the ECB target of 2% to an average of 1.8% in 2022 and 1.7% in 2023 and 2024. In Austria, inflation is slightly higher at 2.1% in 2022 and 1.9% in the following two years.

Negative scenario
The assumption in this scenario is that a new Covid-19 variant causes a severe wave of the pandemic in the United States and Europe. Governments are once again forced to severely restrict personal mobility and economic life. Despite low vaccination rates, we expect measures in the United States to be less strong than in eurozone countries, as in previous Covid-19 waves. The measures have a particularly strong impact on private demand, which is significantly weaker than in the basic scenario. Governments maintain an expansive fiscal policy in order to cushion the social impact of the pandemic. The ECB continues to provide favourable financing conditions through bond purchases.

In this scenario, GDP growth in the eurozone in 2022 is 2.6%, significantly lower than in the basic scenario. Growth then weakens to 0.4% in 2023 and 0.7% in 2024. In Austria, after economic growth of 3.3% in 2022, the new wave of the pandemic has an even greater impact, reducing it to 0.1% and 0.5% in 2023 and 2024 respectively.

The price-dampening effects due to weak demand and the widening of production gaps have a greater impact than the inflationary effects of ongoing supply chain disruptions. In combination with lower oil prices, this leads to a drop in inflation in this scenario. In the forecast period from 2022 to 2024, inflation in the eurozone is at or just below 1.5%. In Austria, inflation is 1.9% in 2022 and 1.5% and 1.6% respectively in the two years that follow.

Notes to the Financial Statements

Positive scenario
The positive scenario assumes that higher vaccination rates will lead to greater confidence and thus to higher economic growth than is assumed in the basic scenario. The pace of recovery proves to be exceptionally robust as households reduce their savings and companies resume the capital expenditure that was previously on hold. Driven by higher demand, GDP returns to the pre-crisis trend line in late 2022. Governments gradually reduce their support measures and there is also less need for an expansive monetary policy.

In this scenario, eurozone GDP grows by 5.8% in 2022, and by 3.6% and 2.5% in 2023 and 2024 respectively. In Austria, growth from 2022 to 2024 increases over and above that of the eurozone, to 6.6%, 4.2% and 2.6% respectively in each of the three years.

Boosted by price increases in the sectors hardest hit by the pandemic, core inflation rises. At the same time, supply chain problems persist for an extended period. Over the forecast period from 2022 to 2024, overall inflation in the eurozone oscillates around the ECB target at around 2%. Price increases in Austria are higher. Inflation in 2022 is 2.5% and then falls slightly to 2.4% and 2.3% respectively in the following two years.

Probabilities of occurrence
We have determined the following probabilities of occurrence for the three scenarios: 55% for the basic scenario, 40% for the negative scenario and 5% for the positive scenario. The progress of the pandemic, which depends on the possible emergence of new Covid-19 variants and the vaccination rate, remains pivotal for determining economic performance in the years from 2022 to 2024.In the basic scenario (55% probability), it is assumed that the vaccines will continue to be highly effective and that the booster vaccines will be accepted by a large majority, and new Covid-19 waves will therefore progressively decrease in size. In the negative scenario (40% probability), new Covid-19 variants can bypass the protection afforded by the vaccines, meaning that strict measures are again required to contain the virus. In the positive scenario (5% probability), the negative effects of the COVID-19 crisis disappear by the end of 2022 and GDP growth is above the pre-crisis growth trend.

Overall picture of the development of expected credit losses

The impairment of performing loans (Stages 1 and 2) increased by more than a quarter in 2021 compared with the end of 2020. A large part of the increase is due to the adjustments to the IRB models – the use of PD models in the summer of 2021 and IFRS9 anticipation of the new LGD model in November 2021. A much smaller portion of the increase is due to adjustments to the level allocations. Adjustments to the macro scenarios did not result in a significant reduction in impairment levels in 2021.
At the end of 2020, the impairments booked for Stages 1 and 2 loans to customers amounted to €410,393 thousand, rising to €517,087,752.79 by the end of the year.

Provisions for Stage 3 customer receivables, which amounted to €935,928 thousand at the end of 2020, decreased to €907,248,134.51 at the end of the year.

Development of non-performing loans and credit risk costs

The total loan exposure of UniCredit Bank Austria AG increased in the 2021 financial year from €60,988,390 thousand (end of 2020) to €67,431,430,967.96 (after deduction of risk provisions of €1,424,335,886.30). The non-performing exposure fell moderately in the same period from €2,010,911 thousand to €1,862,129,027.51.Declines were recorded in all areas of the Company, but most sharply in the segment “Unternehmerbank” (Corporate Banking division).

As a result of the increase in the total exposure, the share of non-performing loans in the total exposure fell from 3.3% to 2.7%.

In the non-performing portfolio, the level of impairment losses covered around 48.72% of the defaulted exposure at the end of 2021 (2020: 46.6%). The year-on-year increase compared with 2020 was related to the segment Unternehmerbank (Corporate Banking division) and Corporate & Investment Banking business segment, while a decline was recorded for the segment Privatkundenbank (Retail Banking division) (primarily in the fourth quarter).

As was to be expected based on the economic environment, 2021 saw a significant decline in credit risk costs to €144,167,229.94 (2020: €344,578 thousand).

COVID-19-induced moratoria and credit guarantees

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

Notes to the Financial Statements

In spite of an economic recovery in 2021, individual COVID-19 induced deferments and other relief measures agreed bilaterally are still being granted to individual customers. The statutory credit moratoria (COVID-19 JuBG), which was considerably more substantial at the beginning of the COVID-19 pandemic, and the "private credit moratoria" (moratoria without legal form), both based on the "Guidelines on statutory moratoria and moratoria without legal form for loan payments against the background of the COVID-19 crisis", had already expired in the first quarter of 2021.

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. These COVID-19 guarantee schemes have already been extended several times by the legislator, most recently until 30 June 2022, meaning the corresponding loans are available until that date.

However, the individual COVID-19-induced deferrals and other relief measures and the loans guaranteed by the state do not have a material impact on UniCredit Bank Austria AG's risk profile due to the low volumes involved. As a result of the new wave of COVID-19 that occurred in the fourth quarter of 2021, no lasting deterioration in the risk profile of the credit portfolio is currently expected.

The following two tables show details of the COVID-19 measures offered by UniCredit Bank Austria AG, on the one hand, the active moratoria in the volume of €0.04 billion and the COVID-19-induced state-guaranteed loans in the volume of €0.3 billion as at the reporting date of 31 December 2021.In addition, further state-guaranteed loans in the amount of €0.6 billion were granted in the course of the pandemic, although these were not related to COVID-19.

COVID-19 Moratoria

	31.12.2021			31.12.2020 [2)]		
	NUMBER OF OBLIGORS	GROSS BOOK VALUE (€ MILLION)	NET BOOK VALUE (€ MILLION)	NUMBER OF OBLIGORS	GROSS BOOK VALUE (€ MILLION)	NET BOOK VALUE (€ MILLION)
EBA-compliant Moratoria [1)]	**-**	**-**	**-**	**661**	**102**	**98**
of which: Households	-	-	-	603	52	51
of which: Non-financial corporations	-	-	-	55	46	44
Non EBA-compliant Moratoria	**89**	**39**	**26**	**95**	**23**	**21**
of which: Households	67	6	5	78	5	5
of which: Non-financial corporations	21	28	20	17	18	16

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

2) The comparative values as of December 31, 2020 have been adjusted. As of the reporting date of June 30, 2021, the reporting approach was changed by excluding expired moratoriums.

COVID-19 Loans and advanced subject to guarantees

	31.12.2021				31.12.2020			
	NUMBER OF OBLIGORS	GROSS BOOK VALUE (€ MILLION)	NET BOOK VALUE (€ MILLION)	PUBLIC GUARANTEE RECEIVED IN THE CONTEXT OF COVID-19 CRISIS (€ MILLION)	NUMBER OF OBLIGORS	GROSS BOOK VALUE (€ MILLION)	NET BOOK VALUE (€ MILLION)	PUBLIC GUARANTEE RECEIVED IN THE CONTEXT OF COVID-19 CRISIS (€ MILLION)
Newly originated loans and advances subject to public guarantee schemes	**1,043**	**269**	**263**	**224**	**1,063**	**368**	**361**	**290**

2.2.4. Securities

Securities intended to be held as long-term investments were measured at cost. Use was made of the optional rule contained in Section 56 (2) and (3) of the Austrian Banking Act (spreading premiums/discounts in the profit and loss account over the period to maturity). The relevant amounts of premiums and discounts are indicated in item 4 of the notes to the balance sheet (4.7. Differences between cost and repayable amount of bonds and other fixed-income securities). Securities held in the trading book were measured at fair value. Other securities held as current assets were measured at amortised acquisition cost or market value, whichever was lower (strict application of valuation rule "whichever is lowest out of market value or acquisition costs"). Own issues that were repurchased were presented in the balance sheet at amortised acquisition cost. Details are given in item 4 of the notes to the balance sheet (4.8. Differences between cost and market value of securities admitted to trading on an exchange which are not held as financial fixed assets).

Notes to the Financial Statements

2.2.5. Equity interests and shares in group companies

Equity interests and shares in group companies were measured at cost. In the case of a permanent decline in value, write-downs are made in respect of listed and unlisted companies. If it turns out that there are reasons for write-ups, a write-up is carried out in the amount of the impairment reversal, taking historical acquisition costs into account.

Impairment test

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

Phase 1 – planning period (2022 - 2024; in isolated cases until 2025):
For 2022, annual net profit and for the valuation of banks, also risk-weighted assets were used according to forecast figures for 2022, while for the following years, values according to the currently available multi-year plan, which usually extends to 2024, were used. Any planning data available for subsequent years beyond this was used.

Phase 2 (from the end of the planning period until 2029):
Within this phase, the growing rate converges to the expected sustainable long-term economic growth of the euro area of 2% (unchanged from the previous year).

Phase 3 – perpetual annuity:
Calculation of the present value of a perpetual annuity on the assumption of an expected long-term growth rate, of 2%, which takes the sustainable long-term economic growth expected by UniCredit Bank Austria AG for the euro area into account.

The impairment test was performed on the basis of the multi-year plans provided. Unless the specific circumstances or the business model result in a higher value, UniCredit Bank Austria AG uses a target CET1 capital ratio of 12.0% (2020: 11.5%) for banks. The cash flows are discounted using the rate of cost of capital which is determined on the basis of the long-term risk-free interest rate, the market risk premium for Austria (taking into account the recommendations issued by the Austrian Chamber of Public Accountants and Tax Consultants) and an appropriate beta. The discount rate is a nominal rate after taxes.

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

As the parameters and data used to test carrying amounts for impairment are significantly influenced by the overall economic environment and by market conditions, which may be subject to rapid unpredictable changes, the results of future impairment tests may differ from those which were used for the 2021 financial statements.

2.2.6. Intangible assets

As at 31 December 2021, UniCredit Bank Austria AG reported a goodwill figure of €1,820,000 € (previous year: €2,100 thousand), which is amortised over a period of 10 years. No other intangible assets were reported in the year under review.

2.2.7. Tangible fixed assets

The valuation of the land, buildings and operating and office equipment was carried out at acquisition or production costs less depreciation and impairment. The rate of depreciation applied to buildings was between 2% p.a. and 5% p.a. and for furniture and equipment between 10% p.a. and 25% p.a, in line with their ordinary useful lives.

2.2.8. Low-value assets

Low-value assets were fully depreciated in the year of acquisition.

2.2.9. Derivatives

Based on the "Benchmark Regulation" (EU Regulation 2016/1011), which has been in force in the EU since 1 January 2018, as well as similar global efforts to adjust benchmarks, IBOR (Interbank Offered Rates) interest rates in particular will be replaced by new benchmark interest rates.

Notes to the Financial Statements

UniCredit Bank Austria AG already set up a correspondingly comprehensive project back in 2019, in which the necessary steps were 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 case of a change in the reference interest rate caused by the IBOR reform and leading to economically equivalent payment flows, the IASB has decided to provide relief, which can be summarised as follows:

- 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.

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 are now set to be implemented gradually by January 2022 as scheduled.

The contractual adjustments triggered by the benchmark reform, which can only be justified by the switch to a new benchmark interest rate, therefore do not constitute a substantial change in the respective transactions and the hedging relationship can be maintained. The payments made or received in connection with the discounting switch were immediately recorded in the income statement through profit or loss.

UniCredit Bank Austria AG uses derivatives for interest rate management in the banking book to hedge securities held as assets, loans and advances as well as securitised and non-securitised liabilities against interest rate risk and currency risk. The bank uses primarily interest rate swaps, caps and floors as hedges. The bank forms micro and macro valuation units, with non-linear derivatives always being added up as micro valuation units.

Derivatives used for interest rate management in macro valuation units

In line with the relevant FMA circular of December 2012, functional units were formed, on the basis of the relevant currencies, for derivatives used for interest rate risk management in the banking book. Positive and negative market values are offset within these functional units. UniCredit Bank Austria AG also includes cross-currency swaps in derivatives used for interest rate risk management.
UniCredit Bank Austria AG may enter into open interest rate risk positions in the banking book only within narrow limits. Most of the derivatives for interest rate risk management are therefore used as part of a macro hedge.

An excess of negative market values per functional unit is therefore compared with the items hedged by these derivatives and is offset against unrecognised reserves from interest rate risk assessment.

A retrospective effectiveness measurement is performed to test the unfolding of the hedging effect of the hedging instruments.

The following table shows the positive and negative surpluses of the derivative market values compared with the hidden reserves of the hedged items, broken down by the relevant currencies. If a negative overhang of the derivative market value is not covered by hidden reserves from the hedged item, a provision for pending losses must be recognized for this currency.

Notes to the Financial Statements

(€ thsd)

	CLEAN MARKET VALUES OF DERIVATIVES, NET AMOUNTS 31.12.2021	CLEAN MARKET VALUES OF DERIVATIVES, NET AMOUNTS 31.12.2020	OFFSETTING HIDDEN RESERVES FROM ITEMS UNDER A MACRO HEDGE 2021	PROVISION FOR PENDING LOSSES 31.12.2021	PROVISION FOR PENDING LOSSES 31.12.2020	CHANGE IN PROVISION FOR PENDING LOSSES IN 2021	LONGEST TERM OF DERIVATIVES 2021
EUR	(74,726.8)	(286,526.3)	3,004,409.1	-	-	-	02.01.2055
CAD	(16.2)	4.6	(70.3)	(16.2)	-	(16.2)	18.01.2022
CHF	18,658.8	67,639.6	438,062.7	-	-	-	15.06.2031
CZK	1,640.1	(329.8)	930.0	-	-	-	31.03.2026
GBP	(7.3)	(9.0)	8,651.3	-	-	-	04.01.2022
JPY	409.5	488.0	9,978.2	-	-	-	15.02.2024
HRK	(1.5)	(36.2)	(2.7)	(1.5)	(36.2)	34.7	10.01.2022
HUF	(14.0)	2.1	(24.5)	(14.0)	-	(14.0)	07.12.2022
KZT	(11.8)	-	-	(11.8)	-	(11.8)	10.01.2022
NZD	(0.9)	0.5	0.3	(0.7)	-	(0.7)	21.01.2022
PLN	(3.9)	(24.2)	109.3	-	-	-	07.01.2022
RON	(13.6)	(1,219.2)	1,658.3	-	-	-	01.02.2022
RUB	1.0	(16.1)	76.0	-	(16.1)	16.1	10.01.2022
TRY	(0.1)	0.9	26.7	-	-	-	03.01.2022
USD	(4,544.1)	(11,399.0)	54,071.9	-	-	-	15.12.2032
Other	(11.5)	40.9	1,208.4	-	-	-	21.01.2022
	(58,642.3)	**(231,383.1)**	**3,519,084.7**	**(44.2)**	**(52.2)**	**8.1**	

In most macro valuation units (split into currencies), the hidden reserves exceed the negative excesses of the corresponding derivative market values. Therefore, an insignificant amount has been allocated to the provision for contingent losses in 2021.

Effectiveness is tested regularly as part of interest rate risk management on the basis of interest rate sensitivities (present value-based, basis point value). Moreover, regular stress tests are performed for the banking book as part of interest rate management; in addition to parallel shifts in the yield curve, yield curve turns (clockwise and counter-clockwise) and money market shocks are also simulated.

Regardless of whether a provision is to be made for pending losses, accrued interest on derivatives for interest rate management in the banking book continues to be recognised and the result is included in net interest income.

Derivatives used for interest rate management in micro valuation units

As critical parameters of the micro valuation units largely match, UniCredit Bank Austria AG uses critical-term matches in prospective tests of effectiveness while retrospective measurements of effectiveness are reviewed on a monthly basis using the dollar offset method on a monthly basis.

With regard to hedging at an individual level (micro-valuation units), the values of the derivatives used relevant to the auditing of the impending loss totalled €148,998,144.15 (2020: €284,732 thousand). Of this figure, €152,185,028.97 (2020: €373,421 thousand) relates to hedging instruments for the below mentioned transactions on the liabilities side. With regard to the below mentioned transactions on the assets side, the netted values of the hedging instruments amount to €-3,186,884.82 (2020: €-88.688 thousand).

TYPE OF MICRO VALUATION UNIT	SIDE OF BALANCE SHEET	TYPE OF UNDERLYING	VALUE IN €	LONGEST TERM OF DERIVATIVES
Cash Flow	Assets	Securities	2,360,082.96	20-06-2029
Cash Flow	Liabilities	Securities	-	-
Fair Value	Assets	Loans to customers	(9,239,036.65)	31-12-2048
Fair Value	Assets	Securities	3,692,068.87	25-05-2040
Fair Value	Liabilities	Mony Market	16,384,392.48	15-12-2046
Fair Value	Liabilities	Securities	135,800,636.49	03-01-2042
TOTAL			**148,998,144.15**	

Notes to the Financial Statements

The required **provision for impending losses as at 31 December 2021** comprises of the following for all currencies:

(€ thousand)

TYPE OF VALUATION UNIT	PROVISION REQUIRED FOR PENDING LOSSES 31.12.2021	PROVISION MADE FOR PENDING LOSSES 31.12.2020	CHANGE IN PROVISION FOR PENDING LOSSES IN 2021
Macro valuation units	(44)	(52)	8
Micro valuation units	(1,433)	(1,127)	(306)
Stand-alone derivatives	-	-	-
TOTAL	**(1,477)**	**(1,179)**	**(298)**

The provisioning requirement listed in the aforementioned table includes the interest-related current value components incorporated into the hedging relationship, both for the macro-valuation units as well as for the micro-valuation units. The value adjustments in the interest management derivatives can primarily be attributed to adjustments in the interest rate level during the reporting period. The hedging period extends in principle from the start of the hedging relationship to the final maturity date of the respective underlying transaction.

2.2.10. Liabilities

Liabilities were stated in the balance sheet at the settlement amount. Premiums and discounts in connection with own issues are spread over the period to maturity.

2.2.11. Provisions

Provisions were recognised at the settlement amount using the best estimate. Long-term provisions are currently not discounted due to the negative interest rate.

Long-term benefits payable to former employees

The provision for long-term benefits payable to former employees is calculated according to the actuarial methods pursuant to IAS 19.

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

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

Defined-contribution plans are plans under which the company makes fixed contributions. Benefits are the result of the amount of contributions paid and return on contributions invested. Under this type of plan, no actuarial or investment risks are borne by the employer.

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

Under a commitment to provide defined benefits, UniCredit Bank Austria AG continues to recognise a pension provision for the entitlements of employees who retired before the pension reform which became effective on 31 December 1999, and – as a special feature of UniCredit Bank Austria AG's staff regulations – for the future benefits, equivalent to those under mandatory insurance, earned by pensioners for whom UniCredit Bank Austria AG has assumed the obligations of a pension insurance provider pursuant to Section 5 of the Austrian General Social Insurance Act (ASVG) if these persons signed a pension agreement no later than 29 February 2016 and if they have left the company to retire by 31 December 2016.

Provisions for pensions and similar obligations decreased by €253.168.289,00 to a total of €3.695.168.353,42 (thereof provisions for pensions €3.391.869.000,00).

Notes to the Financial Statements

The present value of pension obligations and severance-payment obligations as well as anniversary bonuses is determined with due regard to internal service regulations, on the basis of the following actuarial assumptions:

- Actuarial interest rate: 1,00% p.a. (2020: 0,65% p.a.)
  The interest rate was determined by the UniCredit Group on the basis of the DBO cash flows determined by Mercer and the UniCredit Yield Curve. As at 31 December 2021, the weighted duration for pension, severance compensation and service anniversary bonus obligation is 12,5 Jahre.
- Salary increase: 2,48% (2020: 2,21%)
- Pension increase (BA-ASVG): 1,74% p.a. (2020: 1,43% p.a.). Calculated on the basis of the effective average real pension increases of the last 19 years
- Pension increase (others): 2,24% p.a. (2020: 1,96% p.a.) calculated on the basis of the effective average real pension increases, taking into account an expected long-term inflation rate of 1,97%
- No discount for staff turnover
- AVÖ-2018-P statistical tables of *Aktuarverein Österreich* [Austrian Actuarial Association] (life-expectancy tables for salaried staff) (2020: AVÖ-2018 P for employees)

Sensitivity analysis

(€ millions)

		EFFECT ON DEFINED BENEFIT OBLIGATIONS	
		31.12.2021	**31.12.2020**
Discount rate	-0.25%	120	132
	0.25%	(113)	(125)
Salary increase rate	-0.25%	(6)	(7)
	0.25%	7	6
Pension increase rate	-0.25%	(106)	(116)
	0.25%	112	123

2.2.12 Legal risks

In general, provisions are made for those procedures where imminent losses are probable or certain, but where the amount or timing of the occurrence of such losses is 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.

In accordance with the principles set out above, provisions have been made for the following pending legal disputes and other proceedings:

A) Madoff

Background

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

Civil law procedures in Austria

Investors in the Primeo and Herald Madoff Feeder Funds have filed numerous civil suits, 11 of which are still open, with interest amounting to €5 million plus interest. The claims asserted in these proceedings are either that UniCredit Bank Austria AG committed certain breaches of duty in its capacity as prospectus controller or that UniCredit Bank Austria AG advised certain investors (directly or indirectly) to invest in these funds or a combination of these claims. The Austrian Supreme Court issued 28 legally binding rulings with regard to the prospectus liability claims asserted in the proceedings. Regarding the proceedings concerning the Primeo Feeder funds, 18 final decisions of the Austrian Supreme Court were taken in favour of UniCredit Bank Austria AG. In two proceedings, the Supreme Court rejected UniCredit Bank Austria AG's extraordinary appeal and therefore made the decision of the Court of Appeal, which had been issued in favour of the plaintiffs, final. With regard to the Herald Feeder Fund, the Austrian Supreme Court has ruled on the prospectus liability claims five times, twice in favour of UniCredit Bank Austria AG and three times in favour of the plaintiffs. In a prospectus liability case where investments were made in Primeo and Herald, the Supreme Court ruled in favour of UniCredit Bank Austria AG; in two further prospectus liability cases where investments were made in Primeo and Herald, the Supreme Court rejected the plaintiffs' extraordinary appeals, thereby ruling the decisions of the Court of Appeal to be legally binding in favour of UniCredit Bank Austria AG.

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

Notes to the Financial Statements

With regard to the Austrian civil proceedings pending against UniCredit Bank Austria AG in connection with Madoff's fraud, UniCredit Bank Austria AG has made provisions to an extent that is deemed appropriate for the current risks.

Criminal proceedings in Austria
UniCredit Bank Austria AG was named as a defendant in criminal proceedings in Austria on suspicion of violating provisions of the InvFG, as well as allegations of fraud and breach of trust in connection with the Madoff case. The prosecution case against UniCredit Bank Austria AG and all accused persons was closed in November 2019. Private investors, on the other hand, have brought motions for continuation. These were rejected in full 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., UniCredit Bank Austria AG and certain affiliates, to a United States Federal Court (the "HSBC Proceedings").

In the HSBC Proceedings, the SIPA Trustee filed civil claims and avoidance claims (also known as “clawback claims”) worth several billion US dollars. The civil claims were dismissed in 2011 and no further appeals are pending against this decision. In 2015, the SIPA Trustee dropped the avoidance claims against UniCredit S.p.A and the Alternative Investments Division of Pioneer ("PAI") in the HSBC Proceedings, waiving the claims, as well as the avoidance claims against UniCredit Bank Austria AG, without waiving the claims; this was done following claim adjustments that did not concern UniCredit S.p.A., PAI or UniCredit Bank Austria AG 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 request of the defendant, the Court of Appeals shall leave the proceedings suspended so that the proceedings are not continued during the review 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 significant potential claim for damages and therefore no pronounced risk profile for the UniCredit Group. Certain current or former related persons named as defendants in the HSBC Proceedings may be granted rights to indemnification by UniCredit S.p.A. and its affiliates.

Possible ramifications
In addition to the aforementioned proceedings and investigations against UniCredit Bank Austria AG, 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 UniCredit Bank Austria AG, its affiliates and their employees and former employees. The pending proceedings and possible future actions may have a negative impact on UniCredit Bank Austria AG. The pending proceedings and possible future actions may have a negative impact on UniCredit Bank Austria AG.

UniCredit Bank Austria AG 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, UniCredit Bank Austria AG 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 UniCredit Bank Austria AG 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 three class actions by the Federal Chamber of Labour (with claims amounting to some €18.7 million), in which UniCredit Bank Austria AG 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.

Notes to the Financial Statements

To date, no legally binding decisions have been issued by the Supreme Court against UniCredit Bank Austria AG concerning prospectus liability. In addition to the aforementioned proceedings against UniCredit Bank Austria AG, further actions against UniCredit Bank Austria AG have been threatened in connection with the Alpine insolvency, which could be brought in the future. Pending or future actions may negatively affect UniCredit Bank Austria AG. UniCredit Bank Austria AG 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 UniCredit Bank Austria AG's level of responsibility, if any.

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, UniCredit Bank Austria AG 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 German Mortgage and Real Estate Loan Act (Hypothekar- und Immobilienkreditgesetz, HIKrG) were adjusted with effect from 1 January 2021 in the sense of the ECJ judgment and the term "term-dependent" was deleted in each case.

The VKI filed a class action suit against UniCredit Bank Austria AG, which was rejected in the first instance by the Vienna Commercial Court in a judgement 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 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. UniCredit Bank Austria AG brought an extraordinary appeal against what in our 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. The Austrian Supreme Court could assume that Article 25 of the Mortgage Credit Directive does not demand the reduction of non-term-related costs and that the clause used by the UniCredit Bank Austria AG corresponds to the legal situation applicable until 31 December 2020 and its use would not give grounds for an obligation to refrain from a certain action. Otherwise, the Austrian Supreme Court would have to answer the question of whether and how Section 20 (2) of the old version of the German Mortgage and Real Estate Loan Act could be interpreted in accordance with the Directive. The prevailing legal doctrine rejects an interpretation of Section 20 of the old version of the German Mortgage and Real Estate Loan Act that is compliant with the Directive. On the basis of the clear wording and the deliberate decision of the legislator not to provide for a reduction for non-term-related costs in Section 20 (1) of the old version of the German Mortgage and Real Estate Loan Act, and the consistent case law of the Austrian Supreme Court to prohibit contra legem administration of justice, the Austrian Supreme Court should also rule that Section 20 (1) of the old version of the German Mortgage and Real Estate Loan Act could be interpreted in accordance with the Directive.

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

Notes to the Financial Statements

3. Changes in accounting policies and reclassification

There were no changes to the valuation methods compared to the previous year.

In the 2021 financial year, liabilities were reclassified from other debts evidenced by certificates to bonds issued in the amount of €2,885,382,427.25. The presentation was changed as a result of a technical change within the IT system. This reclassification does not affect the true and fair view of the assets, financial position and results.

4. Notes to the balance sheet

4.1. Breakdown by maturity – not repayable on demand

Breakdown by maturity

	31.12.2021 (in €)	31.12.2020 (in € thousand)
Loans and advances to credit institutions		
up to three months	4,362,156,350.04	3,255,004
over three months and up to one year	1,143,994,979.06	1,721,148
over one year and up to five years	301,684,400.25	201,658
over five years	594,032,471.12	590,477
Loans and advances to customers	-	-
up to three months	5,830,351,761.68	3,922,136
over three months and up to one year	4,677,789,831.66	3,249,097
over one year and up to five years	15,754,958,905.18	15,194,273
over five years	34,558,551,999.90	33,250,761
Amounts owed to credit institutions	-	
up to three months	3,249,753,850.69	3,018,444
over three months and up to one year	2,036,077,937.27	342,161
over one year and up to five years *)	17,402,267,483.36	18,258,513
over five years	2,650,619,226.02	3,109,324
Amounts owed to customers	-	-
a) Savings deposits **)	-	-
up to three months	139,258,311.42	241,094
over three months and up to one year	860,521,731.10	1,218,986
over one year and up to five years	1,458,704,217.35	1,679,209
over five years	3,946,680,306.11	4,012,004
b) Other amounts owed to customers	-	
up to three months	3,588,870,900.77	6,048,729
over three months and up to one year	1,672,635,042.17	2,132,898
over one year and up to five years	541,836,297.59	1,056,451
over five years	270,855,677.98	686,014
Bonds issued evidenced by certificates	-	-
up to three months	177,197,441.81	1,307,249
over three months and up to one year	904,552,545.57	844,125
over one year and up to five years	5,071,930,902.09	3,177,907
over five years	3,355,932,662.02	3,404,012
Other debts evidenced by certificates	-	-
up to three months	-	53,740
over three months and up to one year	-	5,068
over one year and up to five years	-	745,548
over five years	-	2,139,873

*) incl. TLTRO (Targeted Longer-Term Refinancing Operations) volume from 2020 in the amount of €15.4 bn, as well as an additional €1.55 bn in 2021.

**) For savings deposits, the expected deposit period was used as the remaining period. Recognised statistical methods were used for the calculation.

Notes to the Financial Statements

4.2. Assets and liabilities denominated in foreign currencies

The total amount of foreign currency assets amounted to €8,894,525,377.49 at the end of the year, or 7.74% of the balance sheet total (31.12.2020: €4,547,447 thousand or 3.99% of the balance sheet total). Foreign currency liabilities reached at 31.12.2021 €8,970,168,205.25 or 7.80% of the balance sheet total (31.12.2020: €4,623,090 thousand or 4.05% of the balance sheet total).

4.3. Loans and advances to, and amounts owed to group companies and companies in which an equity interest is held

	GROUP COMPANIES		COMPANIES IN WHICH AN EQUITY INTEREST IS HELD		KEY MANAGEMENT PERSONNEL	
	31.12.2021 (IN €)	31.12.2020 (IN € THSD)	31.12.2021 (IN €)	31.12.2020 (IN € THSD)	31.12.2021 (IN €)	31.12.2020 (IN € THSD)
Loans and advances						
Loans and advances to credit institutions	1,826,349,053.37	2,430,703	37,231,723.65	99,633	-	-
Loans and advances to customers	3,227,001,715.68	3,326,307	43,723,733.37	302,525	1,278,029.75	1,351
Bonds and other fixed-income securities	-	424,522	113,142,700.41	110,906	-	-
Shares and other variable-yield securities	13,465,528.71	12,416	-	-	-	-
Amounts owed						
Amounts owed to credit institutions	3,440,920,260.63	4,706,189	6,326,031,889.84	7,167,312	-	-
Amounts owed to customers	613,849,193.66	1,034,668	1,529,240,807.71	1,362,300	1,421,015.20	1,974
Debts evidenced by certificates	2,233,243,793.80	2,217,136	-	-	-	-
Tier 2 capital	-	31	-	-	-	-

4.4. Group companies and companies in which an equity interest is held

Those companies in which UniCredit Bank Austria AG holds at least 20% of the share capital – directly or through group companies – are listed in the table at the end of the notes to the financial statements pursuant to Section 238 (1) 4 of the Austrian Business Code. Business relations with group companies were customary banking relationships. Equity capital substitutes were used for some financings

Shares in group companies (consolidated)

NAME AND DOMICILE OF COMPANY	TOTAL INTEREST IN %	EQUITY (IN €)	NET INCOME/ LOSS (IN €)	TOTAL ASSETS (IN €)	BALANCE SHEET DATE
BA GVG-Holding GmbH, Vienna, AT	100.00	1,384,325.00	24,475.00	1,403,420.00	31.12.2021[2]
BA-CA Markets & Investment Beteiligung Ges.m.b.H., Vienna, AT[1]	100.00	33,471,863.00	2,364,359.00	33,493,062.00	31.12.2021[2]
Bank Austria Finanzservice GmbH, Vienna, AT	100.00	6,413,021.00	2,532,390.00	9,343,682.00	31.12.2021[2]
Bank Austria Real Invest Immobilien-Management GmbH, Vienna, AT[1]	94.95	78,713,777.00	28,901,898.00	124,351,734.00	31.12.2021[2]
Bank Austria Wohnbaubank AG, Vienna, AT[1]	100.00	45,017,896.00	607,063.00	45,052,480.00	31.12.2021[2]
CABET-Holding GmbH, Vienna, AT[1]	100.00	735,140,362.08	17,629,962.00	735,166,322.00	31.12.2021[2]
card complete Service Bank AG, Vienna, AT	50.10	39,579,986.32	(12,685,496.37)	701,863,883.72	31.12.2021[2]
FactorBank Aktiengesellschaft, Vienna, AT	100.00	100,779,987.87	4,966,615.43	830,457,737.26	31.12.2021[2]
Kaiserwasser Bau- und Errichtungs GmbH und Co OG, Vienna, AT	99.80	3,788,142.00	469,647.00	17,912,810.00	31.12.2021[2])
Paytria Unternehmensbeteiligungen GmbH, Vienna, AT	100.00	524,802.00	(19,932.00)	528,004.00	31.12.2021[2]
POLLUX Immobilien GmbH, Vienna, AT	100.00	49,405,300.00	595,179.00	58,929,266.00	31.12.2021[2]
Schoellerbank Aktiengesellschaft, Vienna, AT	100.00	220,475,218.74	15,975,041.17	3,050,382,323.72	31.12.2021[2]
UniCredit Center am Kaiserwasser GmbH, Vienna, AT	100.00	(301,901.00)	(102,190.00)	13,817,019.00	31.12.2021[2]
UniCredit Leasing (Austria) GmbH, Vienna, AT	100.00	108,165,758.42	(1,444,634.85)	443,954,063.42	31.12.2021[2]
UNIVERSALE International Realitäten GmbH, Vienna, AT	100.00	251,144,927.00	30,997.00	265,776,175.00	31.12.2021[2]

1) Profit pooling with UniCredit Bank Austria AG
2) Figures are non-audited IFRS values

Notes to the Financial Statements

Interests in companies accounted for under the equity method

NAME AND DOMICILE OF COMPANY	TOTAL INTEREST IN %	EQUITY (IN €)	NET INCOME/ LOSS (IN €)	TOTAL ASSETS (IN €)	BALANCE SHEET DATE
Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck, AT	47.38	1,825,555,500.00	109,158,000.00	2,691,826,000.00	30.09.2021 1)
BKS Bank AG, Klagenfurt, AT	29.78	1,442,982,000.00	117,934,000.00	2,555,735,000.00	30.09.2021 1)
NOTARTREUHANDBANK AG, Vienna, AT	25.00	43,892,378.79	4,604,098.39	53,629,928.76	30.09.2021 1)
Oberbank AG, Linz, AT	27.17	3,242,666,759.00	265,839,000.00	6,773,357,000.00	30.09.2021 1)
Oesterreichische Kontrollbank Aktiengesellschaft, Vienna, AT	49.15	828,086,200.00	54,254,000.00	30,937,338,000.00	30.09.2021 1)
Österreichische Wertpapierdaten Service GmbH, Vienna, AT	29.30	266,237.00	26,811.00	4,115,920.00	30.09.2021 1)
PSA Payment Services Austria GmbH, Vienna, AT	24.00	31,955,204.00	4,604,645.00	158,218,360.00	30.09.2021 1)
WKBG Wiener Kreditbürgschafts- und Beteiligungsbank AG, Vienna, AT	21.54	27,451,064.00	(781,086.00)	31,731,967.00	30.09.2021 1)

1) Figures are not audited IFRS figures

Unconsolidated companies

NAME AND DOMICILE OF COMPANY	TOTAL INTEREST IN %	EQUITY (IN €)	NET INCOME/ LOSS (IN €)	TOTAL ASSETS (IN €)	BALANCE SHEET DATE
A) Group companies					
AI Beteiligungs GmbH, Wien, AT	100.00	365,910.14	(10,258.07)	367,208.51	31.12.2020
Alpine Cayman Islands Ltd., George Town, Grand Cayman, KY	100.00	1,980,617.00	13,024.00	370,272,529.00	31.12.2020
BA Alpine Holdings, Inc., Wilmington County, New Castle, US 1)	100.00	10,734,841.00	647,144.00	10,819,807.00	31.12.2020
BA-CA Wien Mitte Holding GmbH, Vienna, AT	100.00	2,068,354.45	1,560,586.14	2,072,354.45	31.12.2020
Human Resources Service and Development GmbH, Vienna, AT 2)	100.00	11,555.00	83,584.00	664,347.00	31.12.2020
RAMSES-Immobilienholding GmbH, Vienna, AT	100.00	54,007.00	2,794.00	56,707.00	31.12.2020
RE-St.Marx Holding GmbH, Vienna, AT 2)	100.00	112,189.00	(17,545.00)	116,389.00	31.12.2020

1) The amounts of this company are presented in USD
2) Profit pooling arrangements with UniCredit Bank Austria AG

The total percentage held comprises all shares held by consolidated companies and other group companies but not shares held on a trust basis.
Equity: equity pursuant to Section 229 of the Austrian Business Code

At the balance sheet date and unchanged in comparison with the previous year, UniCredit Bank Austria AG maintained profit and loss transfer agreements for tax purposes with the following companies:

- BA-CA Markets & Investment Beteiligung GmbH
- Bank Austria Real Invest Immobilien-Management GmbH
- Bank Austria Wohnbaubank AG
- CABET-Holding-GmbH
- Human Resources Service and Development GmbH
- RE-St. Marx Holding GmbH

Notes to the Financial Statements

4.5. Related party transactions

Cooperation agreement
The cooperation agreement with HVB was terminated with effect from 31 May 2020. As a result, there are no longer any cooperation agreements.

4.6. Securities

At the end of the year, €9,548,059,052.26 (31.12.2020: €9,612,252 thousand) of the entire securities portfolio of UniCredit Bank Austria AG related to financial fixed assets and €5,962,151,945.20 (31.12.2020: €5,505,011 thousand) to the current assets including the trading portfolio.

4.6.1. The following breakdown shows securities admitted to trading on an exchange:

	LISTED		NOT LISTED	
	31.12.2021 (IN €)	31.12.2020 (IN THOUSAND €)	31.12.2021 (IN €)	31.12.2020 (IN THOUSAND €)
Bonds and other fixed-income securities	4,294,154,022.37	4,330,506	-	290,934
Shares and other variable-yield securities	23,736.07	30	-	1
Equity interests	117,424,482.38	117,424	-	-
Shares in group companies	-	-	-	-
TOTAL	**4,411,602,240.82**	**4,447,961**	**-**	**290,935**

4.6.2. The following table shows securities admitted to trading on an exchange, broken down into fixed (long-term) and current assets:

	FIXED ASSETS		CURRENT ASSETS	
	31.12.2021 (IN €)	31.12.2020 (IN € THOUSAND)	31.12.2021 (IN €)	31.12.2020 (IN € THOUSAND)
Bonds and other fixed-income securities	1,575,161,724.48	1,603,780	2,718,992,297.89	3,017,660
Shares and other variable-yield securities	-	-	23,736.07	31
TOTAL	**1,575,161,724.48**	**1,603,780**	**2,719,016,033.96**	**3,017,691**

The classification pursuant to Section 64 (1) 11 of the Austrian Banking Act is based on resolutions adopted by the Management Board.

4.6.3. Financial instruments carried as financial fixed assets for which the carrying amounts are higher than their fair values (Section 237a (1) 2 of the Austrian Business Code):

	BOOK VALUE 31.12.2021 (IN €)	UNRECOGNISED LOSSES 31.12.2021 (IN €)	BOOK VALUE 31.12.2020 (IN € THOUSAND)	UNRECOGNISED LOSSES 31.12.2020 (IN € THOUSAND)
Treasury bills and similar securities	2,257,511,146.08	82,467,380.28	-	-
Bonds and other fixed-income securities	982,118,520.63	18,844,652.98	194,888	540
Shares and other variable-yield securities	-	-	-	-
Equity interests	-	-	-	-
Shares in group companies	-	-	-	-

These financial instruments are subject to a scheduled impairment test. There were no impairment losses in the items "Bonds and other fixed-income securities" and "Shares and other variable-yield securities" in 2021 (31.12.2020: €2,890 thousand). Otherwise, a statistically calculated credit risk provision in the amount of €1,985,518.24 (31.12.2020: €2,550 thousand) was recognized. Analyses performed in respect of the other portfolios did not provide any indication of impairment and therefore no further write-downs were required for 2021.

4.7. Differences between cost and repayable amount of bonds and other fixed-income securities

In the case of bonds and other fixed-income securities which are held as financial fixed assets and for which cost exceeds the amount repayable, the difference is amortised over the period to maturity pursuant to Section 56 (2) of the Austrian Banking Act. At year-end, the difference to be amortised over the remaining maturity amounted to €270,407,177.96 (31.12.2020: €283,619 thousand).

In the case of bonds and other fixed-income securities which are held as financial fixed assets and for which cost is lower than the amount repayable, a write-up is made for the difference over the period to maturity pursuant to Section 56 (3) of the Austrian Banking Act. Until the balance sheet date, write-ups made in respect of such differences amounted to €4,174,703.10 (31.12.2020: €14,553 thousand). As at 31 December 2021, the difference between cost and repayable amount was €13,402,097.37 (31.12.2020: €12,448 thousand).

Notes to the Financial Statements

4.8. Differences between cost and market value of securities admitted to trading on an exchange which are not held as financial fixed assets

As at 31 December 2021, the market value of securities held in the trading portfolio pursuant to Section 56 (5) of the Austrian Banking Act was €397.76 (31.12.2020: €1 thousand) higher than cost.

At balance sheet date, the market value of listed securities held to comply with liquidity requirements pursuant to Section 56 (4) of the Austrian Banking Act was €27,158,849.18 (31.12.2020: €101,568 thousand) higher than the carrying amount.

4.9. Bonds becoming due in the subsequent year

In 2021, receivables in the form of bonds and other fixed-interest securities in the amount of €263,279,501.62 (31.12.2020: €306,409 thousand) as well as bonds issued and other securitised liabiltities in the amount of €1,081,749,987.38 (31.12.2020: €2,210,182 thousand) will become due.

4.10. Trading book

In the 2021 financial year, UniCredit Bank Austria AG maintained a trading book pursuant to Section 64 (1) 15 of the Austrian Banking Act. Within the trading book, securities carried in the balance sheet accounted for €207,976.12 (31.12.2020: €496 thousand) and the notional amount of derivatives totaled €48,403,762,395 (31.12.2020: €44,133,840 thousand).

4.11. Own shares

There were no sales or purchases of UniCredit Bank Austria AG ordinary shares in 2021 (2020: no sales or purchases). As at 31 December 2021, UniCredit Bank Austria AG did not hold any of its own shares (31 December 2020: 0).

4.12. Shares in a controlling company

In the reporting year, there were no sales or purchases of UniCredit S.p.A. ordinary shares as part of customer business (2020: 0 shares).
At the balance sheet date, UniCredit Bank Austria AG did not hold any UniCredit S.p.A. shares (31 December 2020: 0).

4.13. Repurchased own subordinated bonds and Tier 2 capital

UniCredit Bank Austria AG had no subordinated bonds issued by it as at the balance sheet date (31.12.2020: €1,611 thousand). Furthermore, as at 31 December 2021, the Bank had no hybrid issues from subsidiaries in the portfolio (nominal: 31.12.2020: €254,711 thousand). Two subordinated bonds from subsidiaries were withdrawn in the reporting year.

4.14. Trust transactions

The book values of the following assets items and liabilities items include trust transactions pursuant to Section 48 (1) of the Austrian Banking Act

	31.12.2021 (IN €)	31.12.2020 (IN € THOUSAND)
Loans and advances to customers	112,659,179.64	135,733
Total assets items	**112,659,179.64**	**135,733**
Amounts owed to credit institutions	50,341,424.99	51,130
Amounts owed to customers	62,317,754.65	84,603
Total liabilities items	**112,659,179.64**	**135,733**

In addition, as at 31 December 2021, bonds issued on a trust basis for Bank Austria Wohnbaubank AG in the total amount of €719,008,300.00 (31.12.2020: €933,749 thousand) compare with assets totalling €686,132,822.44 (31.12.2020: €709,823 thousand) which were provided as collateral and are included in the item “Loans and advances to customers”.

4.15. Assets sold under repurchase agreements and securities lending transactions

As at the balance sheet date, the book value of assets transferred under repurchase agreements was €1,088,909,608.39 (31.12.2020: €1,038,754 thousand). The assets continue to be recognised as assets in the balance sheet, the consideration received is included in liabilities.

As of December 31, 2021, €140,070,966.50 in securities were lent by UniCredit Bank Austria AG (31.12.2020: €0 thousand).

Notes to the Financial Statements

4.16. Subordinated assets

	31.12.2021 (IN €)	31.12.2020 (IN € THOUSAND)
Loans and advances to credit institutions	**227,807,416.07**	**312,839**
of which: equity interests	-	-
of which: group companies	227,807,416.07	312,839
Loans and advances to customers	**29,668,709.09**	**27,317**
of which: equity interests	2,004,433.82	-
of which: group companies	27,664,275.27	27,317
Bonds and other fixed-income securities	**-**	**129,116**
of which: equity interests	-	-
of which: group companies	-	129,116

4.17. Intangible fixed assets and tangible fixed assets

A goodwill figure of €1,820,000.00 (31.12.2020: €2,100 thousand) at the end of the reporting period is reported under "Intangible assets".

The base value of real estate totalled €3,265,206.81 at the end of the reporting period (31.12.2020: €3,319 thousand).

Notes to the Financial Statements

4.18. Fixed assets

The following table shows movements in fixed assets.
In order to improve legibility of the following tables, the plus and minus signs were standardised in the table. The changes are now presented uniformly and mathematically in all asset classes. Accordingly, the signs were also adjusted for the previous year.

Movements in fixed assets of UniCredit Bank Austria AG

(in €)

	31/12/2019	ADDITIONS	DISPOSALS	TRANSFERS	31/12/2020
Cost					
Treasury bills and similar securities	8,015,462,773.68	8,722,503,005.17	(9,250,049,018.01)	-	7,487,916,760.83
Loans and advances to credit institutions	799,944,695.05	582,307,128.25	(799,944,695.05)	-	582,307,128.25
Loans and advances to customers	126,888,933.49	150,197,708.33	(9,582,367.08)	-	267,504,274.74
Bonds and other fixed-income securities	1,725,353,666.98	1,312,368,464.17	(1,426,627,882.26)	-	1,611,094,248.89
Shares and other variable-yield securities	-	-	-	-	-
Equity interests	314,759,268.27	1,787,696.58	(24,771.01)	-	316,522,193.84
Shares in group companies	9,323,942,203.39	46,696.84	(661,273.23)	-	9,323,327,627.00
Intangible fixed assets	486,782,315.34	-	(3,931,022.63)	-	482,851,292.71
Tangible fixed assets					
a) Land and buildings	70,565,480.82	22,567.68	(19,725,948.79)	(4,262.41)	50,857,837.30
b) Other tangible fixed assets	398,068,611.71	1,296,045.79	(152,463,345.59)	4,262.41	246,905,574.32
TOTALS	**21,261,767,948.73**	**10,770,529,312.81**	**(11,663,010,323.65)**	**-**	**20,369,286,937.88**

	ACCUMULATED WRITE-DOWNS/DEPRECIATION 31.12.2019	WRITE-DOWNS/ DEPRECIATION 2020	WRITE-UPS 2020	ACCUMULATED WRITE-DOWNS/DEPRECIATION DISPOSALS 31.12.2020
Carrying value and write-downs/depreciation				
Treasury bills and similar securities	(436,358,408.31)	(314,112,384.84)	422,096,116.50	-
Loans and advances to credit institutions	(473,944.13)	(662,302.41)	473,944.13	-
Loans and advances to customers	(57,109.34)	(161,696.20)	6.64	-
Bonds and other fixed-income securities	(6,438,989.78)	(12,051,200.84)	11,175,698.56	-
Shares and other variable-yield securities	-	-	-	-
Equity interests	(84,217,112.45)	(11,728,479.86)	4,824,329.74	-
Shares in group companies	(7,664,510,247.17)	(117,152,020.62)	43,621,942.35	661,270.23
Intangible fixed assets	(484,402,315.34)	(280,000.00)	-	3,931,022.63
Tangible fixed assets				
a) Land and buildings	(40,732,373.54)	(639,310.68)	-	12,105,015.54
b) Other tangible fixed assets	(232,166,656.17)	(20,786,287.38)	-	151,301,486.04
TOTAL	**(8,949,357,156.23)**	**(477,573,682.83)**	**482,192,037.92**	**167,998,794.44**

	ACCUMULATED WRITE-DOWNS/DEPRECIATION TRANSFERS 31.12.2020	ACCUMULATED WRITE-DOWNS/DEPRECIATION 31.12.2020	CARRYING VALUE 31.12.2020	CARRYING VALUE 31.12.2019
Carrying value and write-downs/depreciation (continued)				
Treasury bills and similar securities	-	(328,374,676.65)	7,159,542,084.18	7,579,104,365.37
Loans and advances to credit institutions	-	(662,302.41)	581,644,825.84	799,470,750.92
Loans and advances to customers	-	(218,798.90)	267,285,475.84	126,831,824.15
Bonds and other fixed-income securities	-	(7,314,492.07)	1,603,779,756.82	1,718,914,677.20
Shares and other variable-yield securities	-	-	-	-
Equity interests	-	(91,121,262.57)	225,400,931.27	230,542,155.82
Shares in group companies	-	(7,737,379,055.21)	1,585,948,571.78	1,659,431,956.22
Intangible fixed assets	-	(480,751,292.71)	2,100,000.00	2,380,000.00
Tangible fixed assets				
a) Land and buildings	-	(29,266,668.68)	21,591,168.62	29,833,107.28
b) Other tangible fixed assets	-	(101,651,457.51)	145,254,116.81	165,901,955.54
TOTAL	**-**	**(8,776,740,006.71)**	**11,592,546,931.16**	**12,312,410,792.50**

Notes to the Financial Statements

Movements in fixed assets of UniCredit Bank Austria AG

(in €)

	31.12.2020	ADDITIONS	DISPOSALS	TRANSFERS	31.12.2021
Cost					
Treasury bills and similar securities	7,487,916,760.83	1,433,137,014.21	(1,251,013,205.54)	153,083,082.59	7,823,123,652.09
Loans and advances to credit institutions	582,307,128.25	358,334,122.87	(940,641,251.12)	-	-
Loans and advances to customers	267,504,274.74	37,159,289.61	(49,075,259.37)	258,071,903.41	513,660,208.39
Bonds and other fixed-income securities	1,611,094,248.89	713,070,976.10	(329,917,493.64)	(411,154,986.00)	1,583,092,745.35
Shares and other variable-yield securities	-	-	-	-	-
Equity interests	316,522,193.84	2,082,106.18	(116,181.53)	-	318,488,118.49
Shares in group companies	9,323,327,627.00	562,949,120.79	(558,300,315.27)	-	9,327,976,432.52
Intangible fixed assets	482,851,292.71	-	-	-	482,851,292.71
Tangible fixed assets					
a) Land and buildings	50,857,837.30	148,498.09	(341,449.63)	7,119.62	50,672,005.38
b) Other tangible fixed assets	246,905,574.32	610,275.55	(7,265,465.97)	(7,119.62)	240,243,264.28
TOTALS	**20,369,286,937.88**	**3,107,491,403.40**	**(3,136,670,622.07)**	**-**	**20,340,107,719.21**

	ACCUMULATED WRITE-DOWNS/DEPRECIATION 31.12.2020	WRITE-DOWNS/ DEPRECIATION 2021	WRITE-UPS 2021	ACCUMULATED WRITE-DOWNS/DEPRECIATION DISPOSALS 31.12.2021
Carrying value and write-downs/depreciation				
Treasury bills and similar securities	(328,374,676.65)	(83,771,873.55)	50,062,000.40	-
Loans and advances to credit institutions	(662,302.41)	-	662,302.41	-
Loans and advances to customers	(218,798.90)	(986,715.49)	110,375.81	-
Bonds and other fixed-income securities	(7,314,492.07)	(7,503,498.83)	6,180,125.71	-
Shares and other variable-yield securities	-	-	-	-
Equity interests	(91,121,262.57)	(1,325,326.07)	6,794,954.75	33,022.07
Shares in group companies	(7,737,379,055.21)	(14,766,248.28)	21,490,247.70	-
Intangible fixed assets	(480,751,292.71)	(280,000.00)	-	-
Tangible fixed assets				
a) Land and buildings	(29,266,668.68)	(610,702.41)	-	118,109.82
b) Other tangible fixed assets	(101,651,457.51)	(45,129,333.00)	-	7,189,236.28
TOTAL	**(8,776,740,006.71)**	**(154,373,697.63)**	**85,300,006.78**	**7,340,368.17**

	ACCUMULATED WRITE-DOWNS/DEPRECIATION TRANSFERS 31.12.2021	ACCUMULATED WRITE-DOWNS/DEPRECIATION 31.12.2021	CARRYING VALUE 31.12.2021	CARRYING VALUE 31.12.2020
Carrying value and write-downs/depreciation (continued)				
Treasury bills and similar securities	(848,993.69)	(362,933,543.49)	7,460,190,108.60	7,159,542,084.18
Loans and advances to credit institutions	-	-	-	581,644,825.84
Loans and advances to customers	142,149.37	(952,989.21)	512,707,219.18	267,285,475.84
Bonds and other fixed-income securities	706,844.32	(7,931,020.87)	1,575,161,724.48	1,603,779,756.82
Shares and other variable-yield securities	-	-	-	-
Equity interests	-	(85,618,611.82)	232,869,506.67	225,400,931.27
Shares in group companies	-	(7,730,655,055.79)	1,597,321,376.72	1,585,948,571.78
Intangible fixed assets	-	(481,031,292.71)	1,820,000.00	2,100,000.00
Tangible fixed assets				
a) Land and buildings	88.70	(29,759,172.57)	20,912,832.81	21,591,168.62
b) Other tangible fixed assets	(88.70)	(139,591,642.93)	100,651,621.35	145,254,116.81
TOTAL	**-**	**(8,838,473,329.39)**	**11,501,634,389.81**	**11,592,546,931.16**

Notes to the Financial Statements

4.19. Leasing activities

While UniCredit Bank Austria AG was not directly active as lessor in the leasing business in 2021, as in the previous year, its activities included the extension of loans to leasing companies.

4.20. Total expenses for the use of tangible fixed assets not carried as assets

Obligations arising from the use of tangible fixed assets not carried as assets in the balance sheet (under leasing and rent agreements) which will become due in the subsequent period and in the subsequent five years are indicated in the table below:

Obligations under leasing and rent agreements

	31.12.2021 (IN €)	31.12.2020 (IN € THOUSAND)
for the subsequent business year	37,354,848.31	37,635
for the subsequent five business years	183,720,647.72	193,875

4.21. Other assets

4.21.1. Other assets

This item includes valuation components, both reflected and not reflected in income, of €1,094,738,612.05 (31.12.2020: €1,488,367 thousand) from derivative products. For affiliated companies, with which a profit-pooling agreement is in place, dividend receivables in the amount of €91,728,160.26 (31.12.2020: €128,652 thousand) is reported under this item. Claims against the Austrian tax office for companies (*Finanzamt für Körperschaften*) totalled €21,227,431.80 (31.12.2020: €3,716 thousand). Other assets also include accrued interest and fee and commission income in the amount of €109,513,917.77 (31.12.2020: €41,714 thousand). The remaining other assets amounted to €1,039,857.81 as at 31 December 2021 (31.12.2020: €0).

4.21.2. Prepaid expenses

This item includes an advance rent payment for real estate of €1,234,125.33 (31.12.2020: €1,434 thousand). This balance sheet item also includes discounts of €109,583,334.44 (31.12.2020 €126,111 thousand) in respect of the bank's own issues. The remaining accruals and deferrals in 2021 amounted to €655,418.19 (31.12.2020: €1,661 thousand).

4.22. Deferred tax assets

The amount which was required to be carried as an asset in the reporting year pursuant to Section 198 (9) of the Austrian Business Code, using a tax rate of €586,826,893.72 (2020: €594,858 thousand); this amount included deferred taxes of €220,514.33 (2020: €245 thousand) resulting from temporary differences at companies with which UniCredit Bank Austria AG maintained profit and loss transfer agreements for tax purposes. The actively deferred taxes are predominantly based on temporary differences in the area of pension and severance provisions, the valuation of receivables and seventh part amortisation ("*Siebentel-Abschreibungen*"). In addition, there are actively deferred tax assets from differential amounts resulting from the different corporate law and tax approach of other provisions for risks and charges and of non-current provisions and liabilities.

The option of capitalizing carrying tax loss carry-forwards as assets was not used.

4.23. Other liabilities

Valuation components from derivative products, either with or without an effect on profit or loss, totalling €1,330,681,398.17 (31.12.2020: €1,594,873 thousand) are reported in this balance sheet item.

For those employees who have concluded a severance agreement as part of the "BA Reloaded" project and the "Team 23" project, a liability in the amount of €237,356,068.05 (31.12.2020: €211,929 thousand) is reported under this item. There are also liabilities arising from Kapitalertragsteuer/KESt (withholding tax) settlements totalling €39,219,694.96 (31.12.2020: €27,450 thousand).

Anticipations on the liabilities side totalling €13,185,437.64 (31.12.2020: €16,359 thousand) are also accounted for under "Other liabilities". The remaining liabilities in 2021 amounted to €144,365,030.47 (31.12.2020: €81,070 thousand).

4.24. Deferred income

This balance sheet item includes premiums of €12,962,467.20 (31.12.2020: €14.406 thousand) in respect of the bank's own issues. Other deferred income in 2021 amounted to €11,521,904.90 (31.12.2020: €15,128 thousand).

Notes to the Financial Statements

4.25. Provisions

4.25.1. Pension provisions and provisions for severance payments

The discount rate applied in the reporting year was 1.00% (2020: 0.65%). The provisions for pensions and severance payments stated in the balance sheet correspond with the respective actuarial valuation of these liabilities.

4.25.2. Other provisions

	31.12.2021 (IN €)	31.12.2020 (IN € THOUSAND)
Provisions for credit risks	232,964,128.87	227,095
Provisions for pending losses	65,606,370.73	87,670
Provisions for indeterminate liabilities	209,137,754.85	199,535
Restructuring provisions	274,921,951.22	68,541
TOTAL	**782,630,205.67**	**582,842**

The provisions for contingent liabilities include provisions for payroll accounting and for legal and expert costs.

The restructuring provisions include payroll costs and other administrative expenses in connection with UniCredit's new **"UniCredit Unlocked"** strategic plan and payroll costs for the "Team 23" project. Of the total amount as of 31 December 2021 amounting to €274,921,951.22, €229,097,972.10 is attributable to restructuring provisions in connection with the "UniCredit Unlocked" strategic plan for personnel in relation to bridging models and early retirement models on a voluntary basis.

4.26. Tier 2 capital

Tier 2 capital pursuant to Chapter 4 of Title I of Part Two of Regulation (EU) No 575/2013, including accrued interest payable and interest allocated to zero coupon bonds, stated in the balance sheet at 31 December 2021 amounts to €588,352,959.53 (31.12.2020: €946,652 thousand). In the reporting year, supplementary capital with a nominal amount of €314,345,713.81 (31.12.2020: €25,000 thousand) and subordinated time deposits with a book value of €43,510,236.46 (31.12.2020: €0) were repaid. As at 31 December 2021, 11 bonds were included in the supplementary capital (31.12.2020: 17 bonds) and one time deposit (31.12.2020: four time deposits), most of which have a term of more than four years. The currencies used are the USD and EUR.

4.27. Instruments of additional regulatory Tier 1 capital

In December 2021, UniCredit Bank Austria AG issued an additional tier 1 capital instrument of €600,000,000 in the form of a Tier 1 issue (AT1 bonds). This was fully subscribed by the parent company UniCredit S. p.A.

The instrument has an unlimited term, is directly issued, subordinated and unsecured and can only be redeemed by the issuer.
UniCredit Bank Austria AG has the right to cancel the interest at any time and at its own discretion.
All or part of the instrument is to be written down if the common equity tier 1 ratio under the CRR falls below a lower limit of 5.13% on a single institute or consolidated basis. Under certain conditions, it may be written up to the original issue volume again, but in any event there must be a net income and there must be no trigger event.

The issuer first has the option to redeem the issue after five years, and the initial interest is 4.75%. From 3 June 2027, the interest rate corresponds to the five-year mid-market swap rate of +4.90%.

The instrument is reported as additional Tier 1 capital in regulatory equity. Distributions from the AT1 bond are included in interest expenses. The accrued interest expenses of Additional Tier 1 amount to €1,717,808.22.

4.28. Equity

4.28.1. Subscribed share capital

The share capital of UniCredit Bank Austria AG as at 31 December 2021 was €1,681,033,521.40, unchanged compared with the previous year. The share capital is divided into 10,115 registered no-par value shares with voting rights and restricted transferability and 231,218,705 registered no-par value shares with voting rights, and each no-par value share participates in the share capital to the same extent.

Notes to the Financial Statements

4.28.2. Capital reserves

As at 31 December 2021, capital reserves subject to legal restrictions were stated at €876,354,199.40, unchanged compared with 31 December 2020. A capital reserve which is not subject to legal restrictions amounted to €1,000,000,000.00 as at balance sheet date (31 December 2020: €1,000,000 thousand), reflecting a shareholder contribution from UniCredit S.p.A.

4.28.3. Revenue reserves

As at 31 December 2021, revenue reserves were stated at €192,056,563.11 (31.12.2020: €192,166 thousand).

4.28.4. Reserve pursuant to Section 57 (5) of the Austrian Banking Act

As at 31 December 2021, reserve pursuant to section 57 (5) of the Austrian Banking Act were stated unchanged at €2,129,748,409.45 (31 December 2020: €2,129,748 thousand).

Notes to the Financial Statements

4.29 Tier 1 capital and Tier 2 capital

The following table already takes into account the movements in reserves and the 2021 results, taking into account the planned distribution. Please note that the annual financial statements have not yet been approved by the Supervisory Board or, if applicable, by the annual general meeting.

Item 4 - Balance sheet (liabilities side)

(in €)

Eligible capital pursuant to Part Two of Regulation (EU) No 575 /2013		31/12/2021	6,614,222,229.25
		31/12/2020	5,956,652,108.76
UNICREDIT BANK AUSTRIA AG			
1	**OWN FUNDS**		**6,614,222,229.25**
1.1	**TIER 1 CAPITAL (T1)**		**5,874,719,652.77**
1.1.1	**COMMON EQUITY TIER 1 CAPITAL (CET1)**		**5,274,719,652.77**
1.1.1.1	Capital instruments eligible as CET1 Capital	3,557,387,720.80	
1.1.1.1.1	Paid-up capital instruments	1,681,033,521.40	
1.1.1.1.3	Share premium 1)	1,876,354,199.40	
1.1.1.2	Retained earnings	338,694,572.87	
1.1.1.2.1	Previous years retained earnings	192,056,563.11	
1.1.1.2.2	Profit or loss eligible	146,638,009.76	
1.1.1.2.2.1	Profit or loss attributable to the owners of the parent company	206,757,502.96	
1.1.1.2.2.2	(–) Part of interim or year-end profit not eligible	(60,119,493.20)	
1.1.1.4	Other reserves 2)	2,129,748,409.45	
1.1.1.9	Adjustments to CET1 due to prudential filters	(13,232,974.65)	
1.1.1.9.4	Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	(11,126,353.03)	
1.1.1.9.5	(–) Value adjustments due to the requirements for prudent valuation	(2,106,621.62)	
1.1.1.10	(–) Goodwill	(1,820,000.00)	
1.1.1.10.1	(–) Goodwill accounted for as intangible asset	(1,820,000.00)	
1.1.1.13	(–) IRB shortfall of credit risk adjustments to expected losses	(2,955,484.90)	
1.1.1.23	(–) Deductible deferred tax claims, which are dependent on future profitability and result from temporary differences	-	
1.1.1.24	(–) CET1 instruments of financial sector entities where the institution has a significant investment	(281,360,903.81)	
1.1.1.25	(–) Amount exceeding the 17.65 % threshold	(386,552,908.75)	
1.1.1.25.1	(-) Amount exceeding the 17.65% threshold related to CET1 instruments of financial sector entities where the institution has a significant investment	(195,547,603.01)	
1.1.1.25.2	(-) Amount exceeding the 17.65% threshold related to deferred tax assets arising from temporary differences	(191,005,305.74)	
1.1.1.25A	(-) Insufficient coverage for non-performing exposures	(290,129.00)	
1.1.1.27	Additional deductions to be made from CET 1 in accordance with Article 3 of the CRR 3)	(64,898,649.00)	
1.1.2	**ADDITIONAL TIER 1 CAPITAL (AT1)**		**600,000,000.00**
1.1.2.1	Capital instruments eligible as AT1 Capital	600,000,000.00	
1.1.2.1.1	Fully paid up, directly issued capital instruments	600,000,000.00	
1.2	**TIER 2 CAPITAL (T2)**		**739,502,576.48**
1.2.1	**Capital instruments and subordinated loans qualifying as Tier 2 capital**		**24,280,416.74**
1.2.1.1	Paid-up capital instruments and subordinated loans	24,280,416.74	
1.2.1.2*	Memorandum item: Capital instruments and subordinated loans not eligible	136,617.41	
1.2.1.4	(–) Own Tier 2 instruments	-	
1.2.1.4.1	(–) Direct holdings of T2 instruments	-	
1.2.2	**Transitional adjustments due to grandfathered T2 Capital instruments and subordinated loans 4)**		**560,685,245.03**
1.2.5	**IRB Excess of provisions over expected losses eligible**		**156,623,168.28**
1.2.9	**(–) Tier 2 capital instruments of financial sector entities in which the institution has a significant investment**		**(2,086,253.57)**

1) includes, in addition to the share premium, the uncommitted capital reserve from shareholder contribution of € 1 bln
2) liability reserve
3) NPE backstop/calendar provisioning in implementation of SREP letter to UniCredit Group
4) From January 1st, 2021 application of the transitional provision for third-country emissions without a contractual bail-in clause

Notes to the Financial Statements

Item 5 - Balance sheet (liabilities side)

(in €)

Capital requirements pursuant to Article 92 of Regulation (EU) No 575 /2013		31/12/2021	2,800,938,671.54
		31/12/2020	2,378,003,019.67
UNICREDIT BANK AUSTRIA AG			
1	**TOTAL RISK EXPOSURE AMOUNT**		**35,011,733,394.22**
1.1	**RISK-WEIGHTED EXPOSURE AMOUNTS FOR CREDIT RISK, COUNTERPARTY RISK AND DILUTION RISK AND FOR FREE DELIVERIES**		**28,356,252,807.84**
1.1.1	**Standardised approach (SA)**		**2,245,764,477.33**
*1.1.1**	*of which: Additional strict requirements due to Article 124*		**-**
1.1.1.1	SA exposure classes excluding securitisation positions	2,245,764,477.33	
1.1.1.1.01	Central governments or central banks	989,554,151.54	
1.1.1.1.02	Regional governments or local authorities	8,251,939.73	
1.1.1.1.03	Public sector entities	101,025,950.14	
1.1.1.1.06	Institutions	33,201,591.54	
1.1.1.1.07	Corporates	889,050,512.03	
1.1.1.1.08	Retail	24,228,233.50	
1.1.1.1.09	Secured by mortgages on immovable property	32,681,318.21	
1.1.1.1.10	Exposures in default	12,000,643.45	
1.1.1.1.11	Items associated with particular high risk	130,900,850.52	
1.1.1.1.13	Claims on institutions and corporates with a short-term credit assessment	1,915,132.79	
1.1.1.1.14	Collective investment undertakings (CIU)	22,954,153.88	
1.1.2	**Internal ratings-based (IRB) approach**		**26,103,861,380.80**
*1.1.2**	*of which: Additional strict requirements due to Article 164*		**-**
*1.1.2**	*of which: Additional strict requirements due to Article 124*		**-**
1.1.2.2	IRB approaches when own estimates of LGD and / or Conversion Factors are used	22,909,836,576.30	
1.1.2.2.01	Central governments and central banks	93,504,211.47	
1.1.2.2.02	Institutions	1,704,415,428.70	
1.1.2.2.03	Corporates – SMEs	1,539,451,949.21	
1.1.2.2.04	Corporates - Specialised Lending	1,014,820,193.10	
1.1.2.2.05	Corporates - Other	13,216,798,883.15	
1.1.2.2.06	Retail – Secured by real estate SME	248,798,021.10	
1.1.2.2.07	Retail – Secured by real estate non-SME	1,649,194,804.65	
1.1.2.2.08	Retail – Qualifying revolving	445,079,931.55	
1.1.2.2.09	Retail – Other SME	362,704,447.74	
1.1.2.2.10	Retail – Other non-SME	2,635,068,705.63	
1.1.2.3	Equity IRB	2,797,323,296.70	
1.1.2.5	Other non credit-obligation assets	396,701,507.80	
1.1.3	**Risk exposure amount for contributions to the default fund of a central counterparty**		**1,103,195.71**
1.1.4	**Securitisation positions**		**5,523,754.00**
1.2	**TOTAL RISK EXPOSURE AMOUNT FOR SETTLEMENT/DELIVERY**		**111,063.75**
1.2.1	**Settlement and delivery risk in the non-trading book**		**111,063.75**
1.3	**TOTAL RISK EXPOSURE AMOUNT FOR POSITION RISK, FOREIGN EXCHANGE RISK AND COMMODITIES RISK**		**221,783,899.13**
1.3.1	**Risk exposure amount for position risk, foreign exchange risk and commodities risk under the standardised approach**		**2,067,423.63**
1.3.1.4	Foreign Exchange	2,067,423.63	

Notes to the Financial Statements

1.3.2	Risk exposure amount for position risk, foreign exchange risk and commodities risk under internal models	219,716,475.50
1.4	TOTAL RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK (OpR)	2,594,434,278.75
1.4.3	OpR Advanced measurement approaches (AMA)	2,594,434,278.75
1.6	TOTAL RISK EXPOSURE AMOUNT FOR CREDIT VALUATION ADJUSTMENT	39,151,344.75
1.6.1	Advanced method	39,151,344.75
1.8	OTHER RISK EXPOSURE AMOUNTS	3,800,000,000.00
1.8.4	of which: Additional risk exposure amount due to Article 3 CRR 1)	3,800,000,000.00
Capital requirements pursuant to Article 92 of Regulation (EU) No 575 /2013		2,800,938,671.54
of which: capital requirements pursuant to Article 92 (1) points (a) to (c) and to the transitional arrangement pursuant to Article 465 of Regulation (EU) No 575 / 2013 in conjunction with Section 1 of the Austrian CRR Supplementary Regulation		
	a) a Common Equity Tier 1 capital ratio of	15.1%
	b) a Tier 1 capital ratio of	16.8%
	c) a Total capital ratio of	18.9%

1) including RWA add-on in the amount of 500 mln € (until the requirements in connection with changes to the EAD model are met) and with the use of the new IRB-PD models in 3Q21, a surcharge will apply until the full granular new rating (as of December 31, 2021 3,300 mln €) is taken into account

Notes to the Financial Statements

The following table includes the eligible **consolidated result for 2021**. Please note that the financial statements of Bank Austria AG and of some single subsidiaries have not yet been approved by the respective Supervisory Boards, nor has there been a decision on the appropriation of profits by the respective annual general meetings.

Item 4 - Balance sheet (liabilities side)

(in €)

Eligible capital pursuant to Part Two of Regulation (EU) No 575 /2013		31/12/2021	7,420,636,019.50
		31/12/2020	7,028,691,955.24
UNICREDIT BANK AUSTRIA SUB-GROUP			
1	**OWN FUNDS**		**7,420,636,019.50**
1.1	**TIER 1 CAPITAL (T1) 6,428,388,967.51**		**6,699,888,457.55**
1.1.1	**COMMON EQUITY TIER 1 CAPITAL (CET1)**		**6,096,450,596.93**
1.1.1.1	Capital instruments eligible as CET1 Capital	5,815,600,000.00	
1.1.1.1.1	Paid-up capital instruments	1,681,034,000.00	
1.1.1.1.3	Share premium [1)]	4,134,566,000.00	
1.1.1.2	Retained earnings	2,714,269,506.80	
1.1.1.2.1	Previous years retained earnings	2,659,374,000.00	
1.1.1.2.2	Profit or loss eligible	54,895,506.80	
1.1.1.2.2.1	Profit or loss attributable to owners of the parent	115,015,000.00	
1.1.1.2.2.2	(–) Part of interim or year-end profit not eligible	(60,119,493.20)	
1.1.1.3	Accumulated other comprehensive income	(1,902,246,000.00)	
1.1.1.4	Other reserves	1,619,843,000.00	
1.1.1.7	Minority interest given recognition in CET1 capital	16,043,337.01	
1.1.1.9	Adjustments to CET1 due to prudential filters	(22,420,144.34)	
1.1.1.9.2	Cash flow hedge reserves	(410,000.00)	
1.1.1.9.3	Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	248,635.10	
1.1.1.9.4	Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	(11,126,353.03)	
1.1.1.9.5	(–) Value adjustments due to the requirements for prudent valuation	(11,132,426.41)	
1.1.1.10	(–) Goodwill	(42,694,000.00)	
1.1.1.10.2	(–) Goodwill accounted for as intangible asset	(42,694,000.00)	
1.1.1.11	(–) Other intangible assets	(1,275,883.21)	
1.1.1.11.1	(–) Other intangible assets gross amount	(1,704,310.28)	
1.1.1.11.2	Deferred tax liabilities associated to other intangible assets	428,427.07	
1.1.1.12	(–) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(128,404,914.49)	
1.1.1.13	(–) IRB shortfall of credit risk adjustments to expected losses	(606,671.82)	
1.1.1.24	(–) CET1 instruments of financial sector entities where the institution has a significant investment	(1,616,020,232.22)	
1.1.1.25	(–) Amount exceeding the 17.65 % threshold	(480,825,783.76)	
1.1.1.25.1	(-) Amount exceeding the 17.65% threshold related to CET1 instruments of financial sector entities where the institution has a significant investment	(281,807,346.18)	
1.1.1.25.2	(-) Amount exceeding the 17.65% threshold related to deferred tax assets arising from temporary differences	(199,018,437.58)	
1.1.1.25A	(-) Insufficient coverage for non-performing exposures	(292,898.90)	
1.1.1.26	Other transitional adjustments to CET1 Capital [2)]	193,076,479.39	
1.1.1.27**	Additional deductions to be made from CET 1 in accordance with Article 3 of the CRR [3)]	(67,595,197.53)	

Notes to the Financial Statements

1.1.2	**ADDITIONAL TIER 1 CAPITAL (AT1)**		**603,437,860.62**
1.1.2.1	Capital instruments eligible as AT1 Capital	600,000,000.00	
1.1.2.1.1	Fully paid up, directly issued capital instruments	600,000,000.00	
1.1.2.3	Qualifying Additional Tier 1 instruments issued by subsidiaries	3,437,860.62	
1.2	**TIER 2 CAPITAL (T2)**		**720,747,561.95**
1.2.1	**Capital instruments and subordinated loans eligible as T2 Capital**		**24,280,416.74**
1.2.1.1	Paid-up capital instruments and subordinated loans	24,280,416.74	
1.2.1.2	*Capital instruments and subordinated loans eligible as T2 Capital*	136,617.41	
1.2.2	Transitional adjustments due to grandfathered T2 Capital instruments 4)		560,685,245.03
1.2.3	**Instruments issued by subsidiaries that are given recognition in T2 Capital**		**615,725.11**
1.2.5	**IRB Excess of provisions over expected losses eligible**		**137,257,016.11**
1.2.9	**(–) T2 instruments of financial sector entities where the institution has a significant investment**		**(2,090,841.04)**

1) includes, in addition to the share premium, the uncommitted capital reserve from shareholder contribution of € 1 bln
2) including transitional adjustments to common equity tier 1 capital resulting from the application of Regulation (EU) 2020/873 to mitigate the effects of the implementation of IFRS 9 on the regulatory own funds
3) including deductions for NPE Backstop / Calendar Provisioning according to SREP Letter to UniCredit Group
4) From January 1st, 2021 application of the transitional provision for third-country emissions without a contractual bail-in clause

Notes to the Financial Statements

Item 5 - Balance sheet (liabilities side)

(in €)

Capital requirements pursuant to Article 92 of Regulation (EU) No 575 /2013		31/12/2021	2,897,602,142.77
		31/12/2020	2,517,146,884.65
UNICREDIT BANK AUSTRIA			
1	**TOTAL RISK EXPOSURE AMOUNT**		**36,220,026,784.59**
1.1	**RISK-WEIGHTED EXPOSURE AMOUNTS FOR CREDIT RISK, COUNTERPARTY RISK AND DILUTION RISK AND FOR FREE DELIVERIES**		**28,963,975,121.86**
1.1.1	**Standardised approach (SA)**		**6,081,178,828.16**
1.1.1*	**of which: Additional stricter supervisory requirements due to Article 124**		**-**
1.1.1.1	SA exposure classes excluding securitisation positions	6,081,178,828.16	
1.1.1.1.01	Central governments or central banks	926,922,182.49	
1.1.1.1.02	Regional governments or local authorities	8,238,014.05	
1.1.1.1.03	Public sector entities	105,073,185.30	
1.1.1.1.06	Institutions	114,684,864.41	
1.1.1.1.07	Corporates	2,477,232,813.41	
1.1.1.1.08	Retail	398,366,278.61	
1.1.1.1.09	Secured by mortgages on immovable property	186,567,153.27	
1.1.1.1.10	Exposures in default	127,546,942.37	
1.1.1.1.11	Items associated with particular high risk	130,900,852.05	
1.1.1.1.12	Covered bonds	211,569.83	
1.1.1.1.13	Claims on institutions and corporates with a short-term credit assessment	13,840,762.75	
1.1.1.1.14	Collective investments undertakings (CIU)	22,917,322.27	
1.1.1.1.15	Equity	1,015,540,706.11	
1.1.1.1.16	Other items	553,136,181.24	
1.1.2	**Internal ratings-based (IRB) approach**		**22,876,169,351.74**
1.1.2*	**of which: Additional stricter supervisory requirements due to Article 164**		**-**
1.1.2**	**of which: Additional stricter supervisory requirements due to Article 124**		**-**
1.1.2.2	IRB approaches when own estimates of LGD and / or Conversion Factors are used	21,646,152,913.96	
1.1.2.2.01	Central governments and central banks	93,526,070.44	
1.1.2.2.02	Institutions	1,702,016,187.92	
1.1.2.2.03	Corporates – SMEs	1,537,428,778.20	
1.1.2.2.04	Corporates - Specialised Lending	1,014,820,727.41	
1.1.2.2.05	Corporates - Other	11,958,492,175.70	
1.1.2.2.06	Retail – Secured by real estate SME	248,810,585.56	
1.1.2.2.07	Retail – Secured by real estate non-SME	1,649,525,616.95	
1.1.2.2.08	Retail – Qualifying revolving	445,152,261.34	
1.1.2.2.09	Retail – Other SME	362,547,556.90	
1.1.2.2.10	Retail – Other non-SME	2,633,832,953.54	
1.1.2.3	Equity IRB	573,410,564.80	
1.1.2.5	Other non credit-obligation assets	656,605,872.98	
1.1.3	**Risk exposure amount for contributions to the default fund of a central counterparty**		**1,103,187.94**
1.1.4	**Securitisation positions**		**5,523,754.02**
1.2	**TOTAL RISK EXPOSURE AMOUNT FOR SETTLEMENT/DELIVERY**		**111,063.75**
1.2.1	**Settlement and delivery risk in the non-trading book**		111,063.75
1.3	**TOTAL RISK EXPOSURE AMOUNT FOR POSITION RISK, FOREIGN EXCHANGE RISK AND COMMODITIES RISK**		**229,817,652.50**
1.3.1	**Risk exposure amount for position risk, foreign exchange risk and commodities risk under the standardised approach**		**2,134,774.00**
1.3.1.4	Foreign Exchange	2,134,774.00	
1.3.2	**Risk exposure amount for position risk, foreign exchange risk and commodities risk under internal models**		**227,682,878.50**
1.4	**TOTAL RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK (OpR)**		**3,175,962,302.38**
1.4.2	**OpR Standardised (STA) / Alternative Standardised (ASA) approaches**		**468,371,032.13**
1.4.3	**OpR Advanced measurement approaches (AMA)**		**2,707,591,270.25**

Notes to the Financial Statements

1.6	**TOTAL RISK EXPOSURE AMOUNT FOR CREDIT VALUATION ADJUSTMENT**	**39,151,344.75**
1.6.1	Advanced method	39,151,344.75
1.8	**OTHER RISK EXPOSURE AMOUNTS**	**3,811,009,299.35**
1.8.4	of which: Additional risk exposure amount due to Article 3 CRR [1)]	3,811,009,299.35
Capital requirements pursuant to Article 92 of Regulation (EU) No 575 /2013		**2,897,602,142.77**
of which: capital requirements pursuant to Article 92 (1) points (a) to (c) and to the transitional arrangement pursuant to Article 465 of Regulation (EU) No 575 / 2013 in conjunction with Section 1 of the Austrian CRR Supplementary Regulation		
	a) a Common Equity Tier 1 capital ratio of	**16.8%**
	b) a Tier 1 capital ratio of	**18.5%**
	c) a total capital ratio of	**20.5%**

1) including RWA add-on in the amount of 500 mln € (until the requirements in connection with changes to the EAD model are met) and with the use of the new IRB-PD models in 3Q21, a surcharge will apply until the full granular new rating (as of December 31, 2021 3,300 mln €) is taken into account

4.30. Cross-holdings

There are no cross-holdings within the meaning of Section 241, item 6, of the Austrian Business Code, unchanged compared to the previous year.

4.31. Assets pledged as security

Assets pledged as security for liabilities pursuant to Section 64 (1) 8 of the Austrian Banking Act

ASSETS	31.12.2021 (IN €)	DESCRIPTION OF THE LIABILITIES	BALANCE SHEET ITEM
Cover fund for deposits held in trust for wards:			
Fixed-income securities	199,450,551.86	Deposits held in trust for wards	Liabilities item 2
Cover fund for mortgage bonds and public-sector covered bonds:			
Loans and advances to customers	9,506,378,795.40	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Loans and advances to credit institutions	61,600,000.00	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Fixed-income securities	642,028,503.43	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Total	**10,210,007,298.83**		
Collateral for Wohnbaubank bonds issued on a trust basis:			
Loans and advances to customers	686,132,822.44	Wohnbaubank bonds issued on a trust basis	Liabilities item 3
Collateral pool OeNB (tender):			
Loans and advances to customers	13,551,237,687.50	OeNB/ECB funding	Liabilities item 1
Fixed-income securities	4,350,546,498.59	OeNB/ECB funding	Liabilities item 1
Total	**17,901,784,186.09**		
Collateral EIB and KfW:			
Loans and advances to customers	83,076,310.96	Supranational Funding	Liabilities item 1
Fixed-income securities	8,671,458.87	Supranational Funding	Liabilities item 1
Total	**91,747,769.83**		
Collateral for trading transactions in securities and derivatives:			
Cash collateral	579,512,746.95	Margin requirements	
Securities collateral	27,669,069.44	Margin requirements	
Total	**607,181,816.39**		
Collateral for clearing systems:			
Fixed-income securities	-	Security provided in favour of OeKB, Euroclear, Clearstream Banking	
Collateral for amounts owed to credit institutions:			
Loans and advances to customers	5,169,615,927.29	Claims assigned in favour of OeKB	Liabilities item 1
Loans and advances to customers	-	Earmarked deposit Wohnbaubank AG	Liabilities item 1
Total	**5,169,615,927.29**		
AGGREGATE TOTAL	**34,865,920,372.73**		

The sub-item “Savings deposits” (liabilities item 2a) includes deposits held in trust for wards in the amount of €172,559,665.20 (31.12.2020: €145,300 thousand).

Notes to the Financial Statements

Assets pledged as security for liabilities pursuant to Section 64 (1) 8 of the Austrian Banking Act

ASSETS	31.12.2020 (IN €)	DESCRIPTION OF THE LIABILITIES	BALANCE SHEET ITEM
Cover fund for deposits held in trust for wards:			
Fixed-income securities	181,478,504.48	Deposits held in trust for wards	Liabilities item 2
Cover fund for mortgage bonds and public-sector covered bonds:			
Loans and advances to customers	10,565,024,789.04	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Loans and advances to credit institutions	252,350,000.00	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Fixed-income securities	1,318,946,022.43	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Total	**12,136,320,811.47**		
Collateral for Wohnbaubank bonds issued on a trust basis:			
Loans and advances to customers	709,823,280.66	Wohnbaubank bonds issued on a trust basis	Liabilities item 3
Collateral pool OeNB (tender):			
Loans and advances to customers	11,738,441,391.90	OeNB/ECB funding	Liabilities item 1
Fixed-income securities	5,350,916,019.69	OeNB/ECB funding	Liabilities item 1
Total	**17,089,357,411.59**		
Collateral EIB and KfW:			
Loans and advances to customers	90,388,982.51	Supranational Funding	Liabilities item 1
Fixed-income securities	8,923,940.24	Supranational Funding	Liabilities item 1
Total	**99,312,922.75**		
Collateral for trading transactions in securities and derivatives:			
Cash collateral	867,233,488.88	Margin requirements	
Securities collateral	13,947,310.00	Margin requirements	
Total	**881,180,798.88**		
Collateral for clearing systems:			
Fixed-income securities	62,146,994.39	Security provided in favour of OeKB, Euroclear, Clearstream Banking	
Collateral for amounts owed to credit institutions:			
Loans and advances to customers	5,601,016,101.97	Claims assigned in favour of OeKB	Liabilities item 1
Loans and advances to customers	-	Earmarked deposit Wohnbaubank AG	Liabilities item 1
Total	**5,601,016,101.97**		
AGGREGATE TOTAL	**36,760,636,826.19**		

The sub-item “Savings deposits” (liabilities item 2a) includes deposits held in trust for wards in the amount of €145,300,321.70 (31.12.2019: €138,564 thousand).

Notes to the Financial Statements

4.32. Derivatives business

Derivatives shown in the relevant tables are classified as financial derivatives and credit derivatives, according to the underlying financial instrument. In these categories, a distinction is made between trading book and banking book and between different products and remaining maturities. UniCredit Bank Austria AG's business volume in derivatives focuses on interest rate contracts.

Derivatives are mainly used by the bank itself for hedging market risk and credit spread risk arising from new issue activities. In customer business, market participants include banks, securities houses and corporate customers.
Trading in derivatives at UniCredit Bank Austria AG is primarily related to the hedging of positions entered into vis-à-vis customers.

Information pursuant to Section 64 (1) 3 of the Austrian Banking Act may also be derived from the following tables.

(€)

	31.12.2021 (IN €)			31.12.2020 (IN THOUSAND)		
	NOTIONAL AMOUNT	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE	NOTIONAL AMOUNT	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE
Trading book	**48,403,762,395.22**	**927,255,055.79**	**968,520,527.15**	**44,133,840**	**1,209,947**	**1,265,649**
Financial derivatives on debt instruments and interest rates	**37,342,882,465.62**	**655,487,573.79**	**697,068,732.03**	**33,361,308**	**1,003,749**	**1,062,238**
Options	4,136,517,356.34	17,062,309.58	15,559,035.17	3,172,318	10,121	12,144
Swaps	33,206,365,109.28	638,425,264.21	681,509,696.86	30,120,989	993,627	1,050,092
Forwards	-	-	-	-	-	-
Futures	-	-	-	68,000	-	2
Other	-	-	-	-	-	-
Financial derivatives on equity instruments and share indices	**198,905,149.10**	**485,510.56**	**320,794.92**	**232,681**	**3,213**	**3,213**
Options	198,905,149.10	485,510.56	320,794.92	232,681	3,213	3,213
Swaps	-	-	-	-	-	-
Forwards	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Other	-	-	-	-	-	-
Financial derivatives on exchange rates and gold	**10,226,060,840.48**	**155,752,557.61**	**155,524,098.16**	**10,168,586**	**178,922**	**175,641**
Options	1,747,709,518.15	26,236,204.18	26,209,297.36	2,001,263	46,767	46,916
Swaps	-	-	-	-	-	-
Forwards	8,478,351,322.33	129,516,353.43	129,314,800.80	8,167,323	132,156	128,724
Futures	-	-	-	-	-	-
Other	-	-	-	-	-	-
Financial derivatives on other underlying transactions	**635,913,940.02**	**115,529,413.83**	**115,606,902.04**	**371,265**	**24,064**	**24,558**
Options	-	-	-	-	-	-
Swaps	635,913,940.02	115,529,413.83	115,606,902.04	371,265	24,064	24,558
Forwards	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Other	-	-	-	-	-	-
Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
Credit default swaps	-	-	-	-	-	-
Other	-	-	-	-	-	-

Notes to the Financial Statements

(€)

	31.12.2021 (IN €)			31.12.2020 (IN THOUSAND)		
	NOTIONAL AMOUNT	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE	NOTIONAL AMOUNT	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE
Banking book - hedging derivatives	**95,313,996,352.95**	**1,335,178,085.29**	**1,351,717,493.76**	**94,416,310**	**1,972,172**	**1,911,076**
Financial derivatives on debt instruments and interest rates	**88,809,021,479.65**	**1,218,343,790.88**	**1,263,789,243.50**	**88,525,916**	**1,890,715**	**1,881,992**
Options	1,219,882,126.30	3,849,378.49	24,212,124.74	2,415,505	63,431	68,268
Swaps	87,589,139,353.35	1,214,494,412.39	1,239,577,118.76	86,110,411	1,827,284	1,813,724
Forwards	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Other	-	-	-	-	-	-
Financial derivatives on equity instruments and share indices	**577,676,662.09**	**98,799,227.87**	**6,825,199.31**	**589,144**	**50,950**	**2,970**
Options	577,676,662.09	98,799,227.87	6,825,199.31	589,144	50,950	2,970
Swaps	-	-	-	-	-	-
Forwards	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Other	-	-	-	-	-	-
Financial derivatives on exchange rates and gold	**5,787,898,211.21**	**13,962,546.60**	**81,103,050.95**	**5,153,956**	**28,937**	**25,612**
Options	-	-	-	-	-	-
Swaps	-	-	-	-	-	-
Forwards	5,787,898,211.21	13,962,546.60	81,103,050.95	5,153,956	28,937	25,612
Futures	-	-	-	-	-	-
Other	-	-	-	-	-	-
Financial derivatives on other underlying transactions	**79,400,000.00**	**3,500,221.12**	**-**	**87,294**	**1,175**	**499**
Options	79,400,000.00	3,500,221.12	-	7,894	135	499
Forwards	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Other	-	-	-	79,400	1,040	-
Credit derivatives	**60,000,000.00**	**572,298.82**	**-**	**60,000**	**395**	**2**
Credit default swaps	60,000,000.00	572,298.82	-	60,000	395	2
Other	-	-	-	-	-	-
TOTAL	**143,717,758,748.17**	**2,262,330,414.08**	**2,320,135,294.27**	**138,550,150**	**3,182,119**	**3,176,724**

Notes to the Financial Statements

Notional amounts of derivatives by residual maturity

(€)

	31/12/2021			
	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
Trading book	**12,425,600,783.25**	**18,673,757,203.95**	**17,304,404,408.02**	**48,403,762,395.22**
Financial derivative contracts on debt instruments and interest rates	3,472,609,317.22	16,631,170,170.04	17,239,102,978.36	37,342,882,465.62
Financial derivative contracts on equity instruments and share indices	62,308,980.00	71,294,739.44	65,301,429.66	198,905,149.10
Financial derivative contracts on exchange rates and gold	8,265,272,214.85	1,960,788,625.63	-	10,226,060,840.48
Financial derivative contracts on other underlying transactions	625,410,271.18	10,503,668.84	-	635,913,940.02
Credit derivatives	-	-	-	-
Banking book	**27,735,756,664.04**	**29,209,804,587.87**	**38,368,435,101.04**	**95,313,996,352.95**
Financial derivative contracts on debt instruments and interest rates	21,778,319,631.68	28,791,216,746.93	38,239,485,101.04	88,809,021,479.65
Financial derivative contracts on equity instruments and share indices	138,138,821.15	368,587,840.94	70,950,000.00	577,676,662.09
Financial derivative contracts on exchange rates and gold	5,787,898,211.21	-	-	5,787,898,211.21
Financial derivative contracts on other underlying transactions	31,400,000.00	-	48,000,000.00	79,400,000.00
Credit derivatives	-	50,000,000.00	10,000,000.00	60,000,000.00
TOTAL	**40,161,357,447.29**	**47,883,561,791.82**	**55,672,839,509.06**	**143,717,758,748.17**

The carrying amounts of derivatives as of 31 December 2021 (in €) are included in the following balance sheet items:
- Other assets – trading book 927.152.329,27
- Other assets – bank book: 167.586.282,78
- Other liabilities – trading book 968.417.801,51
- Other liabilities – bank book 356.419.311,80

(IN THOUSAND)

	31/12/2020			
	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
Trading book	**18,899,022**	**10,266,763**	**14,968,055**	**44,133,840**
Financial derivative contracts on debt instruments and interest rates	16,392,822	2,036,587	14,931,899	33,361,308
Financial derivative contracts on equity instruments and share indices	80,184	116,340	36,156	232,681
Financial derivative contracts on exchange rates and gold	2,415,426	7,753,160	-	10,168,586
Financial derivative contracts on other underlying transactions	10,590	360,676	-	371,265
Credit derivatives	-	-	-	-
Banking book	**27,147,557**	**37,290,162**	**29,978,592**	**94,416,310**
Financial derivative contracts on debt instruments and interest rates	26,704,583	31,976,491	29,844,842	88,525,916
Financial derivative contracts on equity instruments and share indices	358,032	155,362	75,750	589,144
Financial derivative contracts on exchange rates and gold	3,541	5,150,415	-	5,153,956
Financial derivative contracts on other underlying transactions	31,400	7,894	48,000	87,294
Credit derivatives	50,000	-	10,000	60,000
TOTAL	**46,046,579**	**47,556,925**	**44,946,646**	**138,550,150**

4.33. Contingent liabilities

Contingent liabilities of UniCredit Bank Austria AG shown below the line in item 1 on the liabilities side amounted to €8,791,932,587.48, a increase of €533,549,837.03 or 6.5% compared with 31 December 2020 (31.12.2020: €8,258,383 thousand).

4.34. Letters of comfort and undertakings

In addition to the contingent liabilities shown below the balance sheet in item 1 on the liabilities side, the following letters of comfort and undertakings exist:

Notes to the Financial Statements

The previous subsidiaries for which UniCredit Bank Austria AG had issued a declaration of liability in favor of S.W.I.F.T. were transferred to UniCredit S.p.A. in the course of 2020. In November 2020, UniCredit Bank Austria AG terminated the service bureau for the connection of these subsidiaries. With this termination, the liability of UniCredit Bank Austria AG for the subsidiaries in favor of S.W.I.F.T. also ceases to exist.

Letters of comfort for a total amount of €383,085,884.69 (31.12.2020: €353,584 thousand) were issued in connection with international leasing transactions; given the nature of collateral for these transactions, it is not expected that claims will be lodged against UniCredit Bank Austria AG because the rights to payment undertaking amounts serving as collateral and held with the leasing companies or with UniCredit Bank Austria AG, or the rights to other security of stable value, have been transferred to the leasing companies.

Furthermore, a commitment has been imposed on UniCredit Bank Austria AG under its membership, as prescribed in Sections 93 and 93a of the Austrian Banking Act and in the Austrian Deposit Guarantee and Investor Compensation Act (*Einlagensicherungs- und Anlegerentschädigungsgesetz – ESAEG*), of a deposit guarantee scheme. UniCredit Bank Austria AG was a member of *Sparkassen Haftungs AG*, the deposit guarantee institution of the savings bank sector, and switched to *Einlagensicherung der Banken und Bankier Gesellschaft mbH* as of 19 December 2016. As of 1 January 2019, the uniform protection scheme replaced the protection scheme of each individual trade association. This is an ex lege transfer to the uniform protection scheme *"Einlagensicherung Austria Ges.m.b.H." („ESA")*.

4.35. Commitments

	31.12.2021 (IN €)	31.12.2020 (IN € THOUSAND)
Liabilities arising from sales with an option to repurchase pursuant to Section 50 (3) and (5) of the Austrian Banking Act	-	-
Underwriting commitments in respect of securities	-	-
Call / put options sold (pursuant to Annex 1 to Section 22, item 1 j)	-	-
Irrevocable loan commitments not yet utilised (credit facilities, commitments to lend, obligations to purchase securities, obligations to provide guarantees or acceptance facilities)	12,060,935,861.01	11,632,157
Securities borrowed – own account	-	-
Obligations under rent and lease agreements	-	-
Any other irrevocable transactions that may give rise to credit risk and have not been mentioned above	-	-
TOTAL	**12,060,935,861.01**	**11,632,157**

4.36. Return on assets

The return on assets which is the ratio of profit/loss after tax ("annual surplus/annual deficit") to total assets as at the balance sheet date, was 0.18% for the reporting year (31.12.2020: -0.05%).

Notes to the Financial Statements

5. Notes to the profit and loss account

5.1. Current interest rate environment

As a consequence of the present low interest rate situation, income from financial liabilities and expenses from financial assets have arisen in places, primarily in the interbank market but also in dealings with the European Central Bank. Income received for deposits (liabilities) totalling €239,344,985.05 (2020: €72,337 thousand) is reported under “Interest and similar income”. A significant improvement in this position compared with the previous year is due to the fulfilment of the requirements of the TLTRO III programme (see statements under 5.1.1.). Expenses relating to loans and receivables (assets) totalling €137,807,874.45 (2020: €74,975 thousand) are reported under “Interest income and similar expenses”.

5.1.1. TLTRO

UniCredit Bank Austria AG participated in long-term refinancing operations of the ECB (TLTRO – "Targeted Longer-Term Refinancing Operations") in June 2020, with a new volume of €15.4 billion and additionally €1.55billion in 2021. The additional interest rate advantage achieved upon reaching certain thresholds for cumulative net lending (CNL) to certain borrowers (loans to non-financial companies, loans to private households – excluding housing loans) in addition to the average interest rate of the deposit facility or main refinancing business was taken into account at the end of 2021 in the amount of €84,626,810.84 (2020: €0 thousand).

5.1.2. Interest expenses for subordinated liabilities

In the reporting year, the total amount of expenses for subordinated liabilities and Tier 2 capital was €13,099,869.84 (2020: €19,052 thousand). The decline in interest expenses for subordinated liabilities and supplementary capital is due to the repayment or repurchase of such instruments.
In connection with the additional Tier 1 capital issued in December 2021 in the amount of €600,000,000.00, interest expenses of €1,717,808.22 were also incurred.

5.2. Income from shares in group companies

Income from shares in group companies decreased by €29,655,458.47 to €154,123,792.44 in the reporting year 2021. The item “Income from shares in group companies” included income from profit-pooling arrangements in the amount of €93,428,160.26 (2020: €48,351 thousand)

5.3. Net commission income

Net commission income increased to €504,254,408.61 in the 2021 reporting year (2020: €471,363 thousand). While net fees and commissions from asset management produced substantial gains over the previous year's figure, the contribution from the payment transaction business was at the previous year's level, having been impacted by measures such as repeated lockdowns since the start of the COVID-19 pandemic, particularly in the card payments sector.

5.4. Income/expenses from financial operations

Despite the difficult market environment, income/expenses arising from financial operations increased to €84,396,246.84 (2020: €73,281 thousand).

5.5. Other operating income

In addition to income from Group services, the reversal of provisions (including, among others, provisions for procedural risks), income from the sale of fixed assets and rental income from real estates, all of those figures that cannot be directly allocated to banking activities are reported under "Other operating income". The total value of this item in 2021 is €110,406,857.46 (2020: €62,164 thousand). In addition, the item as at 31 December 2021 includes income from the change in the discount rate and adjustment of the underlying parameters for the calculation of defined benefit pension obligations in the amount of €34,796,274.41, as well as the calculation of employee severance payments of €7,337,307.97. Due primarily to the change in the discount rate in 2020 from 1.00% to 0.65%, the corresponding expenses in 2020 were reported under payroll costs.

Notes to the Financial Statements

5.6. Staff expenses

5.6.1. Wages and salaries

This item includes restructuring expenses in the amount of €266,100,000.00 (2020: €0 thousand). Further explanations can be found under 1. General information on the multi-year plan - „***UniCredit Unlocked***".

5.6.2. Allocation to pension provisions

In contrast to the 2020 financial year, income was generated in 2021 from the reversal of provisions for pensions, which are reported under "Other operating income" (see 5.5. Other operating income). In the 2020 financial year, however, this item included expenses for the pension provision in the amount of €128,667 thousand.

5.6.3. Expenses for severance payments

The item "Expenses for severance payments and payments to severance-payment funds" shows expenses of €13,582,674.54 (2020: €20,082 thousand). In contrast to the 2020 financial year, income was generated in 2021 from the reversal of provisions for severance payments, which are reported under "Other operating income".

5.7. Other operating expenses

Other operating expenses are primarily typical banking expenses that do not relate to lending business, in particular expenses for provisions for legal risks and payments relating to the Deposits Guarantee Schemes amounting to €57,813,002.45 (2020: €35,711 thousand) and the EU Bank Resolution Fund with €49,919,545.64 (2020: €43,484 thousand). The change in the benefits for the deposit protection fund is mainly due to the compensation for the underfunding of the deposit protection fund as a result of the departure of members of the ESA. The item also includes restructuring expenses in the amount of €15,015,741.61 (2020: €0). Further explanations can be found under 1.General information on the multi-year plan - „***UniCredit Unlocked***".

5.8. Net expense/income from the sale and valuation of financial assets

This item includes the result from the repurchase of two subordinated bonds from affiliated companies amounting to €127,309,996.82.

In the reporting year, devaluations of investments and interests in affiliated companies in the amount of €16,091,574.35 (2020: €128,881 thousand) is reported under this item. These devaluations also affected affiliated companies at € 14,766,248.28 (2020: €117,152 thousand).

In the 2021 financial year, as the reasons for impairment in the past no longer apply, valuation gains from investments and interests in affiliated companies in the amount of €28,285,202.45 (2020: € 48,446 thousand) were recognised.

Within "net income/expenses from the disposal and valuation of shares in group companies and equity interests", group companies accounted for a balance of €6.807,405.12 (net expense 2020: €73,513 thousand). Income of €0 (2020: €0) was realised on the sale of shares in profit-pooling arrangements.

5.9. Taxes on income

The taxes on income and earnings recognised in the result in the reporting year amount to plus €446,367.58 (2020: €38,505 thousand).). The current tax income amounts to €8,477,097.92 (income 2020: €41,358 thousand). Deferred taxes for 2021 show an expense balance of €8,030,730.34 (expense 2020: €2,853 thousand).

Current taxes
The current tax income as at 31 December 2021 amounted to €8,477,097.92 (income 2020: €41,358 thousand). This consists mainly of income in the amount of €16,038,011.11 (2020: €41,328 thousand) on the basis of cleared tax contributions to Group members, expenses arising from current corporation taxes totalling €8,500,000.00 (expenses in 2020: €0 thousand), as well as expenses for accrued final compensation payments to Group members totalling €4,678,272.07 (expenses in 2020: €2,518 thousand), income from corporate taxes of the previous period amounting to €5,709,321.08 (income in 2020: €2 thousand) as well as income from foreign withholding taxes refunded in the amount of €1,166.00 thousand (income in 2020: €2,483 thousand). The change from the previous year is mainly due to the higher current corporate tax expenses and the lower charges of tax allocations.

Notes to the Financial Statements

Pursuant to Section 9 of the Austrian Corporation Tax Act (*Körperschaftsteuergesetz – KStG*), a group of companies existed as at 31 December 2021 which consisted of UniCredit Bank Austria AG as group holding company and 159 companies as group members all of which are Austrian companies (11 companies with profit and loss transfer agreements and 148 companies with tax compensation agreements).

Under the tax compensation agreements, payments are made to UniCredit Bank Austria AG for taxable profits in the amount of corporation tax payable on such profits, after deduction of an interest benefit shared by the group holding company and the group member. There is no obligation to make tax compensation payments to the group holding company to the extent that tax losses from previous years are offset at the group member level. Moreover, UniCredit Bank Austria AG undertakes to make a compensation payment to group members leaving the group for unused tax losses. A provision was made for future tax obligations resulting from this undertaking.

Deferred taxes
The amount of deferred tax assets as at 31 December 2021 is €586,826,893.72 (2020: €594,858 thousand). The change in deferred taxes was recognised through profit or loss via the profit and loss account, totalling €8,030,730.34 (expense 2020: €2,853 thousand).

The movement in deferred tax balances is largely attributable to changes in provisions for social capital, differences in the valuation of receivables, changes in provisions for statistically anticipated credit losses, amortisation by one-seventh, changes in other and non-current provisions and changes in non-current liabilities.

No use was made of the option to capitalize tax loss carryforwards.

5.10. Other taxes not shown in "Taxes on income and earnings"

Other taxes in the 2021 financial year resulted in expenses of €1,476,352.73 (expenses in 2020: €61,293 thousand). This includes the bank levy in the amount of €1,749,260.72 (expenses in 2020: €61,027.1 thousand). The reduced sum amounting to the reasonable limit was payable in 2021 due to the previous year's profit situation.

5.11. Movements in reserves

In the 2021 financial year, the amount of €109,009.25 was released from revenue reserves (2020: release of €52,038 thousand).

5.12. Appropriation of profit

Information on the costs of the audit of the financial statements (pursuant to Section 238 (1) 18 of the Austrian Business Code) is provided in the table below.

	2021 (IN €)	2020 (IN € THOUSAND)
Fees for the audit of the financial statements and the consolidated financial statements		
Deloitte Network	2,119,722.49	2,097
Austrian Savings Bank Auditing Association	1,498,117.77	1,200
Other services involving the issuance of a report		
Deloitte Network	422,456.71	407
Austrian Savings Bank Auditing Association	4,667.16	5
Tax consulting services		
Deloitte Network	-	-
Austrian Savings Bank Auditing Association	-	-
Other services		
Deloitte Network	-	-
Austrian Savings Bank Auditing Association	872,018.01	863
TOTAL	**4,916,982.14**	**4,572**

5.13. Proposal for the distribution of profits

The net profit for the fiscal year from 01 January 2021 to 31 December 2021 is €206,757,502.96 and corresponds to the distributable profit. The Management Board proposes to the Annual General Meeting to distribute a dividend of €0.26 per eligible share on the share capital of €1,681,033,521.40. With 231,228,820 shares, the distribution therefore amounts to €60,119,493.20.

In addition, the Management Board proposes carrying forward the remaining amount of €146,638,009.76 to new account.

Notes to the Financial Statements

6. Information on staff and corporate bodies

6.1. Staff

The average number of employees (full-time equivalent) in the financial year was 4,131 (2020: 4,126).

6.2. Expenses for severance payments and pensions

Expenses for severance payments and pensions relate to the items “expenses for retirement benefits”, “allocation to the pension provision” and “expenses for severance payments and payments to severance-payment funds” in the profit and loss account.

For the members of the Executive Management Board, former members of the Executive Management Board and their surviving dependents, the following amounts were paid in the year under review €7,825,890.25 (2020: €9,471 thousand) was spent. This figure includes €271,104.29 (2020: €152 thousand) and €15,833.34 (2020: €167 thousand) to pension funds for active members and former members of the Executive Management Board, respectively.

In financial year 2021, other employees and their survivors received income for severance payments and pensions in the amount of €11,509,057.32 (expenses in 2020: €195,271 thousand) is reported under this item. The year-on-year change is based on the increase in the discount rate and the adjustment of the underlying parameters.

6.3. Emoluments of Management Board members and Supervisory Board members

The emoluments paid by UniCredit Bank Austria AG to Management Board members in the 2021 financial year (excluding payments into pension funds) totalled €1,692,258.07 (comparable emoluments in 2020 totalled €1,084 thousand). Of this total, €1,283,408.47 (2020: €789 thousand) related to fixed salary components and €408,849.60 were variable salary components (2020: €295 thousand). Moreover, a provision was made for variable remuneration for 2021 in the amount of €516,000.00 (subject to malus) (2020: €2,056 thousand (subject to malus)), which may be paid in subsequent years pursuant to the same legal provisions governing compensation.

Several members of the Management Board receive their emoluments from companies which are not included in the group of consolidated companies of Bank Austria; these emoluments granted to Management Board members for activities in UniCredit Bank Austria AG and in subsidiaries in the 2021 financial year amounted to €2,661,880.19 (2020: €2,071 thousand) and are partly (2021: €2,428,617.86; 2020: €1,870 thousand) charged to UniCredit Bank Austria AG. These Management Board members also received emoluments for activities which are not connected with the Bank Austria Group but are in the interest of UniCredit Group.

Payments to former members of the Management Board and their surviving dependants (excluding payments into pension funds) totalled €7,890,816.72. (Of this total, €4,095,917.46 were paid to former Management Board members of Creditanstalt AG, which merged with Bank Austria in 2002, and their surviving dependants; €1,794,448.76 was paid to former Management Board members of Österreichische Länderbank AG, which merged with Zentralsparkasse in 1991, and their surviving dependants.) The comparative figure the year prior was €8,159 thousand. Emoluments paid to this group of persons for activities in subsidiaries amounted to €847,748.86 (2020: €798 thousand)

The emoluments of the Supervisory Board members active in the 2021 business year totalled €297,344.93 (2020: €296 thousand) for UniCredit Bank Austria AG.

6.4. Loans and advances to Management Board members and Supervisory Board members

Loans to members of the Management Board amounted to €894,569.16 (2020: €1,050 thousand), utilised overdraft facilities were €38,778.35 (2020: €39 thousand). Repayments during the business year totalled €58,553.76 (2020: €67 thousand).
Loans to members of the Supervisory Board amounted to €308,736.12 (2020: €206 thousand). Overdraft facilities utilised by Supervisory Board members totalled €35,946.12 (2020: €56 thousand). Repayments during the business year totalled €43,496.22 (2020: €46 thousand).

Loans to the Supervisory Board include those made to members of the Employees’ Council who are members of the Supervisory Board. The maturities of the loans range from five to thirty years. The rate of interest payable on these loans is the rate charged to employees of UniCredit Bank Austria AG.

6.5. Share-based payments

The Management Board and selected executives of UniCredit Bank Austria AG participate in performance shares incentives of the UniCredit Group which relate to the receipt of shares of the parent company UniCredit S.p.A.

Notes to the Financial Statements

The economic value of the performance shares is determined by UniCredit S.p.A, taking into account the market price of the shares as at the allocation date less the present value of the future dividends during the vesting period, and is communicated to the Group companies. In UniCredit Bank Austria AG, the total amount recognised in the profit and loss account for the reporting year was €2,461,024.75 (2020: €1,964 thousand).

In 2021, no new share options were issued to members of the Executive Board, management or other employees; no share options were exercised by members of the Executive Board. The term of options from the past has already expired.

7. Events after the balance sheet date

There are no major events to be reported.

Notes to the Financial Statements

8. Names of Supervisory Board members and of Management Board members

Supervisory Board of UniCredit Bank Austria AG

1 January 2021 – 31 December 2021

Chairperson:	**Gianfranco BISAGNI**	
Deputy Chairperson:	**Ranieri De MARCHIS**	
Members:	**Livia ALIBERTI AMIDANI**	
	Richard BURTON	**since 20 July 2021**
	Aurelio MACCARIO	
	Olivier NESSIME KHAYAT	until 21 June 2021
	Herbert PICHLER	**since 12 April 2021**
	Eveline STEINBERGER-KERN	
	Ernst THEIMER	until 12 April 2021
Delegated by the Employees' Council:	**Adolf LEHNER** Chairperson of the Employees' Council	
	Christine BUCHINGER Member of the Employees' Council	until 9 April 2021
	Judith MARO Member of the Employees' Council	**since 1 January 2022**
	Mario PRAMENDORFER Member of the Employees' Council	
	Karin WISAK-GRADINGER Member of the Employees' Council	until 31 December 2021
	Roman ZELLER Member of the Employees' Council	**since 9 April 2021**

Notes to the Financial Statements

Management Board of UniCredit Bank Austria AG

1 January 2021 – 31 December 2021

Chairperson/Chief Executive Officer:	**Robert ZADRAZIL**	
Members:	**Daniela BARCO**	**since 1 November 2021**
	Gregor HOFSTÄTTER-POBST	
	Georgiana LAZAR	**since 1 November 2021**
	Mauro MASCHIO	until 31 October 2021
	Tina POGACIC	from 1 March 2021 until 31 October 2021
	Wolfgang SCHILK	
	Günter SCHUBERT	
	Susanne WENDLER	until 31 October 2021

Financial Statements 2021

UniCredit Bank Austria AG
Financial Statements 2021

Vienna, 18 February 2022

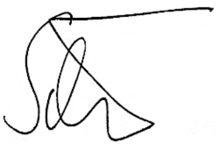
The Management Board

Robert Zadrazil
CEO
Chief Executive Officer
(Chairperson)

Daniela Barco
Privatkundenbank

Gregor Hofstätter-Pobst
CFO Finance

Georgiana Lazar
People & Culture



Wolfgang Schilk
CRO Risk Management

Günter Schubert
Corporates

Auditors' Report

UniCredit Bank Austria AG
Financial Statements for 2021

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements, of UniCredit Bank Austria AG, Vienna, comprising the balance sheet as of 31 December 2021, the income statement for the fiscal year then ended, and the notes.

In our opinion, the financial statements comply with legal requirements and give a true and fair view of the financial position of UniCredit Bank Austria AG as of 31 December 2021, and its financial performance for the year then ended in accordance with the Austrian Commercial Code and the Banking Act.

Basis for Opinion

We conducted our audit in accordance with the Regulation (EU) No. 537/2014 and the Austrian Generally Accepted Auditing Standards. These standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under these standards are further described in the section "Auditors' Responsibilities for the Audit of the Financial Statements" of our auditors' report. We are independent of UniCredit Bank Austria AG in accordance with laws and regulations applicable in Austria, and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained as of the date of this auditors' report is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- **Determination of Expected Credit Losses**
  (see Notes, 2.2.3. and 4.25.2.)

Description and Issue

Loss allowances represent management's best estimate of the expected credit losses from the loan portfolios at the reporting date.

At 31 December 2021, loans and advances (to customers and credit institutions) after impairments amounted to EUR 75,051 mn. For those assets, loss provisions of EUR 1,426 mn were recorded. There are provisions for credit risks in the amount of EUR 233 mn.

UniCredit Bank Austria AG has implemented processes to identify loss events, significant increases in credit risk and for the purpose of calculating expected credit losses. Depending on the asset class, various methods to determine the expected credit losses are applied. In principle, all of these methods are discounted cash flow methods considering multiple scenarios.

Auditors‘ Report

The considered parameters are estimated based on regulatory requirements and, where necessary, adapted for accounting purposes.

- Expected credit losses on loans in default (non-performing loans) that are deemed to be material on a customer level are determined individually. The probabilities of the scenarios, the expected cash flows, and the expected recoveries from collateral are estimated based on all available external and internal information (for example valuation reports and prognoses for the continuation of businesses) and with the assistance of internal specialists.
- Expected credit losses on loans in default (non-performing loans) that have comparable risk profiles and that are not deemed to be material on an individual level are collectively determined. The expected credit losses are estimated using statistical methods and taking into consideration information about segments, exposure, cash flows from redemptions and collateral, ratings, and the length of the default period.
- Expected credit losses on loans that have not defaulted (performing loans) are calculated by using model-based estimates of default probabilities, loss rates and conversion factors (CCF). If, at the reporting date, the credit risk has not increased significantly, the loss allowance is measured at an amount equal to 12-month expected credit losses. If credit risk has increased significantly, the loss allowance is measured at an amount equal to the lifetime expected credit losses.
- The models used for foreign-currency loans that have not defaulted as well as for bullet loans with repayment vehicles in the retail segment are adapted to account for the special risk characteristics of these portfolios. For these portfolios, a significant increase in credit risk was identified which were thus transferred to stage 2.

The calculation of loss allowances in all described forms is based on significant management judgement and includes uncertainties. These exist in the identification of loss events or significant increases in credit risk as well as in the estimation of expected cash flows and the determination of parameters depicting the latter.

The uncertainties inherent in the determination of expected credit losses were exacerbated by the continuous consequences of the COVID-19 pandemic. Due to necessary adaptions in estimation methods and processes, management judgement is of great importance.

In order to contain the negative economic impact of the COVID-19 pandemic, numerous countries have set up a wide variety of relief measures (moratoria, deferral options, support programs, hardship funds, adaptation of insolvency law, etc.). While these relief measures have reduced the negative economic impact of the COVID-19 pandemic, they have resulted in lower observable default rates making it difficult to identify a potential deterioration in the loan portfolio early on. Although many of these support programs have already expired, their effects continue to have a negative impact on the predictive power of statistical credit risk models.

Therefore, UniCredit Bank Austria AG has made various adjustments regarding the forecast of the economic environment. As in the previous year, delay effects regarding the macroeconomic effects of the Covid-19 pandemic were considered to include forward-looking information in the estimation of credit risk parameters. Furthermore, an increased weighting of the negative scenario was maintained at the expense of the base and positive scenarios. In addition, management overlays were introduced or continued, on the one hand to take into account the effects of global supply chain bottlenecks and on the other hand to consider the generally increased credit risk of certain industries. For further details please refer to the notes of the financial statements and the management report.

For the above-mentioned reasons, we considered the measurement of expected credit losses to be a key audit matter.

Audit Response

To assess the adequacy of loss allowances, we evaluated the calculation methodology for expected credit losses applied by UniCredit Bank Austria.

We reviewed the key processes and models in credit risk management, as well as a sample of loans. We identified and tested key controls in the credit process, especially in the monitoring and in the early warning process. We examined the internal control system for the correct application of rating models and collateral valuation.

Auditors‘ Report

We examined the adequacy of individual loan loss provisions based on a sample of test cases. Apart from the adherence to internal guidelines referring to rating, collateral assignment, and collateral valuation, we examined whether major loss events were identified and addressed. For this, we tested loans and advances that had not been identified by management as defaulted to form our own assessment as to whether events with material impact on the repayment capability of the borrower had occurred. For non-performing loans we critically assessed the scenarios and their weightings as well as the estimated cash flows.

We examined the adequacy of collective provisions considering lifetime parameters, forward looking information, and the identification of significant increases in credit risk, as well as the underlying rating models. For credit risk models, we critically assessed the results of backtesting and model validations, the handling of these results and the analyses carried out by management to identify significant increases in credit risk.

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

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

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

- **Restructuring provisions for staff-related measures**
  (see Notes, 1. and 4.25.2.)

Description and Issue

On 10 November 2021, the Management Board of UniCredit Bank Austria approved a multi-year plan (“UniCredit Unlocked”) for the years 2022 to 2024, which is based on restructuring measures that include extensive staff reductions during this period. For this purpose, previously defined groups of employees are offered different voluntary bridging and early retirement models. Depending on which offer an employee accepts, the costs can vary considerably in individual cases. For the expected expenses, a restructuring provision amounting to EUR 229 mn was made in accordance with section 198 para 8 no 1 UGB.

The valuation of the restructuring provision is based on various assumptions, such as the expenses per employee for the different offers, the probability of acceptance of the offers and the expected period of the personnel measures.

Because of the estimation uncertainties, the complexity of the calculation model and the importance for the financial statements, we have determined the recognition and measurement of the provision as a key audit matter.

Audit Response

We checked whether the requirements for recognizing a restructuring provision pursuant to section 198 para 8 no 1 UGB are met.

We examined the process used by UniCredit Bank Austria AG to determine the provision, retraced the procedure for determining the relevant valuation parameters and evaluated the effectiveness of the key controls identified.

We compared the individual assumptions and relevant valuation parameters with empirical values from earlier restructuring programs at UniCredit Bank Austria AG, discussed them with management and responsible employees and critically assessed them.

We tested samples for the correct application of the underlying personnel and salary data. Moreover, we checked the plausibility of the assignment of individual data sets to the respective offer population and, using the offer-specific parameters, verified the arithmetical correctness of the provisions through a recalculation.

Auditors‘ Report

Other Information

Management is responsible for the other information. The other information comprises the information in the annual report supplemented with company information but does not include the annual financial statement, the management report and our auditors’ report thereon. The annual report supplemented with company information is expected to be made available to us after the date of the auditors’ report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Management’s and Audit Committee’s Responsibility for the Financial Statements

UniCredit Bank Austria AG’s management is responsible for the preparation of the financial statements that give a true and fair view of the earnings, finance and asset situation of UniCredit Bank Austria AG in accordance with the Austrian Commercial Code and the Banking Act. Management is also responsible for internal controls that are determined as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing UniCredit Bank Austria AG’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate UniCredit Bank Austria AG or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing UniCredit Bank Austria AG’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the EU regulation and Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Regulation (EU) 537/2014 and in accordance with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

Auditors‘ Report

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the UniCredit Bank Austria AG's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on UniCredit Bank Austria AG's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause UniCredit Bank Austria AG to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that give a true and fair view.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Statutory and Other Legal Requirements

Report on the Audit of the Management Report

Pursuant to Austrian Commercial Code, the management report is to be audited as to whether it is consistent with the financial statements and whether it has been prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report in accordance with the Austrian Commercial Code and the Banking Act.

We conducted our audit in accordance with laws and regulations applicable with respect to the management report.

Auditors' Report

Opinion

In our opinion, the management report is prepared in accordance with the applicable legal requirements, the disclosures pursuant to section 243a UGB (Austrian Commercial Code) are appropriate, and it is consistent with the financial statements.

Statement

In the light of the knowledge and understanding of UniCredit Bank Austria AG and its environment obtained in the course of our audit of the financial statements, we have not identified material misstatements in the management report.

Additional Information in Accordance with Article 10 of the EU Regulation

According to section 24 of the Austrian Savings Banks Act (SpG) and the Auditing Rules for Savings Banks (Anlage zu § 24 SpG), the Auditing Board of the Savings Bank Auditing Association (Prüfungsstelle des Sparkassen-Prüfungsverbands) acts as statutory auditor of UniCredit Bank Austria AG.

By resolution of Bank Austria's annual general shareholders' meeting on 8 April 2020, Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, was appointed as additional auditor of Bank Austria for the fiscal year ending on 31 December 2021. In accordance with the above, the chairman of the Supervisory Board of Bank Austria engaged Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna as additional auditor.

Deloitte Audit Wirtschaftsprüfung GmbH has been the additional auditor uninterrupted since the financial year ending 31 December 2013.

We confirm that the audit opinion in the section "Report on the Financial Statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 para 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

Auditors' Report

Engagement Partner

The engagement partner responsible for the audit is Gerhard Margetich on behalf of Austrian Savings Bank Auditing Association and Wolfgang Wurm on behalf of Deloitte Audit Wirtschaftsprüfungs GmbH.

Financial Statements 2021
UniCredit Bank Austria AG, Vienna

Vienna, 18 February 2022

Austrian Savings Bank Auditing Association
Auditing Board

(Bank Auditor)

Gerhard Margetich Certified Public Accountant	Mag. Reinhard Gregorich Auditor

Deloitte Audit Wirtschaftsprüfungs GmbH

Wolfgang Wurm Certified Public Accountant	Gottfried Spitzer Certified Public Accountant

This report is a translation of the original report in German which is solely valid. Publication or sharing with third parties of the financial statements together with our auditors' opinion is only allowed if the financial statements and the management report are identical with the audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 para 2 UGB applies to alternated versions.

Statement by Management

UniCredit Bank Austria AG
Financial Statements for 2021

Statement by Management

We state to the best of our knowledge that the financial statements prepared in accordance with the relevant financial reporting standards provide a true and fair view of the financial position and performance of the issuer, and that in the Management Report the business trends including business results and the position of the issuer have been presented in such a way as to provide a true and fair view of the financial position and performance of the issuer, and that it describes the material risks and uncertainties to which the issuer is exposed.

Vienna, 18 February 2022

The Management Board

Robert Zadrazil
CEO
Chief Executive Officer
(Chairperson)

Daniela Barco
Privatkundenbank

Gregor Hofstätter-Pobst
CFO Finance

Georgiana Lazar
People & Culture

Wolfgang Schilk
CRO Risk Management

Günter Schubert
Corporates

Investor Relations

Investor Relations, Ratings, Imprint, Notes

UniCredit Bank Austria AG / Corporate Relations

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Andreas Petzl, phone: +43 (0)5 05 05-54999	

Ratings

	LONG-TERM / DEPOSITS	LONG-TERM / SENIOR UNSECURED	SUBORDINATED LIABILITIES	SHORT-TERM
Moody's 1)	A3	Baa1	Baa3	P-2
Standard & Poor's 1)	BBB+	BBB+	BBB-	A-2

Public-sector covered bonds and mortgage bonds of Bank Austria are rated Aaa by Moody's.
1) Securities issued before 31 December 2001 and therefore benefiting from the deficiency guarantee by the City of Vienna ("grandfathered debt" – exclusively subordinated debt), are rated Baa1 by Moody's and BBB- by Standard & Poor's.

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

Publisher and media owner:
UniCredit Bank Austria AG
Rothschildplatz 1, A-1020 Vienna
Phone: + 43 (0)5 05 05-0
Internet: www.bankaustria.at
e-Mail: info@unicreditgroup.at
BIC: BKAUATWW
Austrian bank routing code: 12000
Company register: FN 150714p
LEI: D1HEB8VEU6D9M8ZUXG17
Data Processing Register Number: 0030066
VAT Number: ATU 51507409

This Annual Report was produced by UniCredit Bank Austria AG, Rothschildplatz 1, 1020 Vienna (publisher and media owner).

Editor: Accounting, Reporting, Tax & Corporate Relations

Cover and introduction creative definition: UniCredit S.p.A.

Sorter pages creative definition: M&C Saatchi

Design, graphic development and production: UniCredit S.p.A.

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

Persons (Management Board) authorised to represent the media owner:
Robert Zadrazil (Chairman of the Management Board), Daniela Barco, Gregor Hofstätter-Pobst, Georgiana Lazar, Wolfgang Schilk, Günter Schubert.

Supervisory Board of media owner:
Gianfranco Bisagni (Chairman of the Supervisory Board), Ranieri De Marchis (Deputy Chairman of the Supervisory Board), Livia Aliberti Amidani, Richard Burton, Adolf Lehner, Aurelio Maccario, Judith Maro, Herbert Pichler, Mario Pramendorfer, Eveline Steinberger-Kern, 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 Annual Report is prepared for the convenience of our English-speaking readers. It is based on the German original, which is the authentic version and takes precedence in all legal respects.