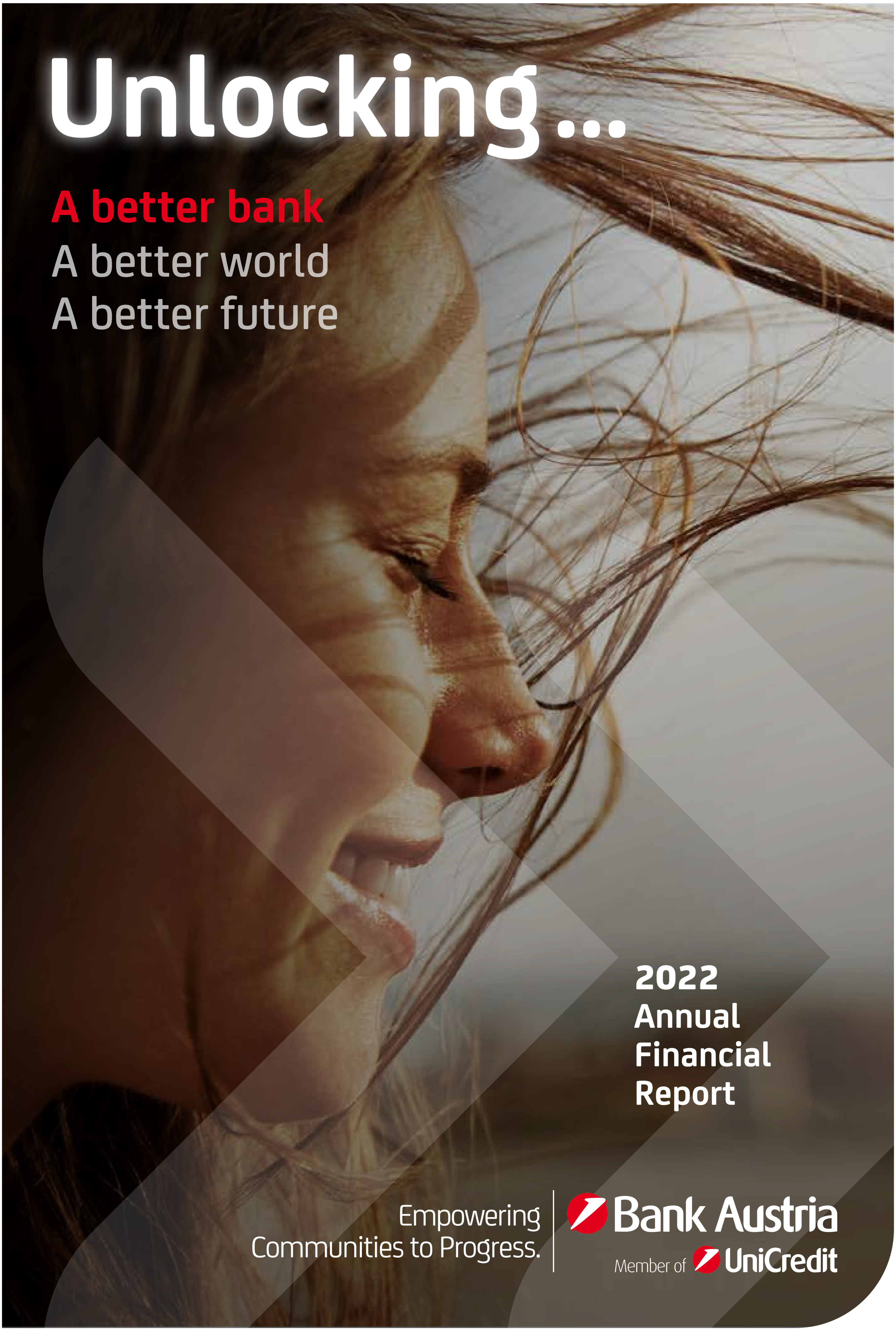

Unlocking...

A better bank
A better world
A better future

2022 Annual Financial Report

Empowering Communities to Progress.

Bank Austria
Member of UniCredit

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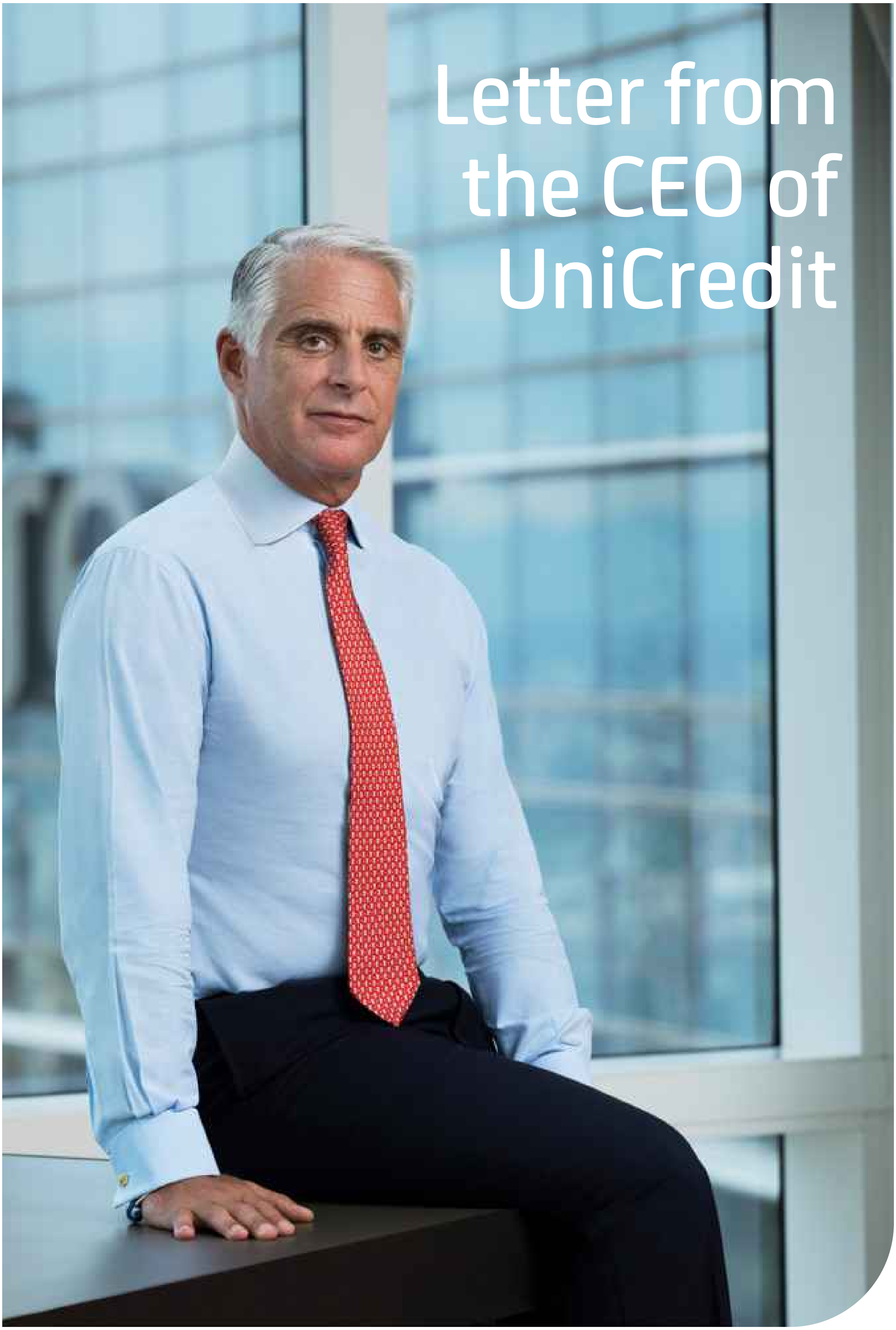
Letter from the CEO of UniCredit



“

I am determined that UniCredit is an institution which lives by the principles we have set for ourselves, as we have done throughout 2022. We have confronted challenges head-on and because of the proactive steps we have taken, we are primed to seize all opportunities as they arise.

Dear Stakeholders,

When we look back on UniCredit's journey, 2022 will be seen as a pivotal year. It was the year that we executed on the fundamental aspects of UniCredit Unlocked that have strengthened our bank further. It was the year we laid the foundations for future successes. And it was the year we transformed our bank.

The UniCredit of today is a different organisation from a year ago. This is not because of a change in any of our bank's fundamentals; it is because of the growth and value we have driven and created from within. The assets that gave us our innate strength and potential a year ago remain today: UniCredit continues to have an extensive talent pool, fantastic clients and a pan-European reach. But we are a different bank.

We are different because of what we have done with those ingredients. UniCredit Unlocked has changed the way we are utilising our bank's fundamental assets. Through 2022, we transformed our operating model, to one which empowers our people and gives our clients what they are asking for. One which unleashes the very best of what our bank has to offer, and one which focuses on growth rather than retrenchment.

Critically, in 2022 UniCredit Unlocked changed our organisation's culture and our mindset. We are now a forward-looking bank, one that is ambitious about the future and achieving sustainable growth. We are winning.

This mindset change is what is driving our ability to serve clients, deliver success for all our stakeholders, and become the bank for Europe's future. We have much more to do before we achieve that ultimate ambition, but we are now a bank that is operationally capable of delivering on such a bold ambition.

As the last year has shown more than ever, the world in which we live is a complicated and rapidly evolving one. The only thing that can be certain is uncertainty itself. As always, but especially in such an environment, we must return, unfailingly, to our principles and values.

I am determined that UniCredit is an institution which lives by the principles we have set for ourselves, as we have done throughout 2022. We have confronted challenges head-on and because of the proactive steps we have taken, we are primed to seize all opportunities as they arise.

This has led to some difficult decisions, but they are decisions guided by integrity and which we would return to again and again.

We are setting a new benchmark for the banking industry, with a focus on long-term value creation, sustainability, resilience and inclusion.

Strong foundations

At the start of the year, our ambition was deemed too steep by many. Our plan was too difficult. Yet despite all the challenges 2022 provided, it will be remembered as a year we beat all our targets - with a generous margin.

We have moved quickly, outperforming our plan and executing on our industrial transformation in record time, with a team that are motivated by a shared ambition and passion.

We have strengthened our two best-in-class product factories, which can be leveraged by each of our 13 banks. This is a proven model that is difficult for our competitors to replicate.

We have begun to optimise and update our legacy infrastructure, so that we can build a fully digital and data driven organisation which is fit for the future.

We have delivered on our ESG objectives, and remain steadfast in our commitment to reach 150bn new ESG volumes by 2024, 10bn of which will be social finance, and our plan to reach net zero on financed emissions by 2050 and on our own emissions by 2030. Our ESG commitments are a critical aspect of our ability to set a new benchmark for banking and become a bank for the future, and we are determined to do even more and go further in coming years.

All our actions on industrial transformation are directly connected to our financial performance and financial KPIs through which we manage the three levers of cost, net revenue and capital. Today we are a bank that grows profitably and sustainably, is efficient, generates outsized capital organically, and has a robust balance sheet and capital. We are achieving the best results in UniCredit's history. In Q4, we announced FY22 net profit[1] of 5.2bn and we are now in our eighth quarter of year-over-year growth.

1. Net Profit with UniCredit Unlocked methodology (means the stated net profit adjusted for AT1 and CASHES coupons and impacts from DTAs tax loss carry forward contribution)

COST

-2%

FY22/FY21
Targeted reduction

TARGETED, SUPERIOR OPERATIONAL EXCELLENCE

NET REVENUE

+13%

FY22/FY21
(Gross revenue up +14%)

HIGH-QUALITY NET REVENUE GROWTH

CAPITAL

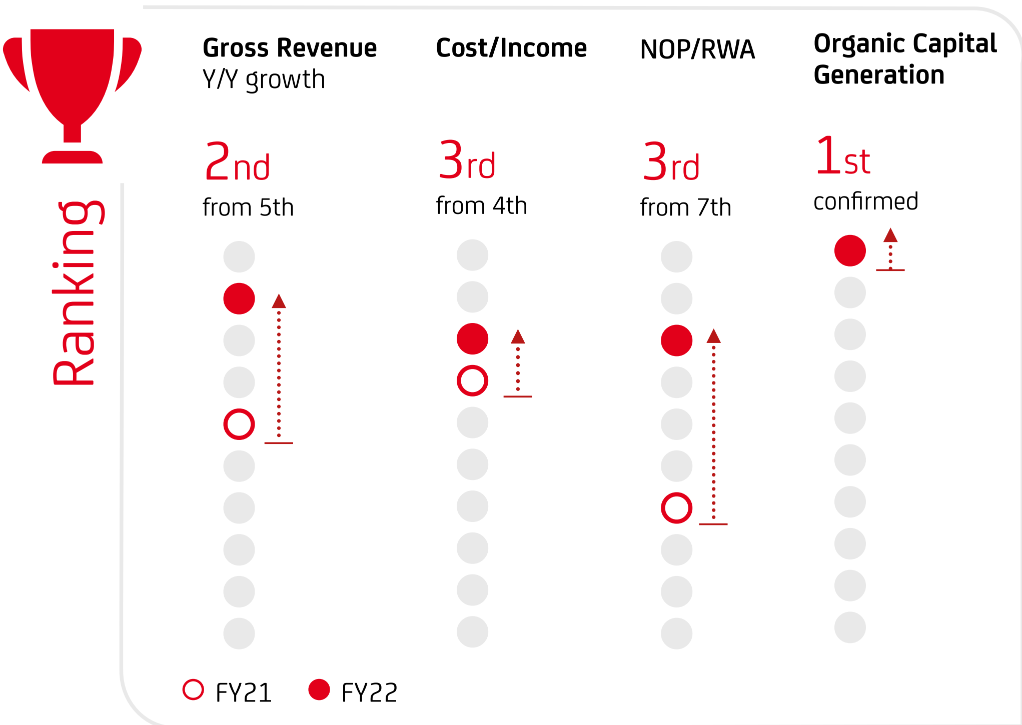
+279bps

FY22 Organic Capital Generation (€8.9bn)

BEST-IN-CLASS CAPITAL EFFICIENCY

In comparison to our peers, we have top tier top-line growth, operating efficiency, and unrivalled organic capital generation. We have one of the highest CET1 ratios, one of the highest quality credit portfolio and coverage, and the highest forward-looking precautionary overlays.

MOVING AT AN ACCELERATED PACE VS. PEERS ACROSS ALL LEVERS[2]

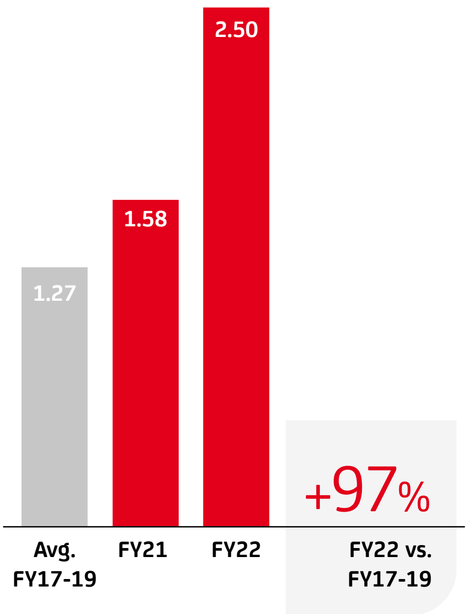


2. **Peers and UniCredit stated figures based on publicly available data**
Selected peers: BBVA, BNP Paribas, Commerzbank, Credit Agricole S.A., Deutsche Bank, ING, Intesa Sanpaolo, Santander, Société Générale

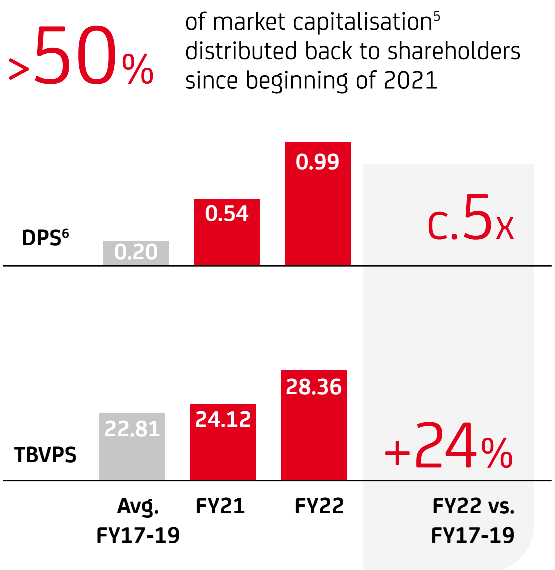
Our results throughout the year are evidence of industrial transformation and execution of strategy across all levers which gives us the ability to withstand shocks and to deliver sustainable and attractive shareholder distributions. Our results, and their quality, allow us to propose a total 2022 shareholder distribution of 5.25 billion euros, up 40% year on year, pending shareholder and supervisory approvals.

At the same time, we are delivering exceptional per-share value creation. Our net profit growth has been enhanced by share buy-backs, nearly doubling EPS versus our historical run-rate, with DPS five times higher, and tangible book value per share up nearly a quarter.

BOOSTING EPS[3,4]



EXCEPTIONAL SHAREHOLDER VALUE CREATION



Figures Group including Russia

3. Net Profit with UniCredit Unlocked methodology (for 2022 means the stated net profit adjusted for AT1 and CASHES coupons and impacts from DTAs tax loss carry forward contribution; for 2021 also adjusted for non-operating items); FY17-2019 Group excluding Turkey and Fineco Bank for comparison purposes.
4. EPS is calculated using Net Profit as per the definition above, divided by the average diluted shares in the period.
5. FY22 distribution subject to supervisory and shareholder approvals.
6. FY22 DPS best estimate, please refer to the FY22 results press release for additional details.

Face the future

It is difficult to predict what is to come in 2023, but the progress we have made this year gives me confidence in our ability not just to face the future, but to capture the opportunities that this environment will present. We have achieved a great deal, but there is so much more value still within our bank that needs to be released. In 2022 we transformed our bank, but I am confident that was just the beginning, and we will go on to achieve much more.

There is no doubt that great challenges lie ahead, for organisations individually, but also for Europe as a whole. If we are to unleash the full potential of Europe as an economic bloc, we must come together more fully than we have done to date. The benefits of greater integration will be exponential and enable us to compete on the world stage – in a way that we are not at the moment.

For us at UniCredit, when we face the challenges ahead, we will return to two things.

The first is our strong foundations, now liberated to thrive and release their potential, as well as the innate strength that comes with being a pan-European bank. Our presence and reach across the continent enables us to leverage the benefits that come with scale. We have seen throughout 2022 how our offering to clients is maximised exponentially when shared across our 13 banks.

The second is our desire to set a new blueprint for banking, one which is guided by principles and values, and determined to create success for all stakeholders for the long-term. This is what we will return to, time and again, when we are carving our path through a challenging time. I firmly believe that if we adhere to these, we will succeed. And more than that, we will win: for our clients, our communities, and our investors.

This is the bank that UniCredit is becoming: a better bank. In 2022, we took incredible steps towards that goal, and I know that much more is to come in 2023.

I extend my sincere thanks to you all for your support on this journey. I am grateful to the Board, our investors, the UniCredit team, as well as our clients and those communities that we serve for staying with us and supporting us as we move into the next phase of our growth, building on what we achieved in 2022.

It is the team's commitment that has enabled us to deliver what is not only an incredible organisational transformation, but a better way of operating as an industry for the whole of Europe.

2022 was the year we laid the foundations for this success, and I have no doubt 2023 will be the year we capitalise on them.

Thank you,

Andrea Orcel
Chief Executive Officer UniCredit S.p.A.

Introduction

Message from the Chairman of the Supervisory Board of Bank Austria

On 31 January 2023, UniCredit Group announced "the best full year results in over a decade" to the markets. Each of our markets is part of this extraordinary success story, including Austria and all other markets in our Central Europe (CE) region. In fact, UniCredit Bank Austria achieved an excellent FY22 result, with growing revenues, further cost efficiencies and outstanding risk management. To elaborate a little further: Performance in 4Q22 and FY22 was excellent in all business areas in Austria, resulting in total revenues of €1.99 billion (+7.6% vs. FY21) which is more than 57% of CE's total revenues.

The main drivers were an increase in revenues reflecting a strong commercial development and higher deposit margins in the current environment of rising interest rates. In addition, the bank was able to further increase its efficiency, with a sustainable cost reduction of -6.8% y/y. Net write-downs of loans were substantially lower than in the previous year, decreasing by 85.7% y/y (€-24 million vs. €-166 million in FY21)

This resulted in a net operating profit of €907 million in FY22 (+65,6% vs. FY21), representing a contribution of 52.2% to the overall CE result. Overall, UniCredit Bank Austria achieved an excellent FY22 net result of €823 million (+616,9% y/y, €115 million in FY21).

Further highlights are a significant improvement of the Cost/Income Ratio to 53.3% in FY22 (compared to 61.5% in FY21) and an excellent 17.4% CET1 ratio (compared to 16.8% in FY21) – one of the best in the Austrian market – showing that our Bank Austria subgroup is also well positioned for the future and further growth.

To put it in a nutshell: just like all our other CE banks, UniCredit Bank Austria exceeded all "*UniCredit Unlocked*" 2022 and 2024 targets and contributed to delivering double digit RoAC, which is proof of our bank's increased efficiency and profitability.

Introduction

Our strategic "*UniCredit Unlocked*" initiatives were instrumental in delivering these very tangible results, and in particular we enhanced our retail business and consumer finance by progressively rolling out innovative digital solutions. In Austria, for instance, we increased our active mobile users by 28% in the past year.

As with digitization, we have also made significant progress in the ESG area, and our goal to be a leader in incorporating the ESG factors in everything we do is backed up by some remarkable accomplishments: In 2022, our bank was **#1 for ESG related bonds**, issued its **first own Green Bond** and won the **advisory mandate on the €4 billion first Green Bond of the Republic of Austria**.

We also continued to actively support our local communities, for instance, by granting project funding to support the digitization of schools as well as supporting "*Ein Funken Wärme*" ("*A Spark of Warmth*"), the charitable initiative gathering donations for people who cannot afford rising energy costs.

The figures speak for themselves, showing that our bank delivered a very strong year in 2022. I can only emphasize that we are not only very satisfied with last year's result in Austria but also convinced that the right actions were taken to set the basis for further growth.

The transformation achieved in the way of working makes us a simpler, more technological bank, which puts the customer at the centre. As our journey continues, I am confident we have the people, focus and determination to do it.

I thank all our stakeholders for their trust and ask them to keep supporting us, as we continue to deliver on our promise to transform our bank into the bank for Europe's future, always true to our corporate claim "***Empowering Communities to Progress***".

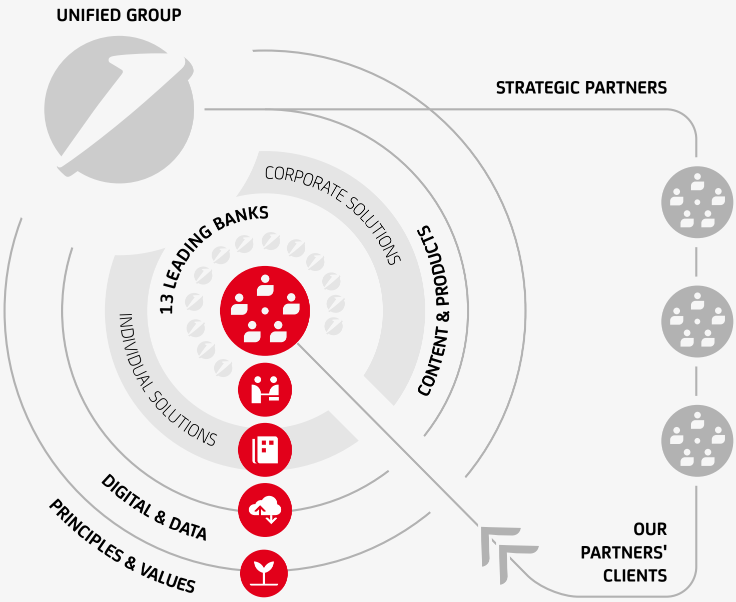
Gianfranco Bisagni
Head of Central Europe
Chairman of the Supervisory Board of UniCredit Bank Austria

At a glance

UniCredit: who we are

UniCredit is a pan-European Commercial Bank with a unique offering serving 15 million clients across Italy, Germany, and Central and Eastern Europe.

Our Purpose is to **empower communities to progress.** We believe that by delivering the very best for all our stakeholders, we can unlock the potential that exists across Europe – both for our clients and our people, and for their wider communities.



4

COVERAGE REGIONS

15 MILLION

CUSTOMERS WORLDWIDE

What we do

UniCredit's ambition is to be the bank for Europe's future. This year, we continued to transform in order to deliver that ambition, **building a better bank** that can act as a benchmark for our industry.

Our strategic plan, **UniCredit Unlocked**, is designed to ensure that we deliver for all our stakeholders: our clients; our people; and our shareholders. The plan is well underway and the foundations for sustainable, long-term success have been laid.

We are operating as one bank, leveraging our presence across Europe and the strength of our collective to offer the very best to all our stakeholders. Everything we do is underpinned by a commitment to ESG principles. We are determined to play a part in creating a sustainable future for our planet, and this ambition drives all our actions and decision making.

This year, we have seen the impact of our transformation, evidenced in our strong financial performance, delivering above all the goals we set out in UniCredit Unlocked. It is also evidenced in how we have delivered for our stakeholders and, ultimately, on our Purpose of empowering communities to progress.

Our key 2022 milestones - while delivering record results

JANUARY

A Top Place to Work in Europe
UniCredit certified as a 2022 Top Employer in Europe

UniCredit & Allianz – a new collaboration is born
Allianz Partnership

Optimising our digital portfolio through leading data analysis technology
Germany launches the OneWealth platform

FEBRUARY

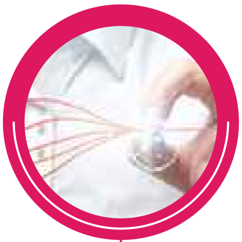
United behind a single ambition. Support for Ukraine
UniCredit supports Ukraine and its people across all geographies

MARCH

Putting our clients at the centre
CIB becomes Client Solutions

1Q

Proud of our Progress



APRIL

Simplify to help our clients succeed
Embedding simplification best practices as we build our bank for the future

MAY

Keeping our digital communities connected
UniCredit expands its social media footprint

Austria's first inaugural Green Covered Bond to support green projects

Delivering for our shareholders
Share Buyback Programme launch - Financial capital for ESG strategy

JUNE

A new training offering for all our people
The official launch of UniCredit University

Integrated Report Human Capital

The official launch of our Culture and Values
Culture Day

Integrated Report Human Capital

JUNE

3 Financial levers: Net Revenues, Cost and Capital

2Q

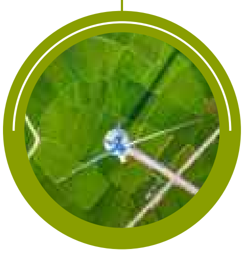
Excellent performance and strong positioning

JULY

A new offering for Digital-first corporate services
Investing in new online solutions

Our Sustainability commitment
First Sustainability Bond Allocation report

Integrated Report Financial Capital



Introducing our new Code of Conduct
2022 Code of Conduct

AUGUST

Leading solar energy financing in Hungary
Sustainable solar energy developments

SEPTEMBER

Investing in our future generations
Announcing a Partnership with Teach For All

Integrated Report Social and Relationship Capital

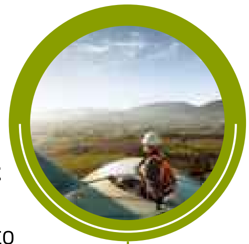
Empowering our employees with collaboration tools
A Group-wide Digital transformation through cloud technology

Our commitment to individuals and SMEs
UniCredit per l'Italia

Integrated Report Social and Relationship Capital

Reducing our carbon footprint: one ESG commitment at a time
UniCredit signs up to Sustainable STEEL Principles to promote greener steelmaking

Integrated Report ESG Strategy



A market leader in financing for renewables
UniCredit Serbia leads renewable project financing

3Q

Proof of a transformed UniCredit

OCTOBER

Prioritising gender equity across our bank
UniCredit obtains EDGE Certification

Integrated Report
Human Capital

Another step in our journey to Net Zero
UniCredit is the first bank in Europe to obtain the ESG GRESB scoring on its corporate real estate portfolio

Integrated Report
Natural Capital

Building an integrated, fast and Digital bank
Living Digital Days

Integrated Report
Intellectual Capital

The beginning of a new era for UniCredit
Launching the onemarkets Fund

Empowering Bulgarian corporates and SMEs
First securitisation deal in Bulgaria

Culture Roadshow
Our Culture Manifesto in action

NOVEMBER

Next-generation Wi-Fi for all
Network efficiency across all our premises

Embedding DE&I in everything we do
Diversity, Equity & Inclusion Week

Integrated Report Human Capital

UniCredit Foundation

Unlocking the potential of Europe's next generation
UniCredit Foundation relaunch

Link to relaunch of the UniCredit Foundation

DECEMBER

Data stands behind our improved customer service
Building a better data-driven bank

UniCredit & Azimut – a new collaboration is born
Strengthening competence and driving scale and synergies

Creating an enhanced Digital experience for our retail clients
A new approach to doing business

UniCredit Unlocked one year anniversary: posting a record year, well ahead of UniCredit Unlocked

4Q

Transformed and positioned to win
Record 4Q22 and best Full Year results in a decade. Already delivering above UniCredit Unlocked

Unlocking...

A better bank

A better world

A better future

Financial Highlights & Milestones

Discover our Financial Highlights & Milestones here

Financial Highlights & Milestones

FY22 confirmed UniCredit is already a transformed bank. UniCredit Unlocked the right strategy.

PEOPLE & ORGANISATION - THE RIGHT WAY TO WIN TOGETHER

- Building an ecosystem to deliver grow by removing silos and having 2 product factories
- Streamlining processes and empowering people within a clear framework
- Delayering the organisational structure to move closer to the client

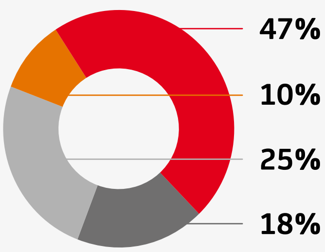
PRINCIPLES & VALUES

- Acting with clear Values and embedding our principles, Values and ESG in everything we do
- Support communities and clients in a just and fair transition
- Establish clear KPI's, i.e. NET ZERO set targets on first three priority sectors and accompanying our clients on their transition journey

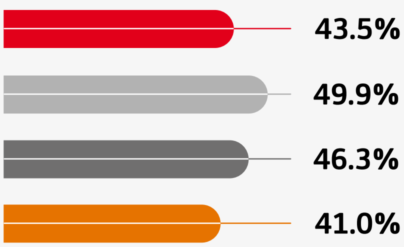
INVESTORS - ATTRACTIVE BANK DELIVERING 2022 BEST-IN-CLASS SUSTAINABLE RETURNS AND CAPITAL GENERATION

- +279 bps Organic capital generation
- RoTE above 10.7%
- Risk management - CoR at 41bps
- CET1r (stated) 16.0%

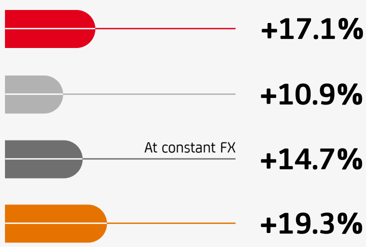
Net revenues per region



Cost - CIR (cost income ratio) per region



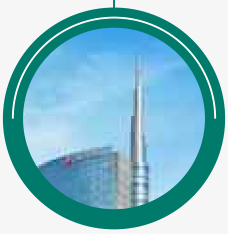
RoAC per region

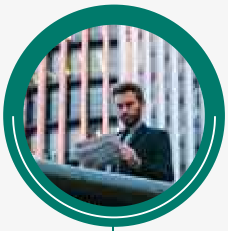


Italy · Germany · Central Europe · Eastern Europe

Delivering for our shareholders
Share Buyback Programme launch - Financial capital for ESG strategy

MAY



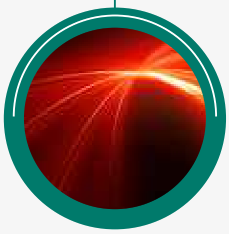


JUNE

3 Financial levers: Net Revenues, Cost and Capital

UniCredit Unlocked one year anniversary: posting a record year, well ahead of UniCredit Unlocked

DECEMBER



Our financial results. Transformed and positioned to win.

GROW

18.4bn net revenues. 13% Y/Y

STRENGTHEN

FY22 CET1r stated capital up to 16.0%

DISTRIBUTE

Proposed distribution for 2022 at 5.25bn[1], up 40%

OPTIMISE

Strong cost management with CIR at 47.0%

1. Pending Shareholder and supervisory approval

Delivering for our shareholders - Sustainable Distribution and Capital strength

During the year, we delivered on our commitment of a 2021 shareholder distribution of 3.75 bn.

Thanks to our strong financial performance in 2022 and the best year in over a decade, we have proposed a total capital distribution of 5.25bn[1], with a 1.91bn cash dividend and 3.34bn share buyback – a 40% growth in distribution. Together with 2021 this already translates to almost 60% of our at least total 16bn capital distribution ambition for 2021-2024.

The distribution is more than comfortably funded by our superior organic capital generation of 279 basis points, well ahead of the plan. Even pro forma for the distribution, our CET1 ratio will be 14.9%, 78 basis points higher versus prior year.

Throughout the year, UniCredit produced strong financial results while taking proactive actions during a macroeconomically challenging year to protect our ability to deliver sustainable and attractive distribution to our shareholders while maintaining best-in-class capital strength.

For 2023 we are assuming a mild recession as our base case with UniCredit being well-positioned and ready to navigate and continue delivering excellence and growth under any scenario.

1. Pending Shareholder and supervisory approval

3 Financial levers - Net Revenues, Cost and Capital

UniCredit Unlocked is a plan rooted in our solid foundation and is built upon capital efficiency.

Our financial ambitions are steered through 3 interconnecting levers – costs, net revenues and capital – being largely under our management control.

The optimisation of our 3 key financial levers will continue to result in profitable growth and organic capital generation.

COSTS – our cost base at year-end was 9.6 bn, translating to a 47.0% cost/income ratio. This was the result of our relentless focus on managing expenses, despite the unexpectedly high inflation we faced across our geographic footprint. This is partly thanks to early proactive measures taken. With our cost efficiency, we delivered positive operating leverage while funding investments supporting our digital transformation, hiring over 1,400 FTEs for strategic areas and while also supporting our people through inflation relief.

NET REVENUES – our net revenues stood at 18.4bn – increase of 13% Y/Y. This KPI ensures that our growth does not come at the expense of sound risk management and that we increase our focus on capital-light business/fee business, also by leveraging our simplified partnership model (insurance fee business).

CAPITAL – Our organic capital generation of 279 basis points is well above our guidance of an annual average of around 150 basis points, and delivered via a net profit of 5.2 bn and through proactive RWA management without impacting revenue growth. Over the course of FY22 we achieved a total of 19bn of RWA reduction via active portfolio management. Efficient capital allocation remains a priority focus to manage RWAs, enhancing return on capital and supporting organic capital generation.

UniCredit Unlocked - RoTE

UniCredit Unlocked outlined our vision to be the bank for Europe's future. It set a new benchmark for the banking sector and we are confident that this is the right strategy for all our stakeholders. We continue to focus on our transformation to unlock further value from an improved baseline.

Since we launched this plan in December 2021, the bank has already visibly transformed and is a structurally improved bank – we have the right strategy for sustainable growth, a clear path to a stronger RoTE and the ability to meet capital distribution ambitions.

Our best results in over a decade and the eight consecutive quarters of quality growth were achieved despite the challenging macro environment of 2022 and without compromising on our risk management. We have maintained our proactive approach in identifying and addressing emerging risks, e.g. our prudent and decisive response to de-risk our Russia exposure at minimum cost as well as our proactive overlays on sectors impacted by supply chain constraints and high energy prices.

We have a financial ambition of a RoTE of around 10% by FY2024. For FY22 we delivered a RoTE of 10.7% (12.3% RoTE at a 13% CET1 ratio), already above our UniCredit Unlocked target.

Throughout the year we managed to increase the profitability in all our regions to above 10% RoAC - each of them already operating above their cost of equity.

Watch the video

Our Strategy:
one year into UniCredit Unlocked

"

UniCredit is a transformed bank, with a clear vision and winning strategy: moving at an unprecedented pace, ready to face and take advantage of the future.

Andrea Orcel
Chief Executive Officer UniCredit S.p.A.

13 leading Banks with unrivalled distribution power and truly diverse talent

13 Banks[A] Embedded in the fabric of Europe, positioning:

#2	#3	#2	#1
Italy	Germany	Central Europe[B]	Eastern Europe[C]

4

COVERAGE REGIONS

15 MILLION

CUSTOMERS WORLDWIDE

Unlocking the full potential of the franchise

UNIQUE AND DIVERSE TALENT BASE[D]

International mindset

33% International presence in BoD

64% International presence in Group Executive Committee

Employee Networks on **5 diversity strands** and broader DE&I across Group countries

Gender balance

42% Female presence in BoD

43% Female presence in Group Executive Committee

36% Female presence in Leadership team

A. Refer to the Business Model chapter in the Integrated Report for further information.
B. Central Europe includes Austria, Czech Republic, Hungary, Slovakia and Slovenia.
C. Eastern Europe includes Bosnia and Herzegovina, Bulgaria, Croatia, Romania, Russia and Serbia.
D. Figures related to Board refer to Board members in office as at February 7, 2023.

A year ago we set our Purpose of empowering communities to progress and set out our **UniCredit Unlocked strategic plan**. The goal of our strategy is to unlock the value inherent in UniCredit via an industrial transformation combined with three financial levers of net revenue growth, operational efficiency and capital efficiency.

Defining a clear vision and winning strategy

DELIVERING FOR ALL OUR STAKEHOLDERS IS AT THE BASIS OF OUR VISION: TO BE THE BANK FOR EUROPE'S FUTURE

VISION

The Bank for Europe's Future

PEOPLE
Win.
The Right Way.
Together.

COMMUNITIES
Empowering Communities to Progress.

INVESTORS
Quality Growth.
Operational and Capital Excellence.
Best-in-class Sustainable Returns and Capital Generation.

We are deeply embedded in our **Communities**, helping them to deliver their full potential by acting as an engine of individual and collective growth. Our **Clients**, spread across the communities of Europe, are at the heart of our strategy - we exist to serve them.

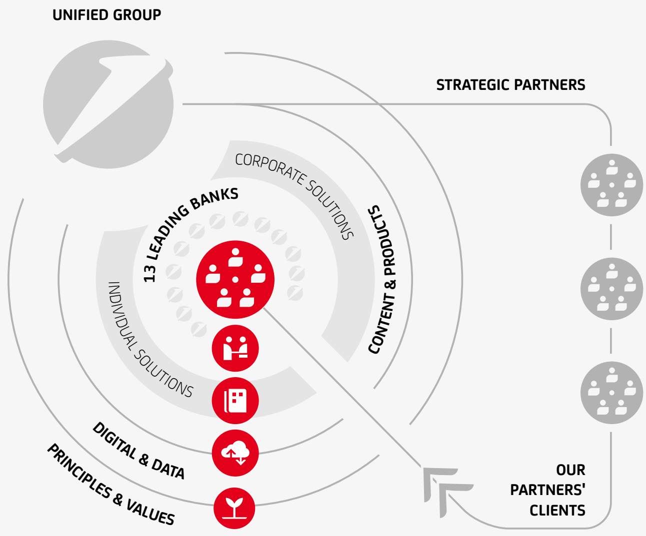
A reliable partner in life is what our **People** are asking of us. They want an institution they can trust, an environment in which they can flourish as individuals and professionals and a business they feel proud to work for, providing them with the tools to deliver an exceptional service to clients.

We are delivering growing and sustainable returns for our **Investors** and achieving consistently excellent results against clear financial KPIs across our three levers - cost, net revenue and capital.

UNWAVERING COMMITMENT TO UNICREDIT UNLOCKED, THE RIGHT STRATEGY FOR US AND OUR ANSWER TO THE FUTURE OF BANKING

STRATEGY

UniCredit Unlocked



Our **strategy is based on our vision** and tailored to our strengths and **complemented** by an **ecosystem** built around five industrial levers.

CLIENTS

Our clients are our most important asset - 15 million of them, with 14 million retail and a distinctive strength in the value accretive affluent sector. Both for our clients and our best-in-class partners, we represent a gateway to Europe.

Our ambition: to increase the number of clients, and serve them cohesively, answering to their needs through best-in-class products and service.

PEOPLE AND ORGANISATION

Our Bank is built on the strong foundations of 13 local banks. The banks enjoy an unmatched heritage and untapped potential with a solid connection to clients and communities. We respect local banks and their unique identities while we unify them to release the power of this collective, turning UniCredit into something greater than the sum of its parts.

Our ambition: to have PROUD, MOTIVATED and EMPOWERED people that act as OWNERS, enabled to best serve our clients by the tools we provide.

CONTENT AND PRODUCTS

Our Banks can leverage two best-in-class product factories: Corporate and Individual Solutions. Our winning and distinguishing factors are pan-European coverage, a unique cross-border positioning allowing us to attract the best talent and partners and achieve scale.

Our ambition: We are reconfiguring the critical, high-value elements of the value chain in each of our core product areas, adding more external partners to our ecosystem to deliver solutions tailored around client needs.

DIGITAL AND DATA

We are optimising our digital and data infrastructure which has the strong potential of allowing for economies of scale. We are progressively internalising our technology and skillset and continuously strengthening our cyber security and defences.

Our ambition: to build a fully digital and data-driven organisation, with digital transformation as a key enabler of clients and people.

PRINCIPLES AND VALUES

We are striving to change our Culture by shifting the mentality of the organisation based on three core Values of Integrity, Ownership and Caring. Within a clear risk and control framework, we are empowering our people to unite behind a unique, common Purpose and vision.

Our ambition: Purpose, Culture and ESG commitments to unite and guide our people towards shared objectives and empowering communities to progress[1].

1. Our ESG Strategy is fully described in a dedicated paragraph of the Integrated Report.

Executing an ambitious industrial plan

Optimise today

Ahead of plan and outperforming peers, taking actions against opportunities and challenges.

LEVERAGING OUR SOLID FOUNDATIONS AND IMPLEMENTING AN INDUSTRIAL TRANSFORMATION: SELECTED HIGHLIGHTS

PEOPLE & ORGANISATION

Lean flexible disciplined group acting as one with clients at the centre

Simplifying the organisation

From 5 siloed business divisions to 4 coverage regions

Delayering the organisation

–28%

structures, moving closer to clients

Empowering people

–60%

number of managerial committees

Streamlining processes

65%

delegations with increased thresholds, empowering local decision-making within clear framework

CONTENT & PRODUCTS

Strategy with solutions tailored around client needs

Refocusing CIB

From siloed CIB to two factories focused on product development providing quality and range unmatched by local players to clients unreached by global players

Reinforcing factories

Hiring of key Managing Directors and Graduates in Corporate Solutions

Creating an ecosystem

Key milestones in creating an ecosystem of best-in-class partners and internalising high margin products value chain

Azimut + Allianz + onemarkets Fund + CNP + ZB Invest

DIGITAL & DATA

Internalised technology and skillset, gradually optimising

Resilient cyber-security

–35%

major security incidents, from an already low level (Y/Y)

Take back control

545

FY22 digital hires: mainly tech specialists

New way of working

18

initiatives running in Agile

Data-driven organisation

+20 p.p.

Group banking processes under unified data governance, improving data quality

PRINCIPLES & VALUES

United behind a single ambition and Purpose

Clear Values embedded in everything we do

Group Culture Day, Culture Roadshow, Culture Network & Learning, DE&I focus, People listening as concrete steps to make our new Culture a reality.

Lead by example

New lending towards high impact / disadvantaged areas

11.4bn
Green[2]

4.8bn
Social[2]

Establish clear KPIs

Net Zero: set targets on first three priority sectors and accompanying our clients on their transition journey

2. Including ESG-linked lending.

FINANCIAL PERFORMANCE

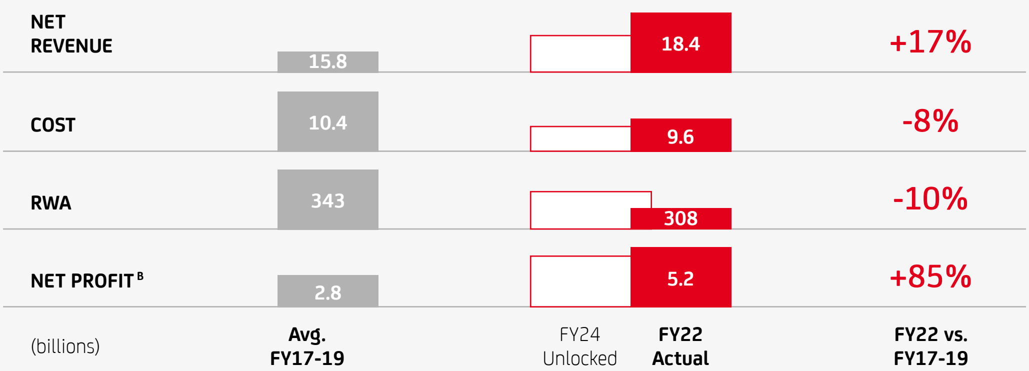
Our actions are directly connected to our financial KPIs through which we manage the three levers of cost, net revenue and capital.

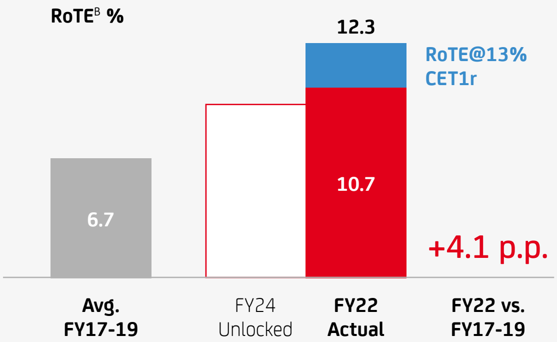
Together, these levers drive RoTE and organic capital generation, giving us the ability to withstand shocks and to deliver sustainable and attractive shareholder distributions.

The laser-focused balance of quality top line growth and capital efficiency combined with operational efficiency drive the foundations of our planned distribution

It is a virtuous circle and a fundamentally different way of assessing financial performance - different from our peers and very different from the UniCredit of the past.

Consistent performance surpassing targets across all levers[A]





A. Figures Group including Russia; Avg. FY17-19 based on simple average of recasted figures of Group excluding Turkey and Fineco for comparison purposes; 2024 UniCredit Unlocked figures as presented in December 2021.
B. Net Profit and RoTE with UniCredit Unlocked methodology (stated net profit adjusted for AT1 and CASHES coupons and impacts from DTAs tax loss carry forward contribution.).

EACH REGION IS DELIVERING AHEAD OF THE PLAN AT ACCELERATED PACE

- **Italy:** strong performance despite continued investments and balance sheet strengthening
- **Germany:** continued momentum of a fully transformed, efficient and capital generating bank
- **CE:** profitable franchise with Austria industrially transforming
- **EE:** maintaining highest profitability and top notch cost efficiency, proving resiliency of the franchise

FY2022 vs FY2021[C]	GROUP	ITALY	GERMANY	CENTRAL EUROPE	EASTERN EUROPE	RUSSIA
NET REVENUE						
NET REVENUE	**18.4bn** +13%	**8.7bn** +18%	**4.7bn** +7%	**3.3bn** +22%	**1.8bn** +16%	**0.4bn** -66%
o/w Gross revenue	20.3bn +14%	9.0bn +7%	5.0bn +13%	3.5bn +16%	2.0bn +11%	1.3bn +86%
COST						
C/I RATIO	**47.0%** -7.5 p.p.	**43.5%** -3.8 p.p.	**49.9%** -10.0 p.p.	**46.3%** -8.7 p.p.	**41.0%** -1.6 p.p.	**22.5%** -18.3 p.p.
Cost Y/Y growth	-2.0 %	-1.3 %	-5.7 %	-2.9 %	+6.7%	+2.7%
CAPITAL						
ORGANIC CAPITAL GENERATION	**+279bps €8.9bn**	**+151bps**	**+52bps**	**+43bps**	**+23bps**	**+8bps**
RoAC/RoTE @13% CET1r (Group)						
FY2022	**12.3%**	**17.1%**	**10.9%**	**14.7%**	**19.3%**	
FY2021	8.6%	11.1%	7.7%	12.0%	16.5%	

C. For Central Europe, Eastern Europe and Russia, year on year comparison at constant fx.

Laying the foundations to win in an uncertain future

Build for tomorrow

Ready to accelerate into the future.

While delivering consistent results quarter after quarter, we have prudently built robust lines of defence in order to prepare for future and potential macroeconomic impacts:

- portfolio is well-provisioned
- forward looking overlays, increased in 4Q, now at €1.8bn. Equals more than 1 year of cost risk (assumed at 30-35bps in UniCredit Unlocked)
- step change in pre-provision profitability reflecting quality and capital efficiency and operational efficiency
- unmatched capital position.

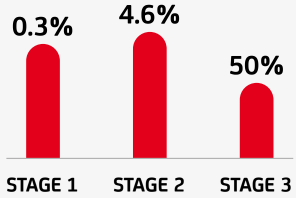
+32.3%

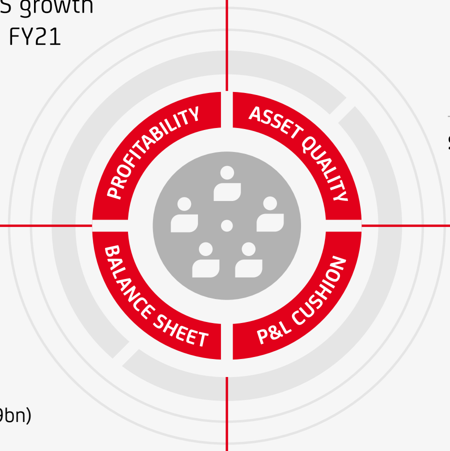
pre-provision profit FY22 vs. FY21

+58%

EPS growth vs. FY21

Coverage ratio FY22





+279bps

organical capital generation (€8.9bn)

FY22 CET1 post distribution and pro-forma regulatory buffer

5.8 **14.9%** "16.0% stated"

1.8bn

overlays in FY22 equivalent to over one year of cost of risk[D]

D. Assuming 30-35bps of annual cost of risk guidance under UniCredit Unlocked.

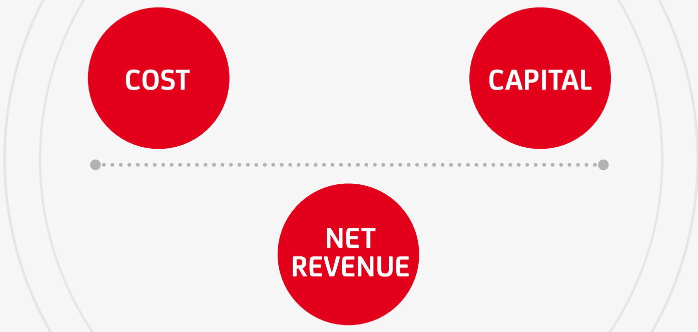
We continue preparing for an uncertain future with pre-emptive actions across all levers.

COST

- **Reduce central** costs and frontload non-necessary cost reduction
- **Maintain business investments** further boosting revenue growth.

RWA

- Continue focus on **capital efficiency** through securitisation, origination discipline and other managerial actions.



Net Interest Income

- Continue focusing on **high quality business** with vigilant approach on new business
- Benefit from a **robust portfolio** geared to **rising rates**.

Fees

- Continue focus on **transactional fees**
- **Boost payment** and **individual solution fees** via ad-hoc initiatives
- **Boost advisory fees** increasing penetration in the SMEs space.

Loan Loss Provisions

- Prudent **overlays** to be **deployed** or **released** in the coming two years
- **Reduce exposure to Russia**; focus on orderly de-risk shall continue.

Unlocking...

A better bank

A better world. A better future

In 2021, we began **UniCredit's transformation**, unlocking the potential of the bank and of all its stakeholders. In 2022, the transformation accelerated as we harnessed that potential to continue building **a better bank**. A bank where every action and every ambition has been **your story and our story**. Today UniCredit is **a better bank** thanks to our clients, our people and our communities as together and united we strive **for a better world and for a better future**.

Austria's first inaugural Green Covered Bond to support green projects

Values: Ownership

At **UniCredit Bank Austria**, sustainability is part of our daily commitment, and we continue to further implement **environmental, social and governance (ESG)** aspects across our business in line with the Group ESG Strategy.

In May, UniCredit Bank Austria successfully placed its **first Green Covered Bond** on the capital market, reaching another milestone in its sustainability journey. UniCredit Bank Austria's Green Covered Bond had a total volume of **€500 million** and a maturity of 6 years, issued under UniCredit Group's S**ustainability Bond Framework**. Proceeds from this and future bonds will be used to support local eligible green projects.

The demand for UniCredit Bank Austria's Green Bond was high and the book-building process reached a total amount of **€1.3 billion** with the order book oversubscribed multiple times. The Green Bond has a triple A rating from Moody's and was issued to institutional investors. The investor base was composed of **54 investors**, with **39% in Germany**, **20% in Austria**, **12% in Benelux** and the remainder well diversified across other countries and regions.

The bond proceeds will be used for the financing or refinancing of green buildings registered in UniCredit Bank Austria's mortgage cover pool and which comply with the eligibility criteria specified in the Group Sustainability Bond Framework. UniCredit Bank Austria was mandated as **Sole Green Structurer** and ING, LBBW, Natixis, Raiffeisen Bank International and UniCredit were Joint Lead Managers.

The commitment to the energy transition and sustainable business practices is bringing about a fundamental change in society and influencing every single area of our lives.
As a bank, we have a central role to play in the transition to a low-carbon economy.
Channelling the flow of funds into promising, climate-friendly industries, activities and initiatives is and will be the central joint challenge of the future.

Robert Zadrazil
CEO of UniCredit Bank Austria

UniCredit Bank Austria's Green Bond was a great success on the international capital market and it has been oversubscribed. We are very pleased about the high demand; this issue shows how much international investors are convinced by the sustainable journey the UniCredit Bank Austria is on and how high the continuing interest in sustainable financial products is.

Philipp Gamauf
CFO of UniCredit Bank Austria

Watch the video

Country: Austria

Values: Caring, Integrity

Climate Week

Only together, we can save the planet. At **Climate Week 2022** in **Austria**, we took another tangible and important step in this direction, together with **Glacier**, raising awareness for climate protection.

In cooperation with Glacier, an international team of climate enthusiasts, product experts, and community builders, UniCredit Bank Austria's employees spent **five days** engaging in deep discussions to raise our awareness on climate protection. Glacier's goal is to inspire companies and their employees to set up climate protection initiatives and implement ESG in their businesses. During the Climate Week, both our employees and representatives from Glacier engaged in fruitful discussions about current climate conditions, what each of us can do to contribute to a more sustainable tomorrow, and much more.

To keep our people engaged throughout the week, in addition to the daily videos shared across UniCredit Bank Austria, targeted quizzes were promoted (with answers shown the next day) and key learning resources and easy to digest content pills were shared, allowing our people to learn more about climate issues and sustainability.

Climate action requires a transformation that can only be achieved together. In line with its commitment to sustainability, UniCredit Bank Austria is a proud founding partner of Glacier, and hosts and supports the Climate Week with more than **500 other participating companies** all over Austria.

Country: Austria

Values: Ownership

MoneyMatters: youth financial education programme

At UniCredit, we understand the importance of **providing our youth with opportunities** to enhance their skills at a young age and prepare them for their future. The innovative financial education programme "**MoneyMatters**" was adopted, which offers students from the eighth grade onwards the opportunity to strengthen their financial knowledge in a playful and multimedia form. This blended learning programme is designed for students and trainees ages 14 and over. It was developed by **UniCredit Bank Austria** together with teachers and the **Institute of Business Education at the Vienna University of Economics and Business Administration** and launched in a pilot project at schools in the federal state of Burgenland.

The programme taught children and young adults how to handle money responsibly. Students and trainees can continue to work independently and regardless of their location via smartphone, tablet or PC. The **12 digital lessons** include basic knowledge trainings about money and the economy, cryptocurrency and cybersecurity. They receive a Basic Certificate after completing the first five basic modules and a **Premium Certificate** after completing ten modules. Through videos, quizzes and animated diagrams, MoneyMatters combines the best of digital as well as playful approaches alongside knowledge transfer.

Management Report

I. Bank Austria Consolidated Financial Statements

Management Report

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Management Report

Bank Austria at a glance

Income statement figures and performance ratios

(€ million)

	2022	2021 RECAST [1]	+/-
Net interest	1,120	839	33.6%
Dividends and other income from equity investments	130	179	-27.1%
Net fees and commissions	685	697	-1.7%
Net trading, hedging and fair value income/loss	41	104	-60.2%
Operating income	1,993	1,852	7.6%
Operating costs	(1,062)	(1,139)	-6.8%
Operating profit	930	713	30.5%
Net write-downs of loans and provisions for guarantees and commitments	(24)	(166)	-85.7%
Net operating profit	907	547	65.6%
Profit (loss) before tax	684	93	>100%
Net Profit attrib. to the owners of the parent company	823	115	>100%
Cost/income ratio	53.3%	61.5%	-8.2 PP
Cost of risk	4 bp	27 bp	-23 bp

Statement of financial position and RWA

(€ million)

	31.12.2022	31.12.2021	+/-
Total assets	107,332	118,404	-9.0%
Loans and receivables with customers	66,219	66,968	-1.1%
Deposits from customers	62,703	64,322	-2.5%
Direct funding	72,211	74,147	-2.6%
Equity	9,434	8,939	5.5%
Risk-weighted assets (overall)	35,607	36,220	-1.7%

Capital ratios

	31.12.2022	31.12.2021	+/-
Common Equity Tier 1 capital ratio	17.4%	16.8%	+0.5 PP
Tier 1 capital ratio	19.1%	18.5%	+0.6 PP
Total capital ratio	21.1%	20.5%	+0.6 PP
Leverage ratio	6.0%	6.5%	-0.5 PP

Staff

(Full-time equivalent)	31.12.2022	31.12.2021	+/-
Austria in Total	4,872	4,994	(121)

Offices

	31.12.2022	31.12.2021	+/-
BA AG - Privatkundenbank branches	106	117	(11)

[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 2021 recast to reflect the current structure and methodology. Interest costs relating to Defined Benefit Obligations (DBO) and jubilee benefits were shifted from payroll costs to the position net interest.

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 economy in 2022 marked by economic slowdown and high inflation

Following the recovery of the global economy from the pandemic in 2021, economic momentum slowed in the course of 2022. From the outset, the development of the global economy was impacted by pandemic-related disruptions to supply chains, exacerbated by renewed quarantine measures in parts of China in the wake of the zero COVID policy and, from March, by the start of the war in Ukraine. The upward pressure on commodity prices increased inflation, which weighed on consumer demand via a dampening of real incomes and reduced willingness to invest. In response, central banks in many countries initiated a tightening process of monetary policy.

While the beginning of 2022 was still characterized by quite different regional economic trends, the country-specific fluctuations smoothed out under a weakening economic trend due to the large number of adverse factors. Global economic growth halved from 6% in 2021 to around 3% in 2022. In the USA, economic growth in 2022 of 2.1% fell behind the increase in GDP in the euro zone of just over 3%, with both economic areas close to a possible recession at the end of the year. Key to the slowdown in the global economy was the rise in inflation, initially triggered by the economic recovery from the pandemic and supply chain issues. However, with the outbreak of the war in Ukraine, the upward trend in raw material prices accelerated significantly. At $99 per barrel, the average price of crude oil in 2022 was a good 40% higher than the year before. Concerns about supply bottlenecks and attempts to reduce dependence on Russia for supplies boosted prices for natural gas, particularly in Europe, to many times the level of 2021. Due to the subsequent sharp rise in electricity prices, inflation in the euro zone even climbed to double digits, as inflationary pressure widened in the second half of the year due to ever stronger cost pass-throughs, for example in the food sector, so that core inflation also rose significantly. Whereas in the USA inflation averaged 8% in 2022, driven more strongly by demand-related influences as a result of loose fiscal policy, and began to ease from the fall onward, in the euro area it was mainly the strong supply shocks that drove up inflation, which did not reach its likely peak until the turn of the year. On average for the year, inflation in the euro zone was higher than in the USA at 8.4%. The Fed responded more quickly and more strongly to the inflation trend than the ECB by tightening monetary policy. Within 2022, the Fed Funds Target Rate was increased from 0 to 0.25% to as high as 4.25 to 4.50%. In contrast, the ECB only took interest rate steps in the second half of the year, raising the refinancing rate from 0.00 to 2.50% and the deposit rate to 2.00%. The interest rate differential between the USA and the euro zone played a major role in strengthening the US dollar against the euro to noticeably below parity by mid-October. By the end of the year the US dollar had weakened again to 1.07 for 1 euro. On average over the year, the US dollar rose by over 10% from 1.18 to 1.05 for one euro.

The tightening of monetary policy led to a noticeable increase in long-term interest rates in 2022. At the end of the year, 10-year US Treasuries stood at 3.8%, compared with 1.5% at the beginning of the year. In Europe, too, long-term yields moved up and out of negative territory. The yield on the ten-year Austrian federal bond was over 3% at the end of 2022. The rise in inflation and interest rates and heightened economic concerns weighed on developments on stock markets worldwide. Amid high volatility, the Dow Jones index fell by up to 20% at times to end the year down 9%. The performance of most European stock exchanges was even less favorable, with the Vienna Stock Exchange index ATX losing 19% from the beginning of the year to the end of 2022.

Economic situation and market development in Austria

After a strong first half of 2022, the global economic slowdown and the consequences of the high energy price increases on purchasing power and willingness to invest brought the economic recovery in Austria to a standstill. At the turn of 2022/23, the Austrian economy was even on the verge of recession. Starting with industry, momentum also cooled in construction and the service sector. After 4.6% in 2021, however, economic growth in 2022 actually rose to an estimated 4.8% on average due to the good start to the year supported by catch-up effects from the pandemic. At an average of 8.6%, inflation was roughly on a par with that in the euro zone at highs of over 11%, but showed somewhat stronger momentum toward the end of the year due to stronger second-round effects. In view of the high economic growth, the improvement on the labor market continued. The unemployment rate fell from 8.0% in 2021 to just 6.3% on average in 2022. Due to a series of support measures to compensate for inflation, the reduction in new borrowing slowed. The general government budget deficit fell to an expected 3.3%, down from 5.9% in 2021. Nevertheless, total public debt decreased to below 80% of GDP.

Management Report

Following high momentum in the first few months, credit growth in Austria, especially for housing loans, began to slow down in the further course of the year. On average for the year, however, there was still a high growth rate of almost 7%, driven above all by a very dynamic development in corporate loans with an increase of 10%. Growth in loans to households amounted to 5.5%, supported by the dynamism of housing loans and also by the positive development of consumer loans for the first time in years. Despite rising interest rates, the growth of deposits from households and companies has slowed down not only during the year, but also in comparison with 2021, on average, in 2022.

Management Report

Business developments 2022

Reclassified income statement of Bank Austria Group according to structure of segment reporting[1)]

(€ million)

	RECAST [2)]		CHANGE		RECONCILIATION		BANK AUSTRIA GROUP	
	2022	2021	+/- €	+/- %	2022	2021	2022	2021 [3)]
Net interest	1,120	839	281	33.6%	-	25	1,120	864
Dividends and other income from equity investments	130	179	(48)	-27.1%	-	0	130	179
Net fees and commissions	685	697	(12)	-1.7%	-	(0)	685	697
Net trading, hedging and fair value income/loss	41	104	(62)	-60.2%	-	(0)	41	104
Net other expenses/income	16	34	(19)	-53.7%	-	0	16	35
Operating income	**1,993**	**1,852**	**140**	**7.6%**	**-**	**26**	**1,993**	**1,878**
Payroll costs	(557)	(576)	19	-3.2%	-	(25)	(557)	(601)
Other administrative expenses	(453)	(505)	52	-10.3%	-	(0)	(453)	(505)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(52)	(61)	8	-13.7%	-	(0)	(52)	(61)
Operating costs	**(1,062)**	**(1,139)**	**77**	**-6.8%**	**-**	**(25)**	**(1,062)**	**(1,165)**
Operating profit	930	713	217	30.5%	-	0	930	713
Net write-downs of loans and provisions for guarantees and commitments	(24)	(166)	142	-85.7%	-	(0)	(24)	(166)
Net operating profit	**907**	**547**	**359**	**65.6%**	**-**	**0**	**907**	**548**
Provisions for risks and charges	(20)	4	(24)	n.m.	-	0	(20)	4
Systemic charges	(107)	(112)	6	-4.9%	-	0	(107)	(112)
Integration/restructuring costs	22	(355)	377	n.m.	-	-	22	(355)
Net income from investments	(118)	9	(127)	n.m.	-	0	(118)	9
Profit (loss) before tax	**684**	**93**	**591**	**>100%**	**-**	**0**	**684**	**93**
Income tax for the period	139	11	128	>100%	-	(0)	139	11
Total profit or loss after tax from discontinued operations	-	-	-	-	-	-	-	-
Non-controlling interests	(0)	10	(10)	n.m.	-	0	(0)	10
Net profit or loss [4)]	**823**	**115**	**708**	**>100%**	**-**	**0**	**823**	**115**

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) 2021 figures recast to reflect the consolidation perimeter and business structure in 2022. Interest costs relating to Defined Benefit Obligations (DBO) and jubilee benefits were shifted from payroll costs to the position net interest.
3) Figures as published as at 31.12.2021
4) Attributable to the owners of the parent company
n.m. = not meaningful

Management Report

Details of the 2022 reclassified income statement of Bank Austria Group

The following explanation of Bank Austria's results is based on the income statement in the segment reporting structure. The comparative figures for the year 2021 are adjusted to the current structure and methodology (recast).

*In our **segment reporting,** we have reported three business areas since January 1, 2022: **Retail**, **Wealth Management & Private Banking** (WM & PB) and **Corporates.***

***Retail** covers the servicing of individuals (including premium banking customers), the liberal professions, and business customers (with annual revenues of up to €3 million). The **Corporates** division serves corporate customers of all sizes, including multinationals and large international customers requiring capital market-related services and investment banking solutions. It also includes the activities of FactorBank and Leasing and serves financial institutions such as banks, asset managers, institutional customers and insurance companies. The parts of the bank that are not allocated to any business area are shown in the **Corporate Center** segment.*

*The year 2022 was characterized by **political and economic uncertainties** far beyond those seen in the recent past. The war of aggression against **Ukraine** and the resulting sanctions against Russia led to drastically rising energy prices and thus to a substantial increase in the inflation rate, which clouded the economic outlook. Bank Austria itself is not directly affected by the events in Ukraine to any significant extent, as it does not have any significant exposure to Russia, Ukraine or Belarus due to its business focus on the Austrian home market.*

Operating income reached €1,993 million in 2022, an increase of 8% compared with the prior-year figure of €1,852 million. Net interest increased significantly, and net fees and commissions remained virtually stable. Net trading was down, also due to positive non-recurring effects in the prior year.

Net interest, the largest item among Bank Austria's operating income, rose by 34% to € 1,120 million, clearly up on the previous year's figure of € 839 million. This resulted from an improvement in margins, particularly in the deposit area, supported by the significant increase in market interest rates in the second half of the year due to the interest rate increases by the ECB, as well as positive effects from funds raised under the TLTRO program, including a positive one-off effect of €79 million from the retroactive change in conditions, due to the ECB decision of October 27, 2022.

Dividends and other income from equity investments amounted to €130 million, significantly lower than the prior-year figure of €179 million. This item mainly includes pro-rata income from major equity investments such as the 3-Banken Group and Oesterreichische Kontrollbank.

At €685 million, **net fees and commissions** were only slightly below the previous year's figure of €697 million. In particular, payment-related transaction business (especially card business) and commissions from lending business increased, while commission income from securities business came under pressure due to the volatile market environment.

Net trading, hedging and fair value income amounted to €41 million, significantly lower than the prior-year figure of €104 million. This was due to declining valuation effects and a negative contribution from bond sales in the reporting period as well as positive one-time effects in the previous year such as income from bond sales and special effects in connection with the repurchase of 2 hybrid bonds.

The **balance of other operating income and expenses** includes items not allocated to the above income items. In 2022, this resulted in income of €16 million (compared with €34 million in the prior year).

Bank Austria continues to focus on a very restrictive cost management. **Operating expenses** were reduced by 7% to €1,062 million in 2022 (previous year: €1,139 million). This relates to lower expenses in all major cost items.

Payroll costs amounted to €557 million, down €19 million or 3% from the prior-year figure. A positive one-time effect relating to social capital was reported in 2021, so adjusted for this effect, the decrease would have been even more significant. Compared with December 31, 2021, there was a significant reduction in staff capacity (FTE) of -121 as of the reporting date, despite the inclusion of around 600 additional FTE from UniCredit Services GmbH, whose activities were integrated into Bank Austria in the reporting year.

Management Report

Other administrative expenses decreased substantially by 10% to €453 million, also reflecting the clear focus on cost management.

The decrease in **depreciation and amortization** from €61 million to €52 million relates to a one-off in the previous year (reclassification of subsidiaries previously classified as "held for sale" (card complete/DC Bank) to "held for use").

Operating profit reached €930 million, up 30% year-on-year, driven by the above developments - rising revenues, falling expenses.

Net write-downs of loans and provisions for guarantees and commitments were affected by offsetting effects. Non-performing loans increased, amongst others, due to updated forward-looking information (FLI) and the creation of geopolitical overlays. In the case of non-performing loans, repayments were recorded, particularly in the Corporates division. In total, loan loss provisions of €-24 million were reported in 2022 (of which €-78 million relating to Stage 1 and 2 and €+54 million in Stage 3), compared with a credit risk expense of €-166 million in the previous year.

Cost of risk, expressed as the ratio of net write-downs of loans and provisions for guarantees and commitments to average loan volumes in basis points/bp, was 4 bp (27 bp in the previous year). The following cost of risk was reported for the Retail and Corporates divisions: Retail 16 bp (previous year: 31 bp), and Corporates -1 bp (previous year: 25 bp).

In 2022, an operating result (**net operating profit after net write-downs of loans and provisions for guarantees and commitments**) of €907 million was achieved, exceeding the prior-year figure of €547 million by 66%. The individual customer business areas contributed to the operating performance as follows: Retail €234 million (previous year €3 million), Wealth Management & Private Banking €82 million (previous year €43 million) and Corporates €684 million (previous year €419 million).

An amount of €-20 million (prior year €-4 million) was shown under **provisions for risks and charges** in the reporting period.

At €-107 million, **systemic charges** were slightly lower than in 2021 (€-112 million). Of the total amount, €-69 million related to allocations to the Deposit Guarantee Scheme, €-16 million to the Single Resolution Fund and €-22 million to the bank levy.

The **integration/restructuring expenses** item shows a figure of €+22 million, mainly due to a partial reversal of the previous year's restructuring provisions recognized in connection with the strategic plan 2022-2024 "***UniCredit Unlocked***" and an update of related discounting of HR liabilities.

Net income from investments included an expense of €-118 million (prior year: €+9 million). This mainly includes impairment losses on individual investments accounted for using the equity method (€ -108 million relating to the 3-Banken Group) as well as valuation and disposal results on real estate.

The above items resulted in a **profit before tax** of €684 million. The significant increase compared with the prior-year figure of €93 million is mainly the result of improved net interest, substantial cost savings, the very substantial reduction in the loan loss provisions, and the high allocation to restructuring provisions in the previous year.

Income tax for the period amounted to €+139 million (prior year: €+11 million), with the high positive amount mainly due to a non-recurring effect in connection with the recognition of deferred taxes on tax loss carried forward (TLCF).

For **non-controlling interests** (minority interests), a rounded figure of €0 million was recognized (prior-year amount: €+10 million).

Overall, Bank Austria thus achieved a profit (**Group net profit attributable to the owners of Bank Austria**) of € 823 million in 2022, a clear improvement on the figure of € 115 million in the same period of the previous year.

Management Report

Financial position and capital resources

The balance sheet as of December 31, 2022, reflects the Bank Austria Group's target structure of an **Austrian universal bank** with traditional corporate customer business. **Loans and receivables with customers** are by far the largest item on the assets side, accounting for more than 50% of total assets. Roughly two-thirds of the lending volume is accounted for by the Corporates division, underlining Bank Austria's leading position as an important lender to the Austrian economy. Moreover, the bank holds a significant position in lending to Austrian retail customers.
Deposits from customers represent more than half of total liabilities. They consist of nearly 60% of deposits in the Retail and Wealth Management & Private Banking business (WM & PB) segments and represent a solid funding base for Bank Austria.

Reclassified statement of financial position 1)

(€ million)

			CHANGE	
	31.12.2022	31.12.2021	+/- € MILLION	+/- %
Assets				
Cash and cash balances	938	456	482	>100%
Financial assets held for trading	2,426	976	1,449	>100%
Loans and receivables with banks	15,054	28,546	(13,492)	-47.3%
Loans and receivables with customers	66,219	66,968	(749)	-1.1%
Other financial assets	18,771	18,037	734	+4.1%
Hedging instruments	1,960	1,501	460	+30.6%
Other assets	1,965	1,920	44	+2.3%
TOTAL ASSETS	**107,332**	**118,404**	**(11,072)**	**-9.4%**
Liabilities and equity				
Deposits from banks	16,603	27,097	(10,493)	-38.7%
Deposits from customers	62,703	64,322	(1,620)	-2.5%
Debt securities in issue	9,509	9,763	(254)	-2.6%
Financial liabilities held for trading	2,410	1,029	1,381	>100%
Hedging instruments	1,958	1,516	442	+29.1%
Other liabilities	4,716	5,738	(1,023)	-17.8%
o/w pensions and other post-retirement benefit obligations	*2,956*	*3,757*	*(801)*	*-21.3%*
Equity	9,434	8,939	495	+5.5%
TOTAL LIABILITIES AND EQUITY	**107,332**	**118,404**	**(11,072)**	**-9.4%**

[1] see reconciliation of the reclassified balance sheet to the balance sheet items of the consolidated financial statements (on next page)

Management Report

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

Total assets

(€ million)

	31.12.2022	31.12.2021
Cash and cash balances	938	456
Financial assets held for trading	2,426	976
Loans and receivables with banks	15,054	28,546
a) Financial assets at amortised cost	15,054	28,546
Loans and receivables with customers	66,219	66,968
a) Financial assets at amortised cost	65,655	66,238
b) Financial assets mandatorily at fair value	564	730
Other financial assets	18,771	18,037
a) Financial assets at amortised cost (banks)	1,810	893
b) Financial assets at amortised cost (customers)	2,130	2,045
c) Financial assets designated at fair value	119	160
d) Financial assets mandatorily at fair value	74	96
e) Financial assets at fair value through other comprehensive income	12,168	12,428
f) Investments in associates and joint ventures	2,470	2,415
Hedging instruments	1,960	1,501
a) Derivatives used for hedging	4,093	1,306
b) Fair value changes of the hedged items in portfolio hedge (+/-)	(2,133)	195
Other assets	1,965	1,920
a) Tangible assets	860	905
b) Intangible assets	5	6
of which: goodwill	-	-
c) Tax assets	764	710
d) Non-current assets and disposal groups classified as held for sale	3	4
e) Other assets	333	296
TOTAL ASSETS	**107,332**	**118,404**

Total liabilities and equity

(€ million)

	31.12.2022	31.12.2021
Deposits from banks	16,603	27,097
Deposits from customers	62,703	64,322
Debt securities issued	9,509	9,763
Financial liabilities held for trading	2,410	1,029
Hedging instruments	1,958	1,516
a) Derivatives used for hedging	3,930	1,400
b) Fair value changes of the hedged items in portfolio hedge (+/-)	(1,972)	116
Other liabilities	4,716	5,739
a) Financial liabilities designated at fair value	60	61
b) Tax liabilities	32	43
c) Liabilities included in disposal groups classified as held for sale	(0)	(0)
d) Other liabilities	1,270	1,264
e) Provisions for risks and charges	3,352	4,370
of which: pensions and other post-retirement benefit obligations	*2,956*	*3,757*
Shareholders' equity	9,434	8,939
a) Revaluation reserves	(2,105)	(1,902)
b) Other provisions	4,870	4,879
c) Share premium reserve	4,133	4,135
d) Share capital	1,681	1,681
e) Minority interests (+/-)	32	31
f) Net profit or loss	823	115
TOTAL LIABILITIES AND EQUITY	**107,332**	**118,404**

Management Report

Reconciliation principles followed for the reclassified consolidated balance sheet

The main reclassifications, whose amounts are provided analytically in the tables enclosed with this report, involve:

- the inclusion in “Loans and receivables with banks” of item “Financial assets at amortised cost”;
- the inclusion in “Loans and receivables with customers” of item “Financial assets at amortised cost”, net of debt securities and of IFRS16 leasing assets reclassified in “Other financial assets”, and of loans related to item “Financial assets mandatorily at fair value”;
- the aggregation as “Other financial assets” of items c) “Financial assets designated at fair value and d) Financial assets mandatorily at fair value”, net of loans reclassified in “Loans and receivables with banks” and “Loans and receivables with customers”, of e) “Financial assets at fair value through other comprehensive income”, of f) “Investments in associates and joint ventures”, besides reclassifications of debt securities from item “Financial assets at amortised cost: b) loans and receivables with customers” and of IFRS16 leasing assets from item “Financial assets at amortised cost: b) loans and receivables with customers”;
- grouping under “Hedging instruments” of items “Derivatives used for hedging” and “Fair value changes of hedged items in portfolio hedge (+/-)” both, in the assets and in the liabilities;
- the inclusion in “Other liabilities” of leasing liabilities pursuant to accounting standard IFRS16 relating to item “Financial liabilities at amortised cost: b) deposits from customers” and of item “Provisions for risks and charges”.

Management Report

Compared with December 31, 2021, **total assets** decreased by €11.1 billion (-9.4%) to €107.3 billion at December 31, 2022.

Loans and receivables with banks decreased by €13.5 billion to €15.1 billion. This is mainly due to the repayment of refinancing borrowed under the TLTRO program and the partial placement of this borrowing reported under this item.

Loans and receivables with customers decreased slightly by €0.7 billion to €66.2 billion, with Retail achieving volume increases, while the decline in Corporates compared with the highs at year-end 2021 was due to the increased liquidity requirements of companies at that time.
Gross non-performing loans were almost unchanged at €2.2 billion, up 7% from year-end 2021 (€2.0 billion). The gross NPL ratio (3.2%) and net NPL ratio (1.8%) were also just above the level at December 31, 2021.

Other financial assets increased slightly by €0.7 billion to €18.8 billion. This item includes, among other things, securities held by the Bank.

Deposits from banks showed a significant decrease of €10.5 billion compared with year-end 2021 to €16.6 billion. This is due to the partial repayment of €10 billion of the refinancing raised under the TLTRO program.

Deposits from customers decreased by €1.6 billion compared with the reporting date 2021 to €62.7 billion. The decrease mainly relates to deposits in the Corporates division, while retail deposits showed growth.

Debt securities in issue decreased slightly (€-0.3 billion) to €9.5 billion; maturities were offset, among other things, by the first-time issue of a green mortgage covered bond in benchmark format (€500 million) and another Pfandbrief in this volume.

The solid funding base from non-banks is documented by the consolidated item "**direct funding**" (deposits from customers + own issues + financial liabilities measured at fair value), which amounts to €72.2 billion as of December 31, 2022. This results in a coverage of loans to non-banks by deposits from non-banks and own issues of around 109%.

As of the end of 2022, **total financial assets** (**TFA**, the sum of all customer investments) amounted to €126.2 billion, comprising €26.3 billion in **assets under management** (**AuM**, fund and asset management products), €35.2 billion in **assets under custody** (**AuC**, direct investments in the capital market/custody business), and €64.7 billion in **deposits from customers** (incl building society savings and balances with severance funds). TFA refers to volumes in the Retail, Wealth Management & Private Banking, Corporates (excl. Leasing) and Corporate Center divisions, i.e., investments in Leasing are not included in this figure.

Provisions included in **Other liabilities** amounted to around €3.4 billion at December 31, 2022, down €1.0 billion from the end of 2021. The largest item thereof was provisions for risks and charges for post-retirement benefit obligations, which amounted to €3.0 billion (December 31, 2021: €3.8 billion). The sharp decrease was mainly triggered by the significant increase in interest rates in 2022. At December 31, 2022 the discount rate for social capital was 3.80%, an increase of 2.80 percentage points from the 2021 year-end rate of 1.0%.

At December 31, 2022, reported **equity is** €9.4 billion, an increase of €0.5 billion compared with year-end 2021, mainly due to the 2022 profit of €823 million, partly offset by valuation effects in connection with the sharp rise in interest rates in the reporting period.

Management Report

Capital resources and risk-weighted assets

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

From 28 June 2021, all of the regulatory provisions of Regulation (EU) 2019/876 (CRR II) are applied and were reflected in the calculation of the capital ratios as at 31 December 2022 in addition to the provisions that were already directly applicable when the Regulation came into force on 27 June 2019, as well as the provisions of Regulation (EU) 2020/873 amending Regulation (EU) 575/2013 and (EU) 2019/876 due to certain adjustments made as a result of the COVID-19 pandemic.

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

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

Bank Austria Group's **eligible own capital** amounted to €7.5 billion as of December 31, 2022 (an increase of €0.1 billion compared to December 31, 2021). Additional Tier 1 (AT1) capital remained unchanged at €0.6 billion compared with year-end 2021.

Common Equity Tier 1 capital (CET1) increased by €0.1 billion to €6.2 billion, mainly due to eligible net income in 2022, taking into account offsetting effects.

Compared with year-end 2021, **risk-weighted assets (RWA)** decreased from €36.2 billion to €35.6 billion.
The €1 billion decrease in credit risk was predominantly due to a reduction in utilization in the lending business, rating and structural improvements in the customer business, partly offset by an increase in bulk add on. The bulk add-on includes an add-on at year-end 2022 that will be accounted for until the revised local LGD models are in place, as well as an add-on related to a change in the EAD model.
Market risk increased by €0.4 billion.

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

Capital ratios (based on all risks)

	31.12.2022	31.12.2021
Common Equity Tier 1 (CET1) capital ratio	17.4%	16.8%
Tier 1 capital ratio	19.1%	18.5%
Total capital ratio	21.1%	20.5%

The **leverage ratio** pursuant to the Delegated Regulation (EU) 2015/62, based on the current status of transitional arrangements, was 6.0% as at 31 December 2022.

Management Report

Development of business segments

Retail

(€ million)

	2022	2021 RECAST [1]	CHANGE +/- € million	CHANGE +/- %
Operating income	805	679	126	18.5%
Operating costs	(538)	(618)	80	-12.9%
Operating profit	267	61	206	>100%
Net write-downs of loans	(32)	(58)	26	-44.5%
Net operating profit	234	3	232	>100%
Profit (loss) before tax	**202**	**(59)**	**261**	**n.a.**
Total Financial Assets [2]	42,323	43,231	(908)	-2.1%
Loans to customers	19,778	19,134	643	3.4%
Deposits from customers	28,254	27,805	449	1.6%
Ø Risk-weighted assets (RWA) [3]	7,638	7,083	555	7.8%
ROAC [4]	15.8%	-5.3%	+21.1 PP	n.m.

1) In segment reporting, the comparative figures for the previous year 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 13% (2022 and 2021) common equity tier 1 (CET1) target ratio; at the Annual Financial Statements 2021, a percentage of 11.75% was used for 2021; at Retail division slight deviation due to minority interest in card complete
n.m. = not meaningful
These comments also apply to the segment tables on the following pages.

Operating profit
Operating income of €805 million was €126 million (19%) above the previous year's level, driven by higher net interest due to Euribor increase starting with Q2 and improved margins on Deposit portfolio. Net fees and commissions decreased, driven by AuM business due to uncertain markets since Ukraine crises. Operating costs (€538 million) were significantly reduced by 13%, with savings being achieved in all major cost items. Overall, this more than quadrupled the operating profit (€267million).

Net write-downs of loans and provisions for guarantees and commitments
This result (€-32m) is mainly triggered by net write-downs in the Retail portfolio due to updated forward looking information for performing loans (€ -106m) which were partially mitigated by reassessment of the new LGD model (€ 64 million)

Profit (loss) before tax
Taking into account the developments outlined above and the non-operating expenses of €-29 million (primarily, systemic charges), profit before tax in the 2022 was €202 million (previous year's result: €-59 million)

Loans to customers/customer deposits
At €19.8 billion, the loan volume was €0,6 billion above the previous year's level, reflecting the successful sales activities in housing and consumer finance. Customer deposits increased by €0,4billion to €28.3 billion.

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

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

The focus in the second half of the year was therefore on further strengthening this service model and expanding the omnichannel banking approach with the interaction of the physical network and digital channels.

Management Report

As a result of changes in customer behavior and customer needs, we have systematically expanded our digital offerings and services. As a result, we have enabled our customers - also in the light of the COVID 19 pandemic - to transact all key products and services exclusively via digital channels without having to visit a branch. The option of signing contracts via the secure TAN procedure has been extended to all key transactions, thus also ensuring paperless end-to-end processing. Above all, a large number of new, fully digitized sales channels were integrated into our top-rated MobileBanking app, examples of which include the new consumer loan, various savings products, and the Just-in-Case Internet protection package. This means that the number of MobileBanking app users, which will increase significantly in the second half of 2022, will be able to carry out all key transactions themselves - from simple account transactions to securities transactions - around the clock, every day of the week, regardless of time and location. Bank Austria's customers are supported by experienced customer advisors, who are supported by a broad network of digital ambassadors, as well as by webinars on the MobileBanking App, in which customers can also participate live with questions. These webinars are also available for viewing on the Internet at any time.

In the second half of the year, we were again able to strengthen our position as market leader in the area of ESG (Environmental-Social-Governance) and successfully set ourselves apart from the market with the topic of sustainability. The latest Retail Banking Market Study shows that we are clearly in the lead in the sustainability dimension compared with the average for the banking market. This is due not least to our range of accounts. With the *GoGreen* account, we are uniquely positioned. The *GoGreen* account is now the most frequently chosen account model. Our *GoGreen* account already accounted for 68% of all new business in 2022, around 40% of which was via the automated E2E route. The Austrian eco-label, with which the *GoGreen* account has been awarded, has just been extended for another year following a positive review. This means that our customers are now able to actively contribute to sustainability over the entire lifecycle from the age of 10.

In both consumer credit and construction and housing finance, we are also a leader in the field of sustainable financing, so-called green finance. We are successfully positioning ourselves as a sustainable financing partner. A major highlight and milestone was the successful cooperation with Krone Sonne and Energie Burgenland, where we were able to position ourselves as a partner for financing the energy transition in Austria. From this first partnership, we have already successfully granted around 700 loans from a total of around 1,700 applications. With its broad range of sustainable products, Bank Austria's Retail Division thus offers its customers a unique opportunity to make a contribution to sustainability in the Austrian market.

Management Report

Wealth Management & Private Banking (WM & PB)

(€ million)

			CHANGE	
	2022	2021 RECAST	+/- € million	+/- %
Operating income	208	172	35	20.4%
Operating costs	(125)	(126)	1	-1.0%
Operating profit	83	46	36	78.8%
Net write-downs of loans	(0)	(4)	3	-88.6%
Net operating profit	82	43	40	93.6%
Profit (loss) before tax	**83**	**20**	**64**	**>100%**
Total Financial Assets	24,923	28,472	(3,550)	-12.5%
Loans to customers	929	843	86	10.2%
Deposits from customers	7,280	7,766	(486)	-6.3%
Ø Risk-weighted assets (RWA)	600	551	50	9.0%
ROAC	83.3%	15.8%	+67.5 PP	n.m.

Operating profit
Operating income in 2022 for the Wealth Management & Private Banking (WM & PB) division improved by 20% to €208 million, driven by increased interest rate environment.

Operating costs decreased by €1 million to €125 million. Savings on payroll costs and strict cost management remains in place. In total, an operating profit of €83 million was achieved, a clear increase compared with the previous year.

Net write-downs of loans and provisions for guarantees and commitments
Net write-downs of loans were impacted by model adjustments leading to increases in provisions for non-performing loans as well as by reversals for non-performing loans, and totaled -0,4 million (previous year: €-4 million).

Profit (loss) before tax
After taking into account the systemic charges, offset by the reversal of provisions for integration/restructuring, profit before tax in 2022 was €83 million, i.e. significantly above the previous year's figure of €20 million.

Loans to customers/customer deposits
At the end of the year, the loan volume was €0.9 billion (vs 2021: €0.8 billion), which was above the previous year's level; deposits from customers decreased from €7.8 billion to €7.3 billion.

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

The **Wealth Management** segment is concentrated in **Schoellerbank**, which is considered to be a specialist in investment and wealth planning. For three decades now, its core competence is asset management, where experts invest their customers' money in line with the motto "*Investieren statt Spekulieren*" ("Invest, don't speculate"). At Schoellerbank, however, wealth management means much more than just investing money. The experts see themselves as the "architects" of the customer relationship and focus on the needs of their customers - who currently entrust the bank with around 12 billion euros - in the management of their entire wealth, be it personal assets and liabilities or corporate, real estate or other family assets. As a modern wealth manager, Schoellerbank therefore pursues a holistic advisory approach with highly individualized solutions.
Schoellerbank Invest also provides customers with an in-house investment trust which offers tailored special funds for especially wealthy customers.

The traditional bank's many years of experience and expertise have not only yielded many satisfied and loyal customers but also many key awards in the finance sector: Schoellerbank is not only the **most-awarded private bank in Austria** for years with the frequent recognitions in independent international industry tests, but also repeatedly underlines its role as a leading wealth manager in the country. With eight 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 with a nationwide presence in Austria.

Management Report

The **Private Banking** segment focuses on wealthy private customers, foundations and clerical institutions managed by UniCredit Bank Austria AG – currently this consists of around 13,000 customers, with total assets of around €15 billion. We offer our customers consultation in 15 private banking locations across Austria, with a separate centre of excellence in Vienna that provides support in managing the financial affairs of foundations and the clergy.

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

Management Report

Corporates

(€ million)

	2022	2021 RECAST	CHANGE +/- € million	CHANGE +/- %
Operating income	1,038	898	139	15.5%
Operating costs	(358)	(375)	17	-4.6%
Operating profit	680	523	157	29.9%
Net write-downs of loans	4	(105)	109	n.a.
Net operating profit	684	419	265	63.4%
Profit (loss) before tax	**628**	**398**	**230**	**57.8%**
Loans to customers	44,709	46,005	(1,296)	-2.8%
Deposits from customers	26,267	28,648	(2,381)	-8.3%
Ø Risk-weighted assets (RWA)	20,386	20,049	337	1.7%
ROAC	18.0%	11.8%	+6.2 PP	n.m.

Operating profit
Operating income in 2022 improved by €139 million to €1,038 million compared with the previous year (€898 million). Here, interest income increased significantly by 28% year on year driven by an improved interest rate environment. Net commission income also increased by 5% compared with the same period of the previous year, thanks to services in the financing business and in payment transactions (cash management) and custody business. The trading result declined, on the other hand, mainly due to valuation and XVA effects.

Operating costs were reduced by €17 million to €358 million, due to savings on payroll costs as well as continuous strict cost management in non-HR costs. In total, an operating profit of €680 million (+30% compared to the previous year) was achieved.

Net write-downs of loans and provisions for guarantees and commitments
As a result of the reversal of loan loss provisions already made, net write-downs of loans were positive with +€4 million (previous year: €-105 million).

Profit (loss) before tax
After taking into account systemic charges, in particular, profit before tax in 2022 was €628 million, i.e. 58% above the previous year's figure of €398 million.

Loans to customers/customer deposits
At the end of the year, the loan volume stood at €44.7 billion (vs 2021: €46.0 billion), below the previous year’s figure. At €26.3 billion, deposits from customers were below 2021 level (€28.6 billion).

Since January 1, 2022, the new **Corporates** division has included the business activities of the former Unternehmer Bank and Corporate & Investment Banking (CIB). This solution represents an important step toward simplifying our organization and thus bringing us closer to our customers. The joint management of customer service units and product departments in one division makes it possible to create individual financial solutions for companies in the Austrian economy even more efficiently.

UniCredit Group is one of the **largest lenders in Europe** and is usually among the top three banks in its respective markets. **Bank Austria is the leading corporate bank in Austria** and ranks first in corporate finance in general, in ESG finance, in syndicated finance and in real estate business. **Awards** as "Best Investment Bank" in Austria, as "Best Bank for Treasury and Cash Management" as well as "Market Leader in Trade Finance" testify to strength and performance.

A **special focus** is placed on **products and services related to sustainability issues ("ESG").** Here, our consulting expertise (e.g. ESG industry barometer) for intensive exchange with our customers is in the foreground. In addition, Bank Austria offers a sustainability loan, a particularly attractive offer for companies that already have an ESG rating. Due to the special dynamics of the ESG framework, we also focus on an intensive permanent dialog with our customers - from one-on-one discussions to customer events and specialist congresses.

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In addition, we set a further milestone by **advising the Republic of Austria** on the development of a **green bond framework** and **issuing the first green bond with a volume of €4 billion**. We are thus making a significant contribution to the Austrian real economy and the transition to a more climate-friendly economy.

Most of our mostly **international large corporates** (including financial institutions and the public sector) have made very good strategic preparations for the new challenges arising from the significant geopolitical events of recent times, particularly for this segment. The serious impact of these events on energy supply security, energy prices and supply chains will continue in 2023. In close strategic dialog, we support our multinational clients in leading arranging positions in Austria, the Nordic and Iberian regions with innovative solutions in the areas of financing, capital markets, transactional banking and corporate treasury risk management. As a result, we were able to further expand our leading role as an advisory bank with a now increased sector focus.

The year 2022 was also characterized by a very dynamic interest rate environment in the **public sector**, with long-term refinancing rates in particular, which are important for public sector financing, rising significantly. Notwithstanding this, the number of tenders for municipal financing was maintained at a consistently high level. Intense competition among financial institutions for low-capital-intensive business continued throughout the year. Nevertheless, Bank Austria was able to strengthen its position in this business segment throughout Austria.

Commercial real estate customers faced increasing challenges during the course of this year. The extremely sharp rise in interest rates, the continuing high cost of materials and energy, and the associated economic uncertainty combined with weakening demand - triggered by this uncertainty - even in the residential sector, which had recently been resistant to the crisis, presented the companies with difficult tasks. With forward-looking, comprehensive solutions including offers for interest rate hedging, Bank Austria's Real Estate business segment stood and stands by its customers comprehensively even in these challenging times and was thus able to achieve an excellent business result in 2022 and clearly expand its business volume.

Contrary to economic expectations - triggered by the Russian war of aggression and its effects such as massively increased energy prices - the **Small & Medium Corporates customer segment** performed very well for Bank Austria throughout the year.
Our services were increasingly in demand from our customers in the areas of payment processing and pre-financing of supply orders in Austria and abroad. In addition, existing supply chain problems prompted many of our customers to increase inventories, creating financing needs. Overall, earnings were impacted by the historic turnaround in interest rates, which led to significant contributions from the deposit-taking business. In the final quarter, the already weakening economy, significantly higher interest rates and high energy prices led to a noticeable decline in investment activity by our customers. We expect these dampening factors for lending to remain in place in the coming months.
Nevertheless, an environment characterized by such uncertainties represents a significant opportunity for Bank Austria's business with small and medium-sized corporate customers: We are ideally equipped as a reliable partner thanks to our wide-ranging product portfolio and due to our expertise in risk hedging. Our high equity ratio contributes to business security now and in the future.

The **digitization** of services for corporate customers also continued steadily in 2022. An **online account opening tool** for corporate customers enables companies to put together their own individual account package and order it straight away. A one-time visit to a corporate customer center or branch is only required for the first legitimation and signature - additional authorized signatories can then already be added fully digitally by means of **video legitimation**. Another service has also been added to the online portal for corporate customers ("***Corporate Portal***"): with the ***UC Trader*** app, customers can trade currencies transparently and easily. Further tools for the digitalization of internal processes will have an ongoing impact on our customers through better and faster service.

With a nationwide presence throughout Austria and the recognized highest level of competence and reliability of its relationship managers, **Bank Austria remains THE strategic financial partner for Austria's corporates**. Continuously increasing customer satisfaction and strong profitability despite the crisis speak for themselves.

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Non-financial performance indicators

*As a member of UniCredit Group, Bank Austria does not prepare its own non-financial declaration in accordance with Section 267a of the Austrian Commercial Code (UGB), since it is included in UniCredit 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. In this context, Bank Austria applies the principle of meeting the needs of the various customer groups with products that are as simple as possible. Furthermore, new regulatory requirements necessitate new developments and adjustments on an ongoing basis.

In the area of information and communication technology (ICT), investment at UniCredit level focuses on further developing digitisation and optimising processes, while maintaining stringent cost management and aligning itself with the Group's ICT strategy as well as the ICT security strategy. The clear objective here is to improve customer satisfaction and extend it to digital channels, as well as to automate internal processes. Since 2019, the main focus (in addition to the necessary regulatory and system maintenance measures) has been placed on digitization and further development of online channels (mobile banking, online sales, self-service devices), which has shortened processing times on the banking and customer side, as well as additionally strengthening environmental protection (e.g. paperless processes). Expenses and investments for information and communication technology (investment budgets) are capitalized at the group-wide internal IT service provider and charged to Bank Austria. This serves to benefit from group-wide developments and common IT platforms and to generate significant synergies in the IT area.

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

Sustainability at UniCredit

"Sustainability is an essential part of the DNA of UniCredit Group". All corporate activities of the Group - and thus also of Bank Austria - are co-determined by the following fundamental ideas: Taking responsibility towards society and the environment, as well as the careful and conscious use of resources, in order to make a significant contribution to the transformation of the economy into a key driver of a sustainable and climate-friendly society. UniCredit therefore pursues a strategy that covers the areas E (Environment), S (Social) and G (Governance).

Specifically, UniCredit Group's ESG strategy is based on four fundamental principles:

- **lead by example** and strive for the same high standards that the Group expects from its business partners, i.e. we aim to maintain our leadership position in the ESG landscape, based on the principle that we should be at the forefront of the sustainable transformation of business as an organization.
- **set ambitious ESG targets for change to** support the needs of their customers. Our success as a leader in sustainability is the result of our strong commitment and requires us to set ambitious targets against which we must continuously review our performance.
- **Equipping the Group with tools to help clients and communities** manage environmental and social change
- **Provide and invest the resources necessary** to meet medium- and long-term commitments (net zero, equal pay for equal work, financial health, and inclusion) to enable a more equal and sustainable society.

The ESG strategy is rooted in Uni Credit Group's principles and beliefs, encompassing environmental, social and governance issues in all dimensions, based on clear business objectives and strategic
strategic key activities in the four core areas:

- Partnering with our customers for a just and fair transition
- Support for communities and society
- Steering our activities with clear commitments
- Enriching our approach to risk and financing

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ESG-Strategy of UniCredit:

Source: UniCredit S.p.A.

As climate change is the key environmental challenge of our time, UniCredit has developed a climate strategy that focuses on reducing both its own and its financed emissions. The objective is clear: **net zero for our own emissions by 2030 and net zero for our portfolio by 2050 at the latest**. This objective is expressed through membership in the *Net Zero Banking Alliance*. The *Net Zero Banking Alliance* is a voluntary, global alliance of banks under the auspices of the *United Nations Environment Programme Finance Initiative (UNEP FI)* with the goal of achieving net zero emissions on total financing and investment volume by 2050 or earlier. The targets are accompanied by annual target achievement reporting. In 2022, UniCredit has therefore analyzed its portfolio in detail and performed baseline calculations based on various recognized scenarios.

As a next important step, in spring 2023 UniCredit will announce the reduction targets for the first three particularly emissions-intensive sectors, with targets for further sectors to follow within a further 18 months.

Sustainability Governance

In order to achieve the goal of further embedding ESG criteria in the Group strategy, UniCredit's sustainability governance has undergone a profound development in recent years. The changes affect both the Board of Directors and the Group management level. The UniCredit Board of Directors sets the bank's overall strategy, which includes the Group's ESG strategy, and monitors its implementation. The Internal Controls and Risks Committee (ICRC) supports the Management Board in risk management and controlling issues. The ESG Committee supports the Board of Directors in fulfilling its responsibilities with regard to the integral ESG components of the Group's business strategy and sustainability.

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Sustainability at Bank Austria

At Bank Austria, too, the issue of sustainability is anchored as part of the business strategy - as part of the ESG strategy of the UniCredit Group outlined above - and thus also in the core business. ESG already significantly determines Bank Austria's daily business operations. Be it through the development of environmentally and/or socially responsible products in the retail and corporate customer segments or through internal industry and sector-specific guidelines that support the transformation to a carbon-free economy. See also UniCredit's Integrated Report, which outlines UniCredit's sustainability goals (for example, withdrawing from financing environmentally harmful industries such as coal mining and increasing loans that serve energy efficiency). These goals are also relevant for Bank Austria as a major part of the Group.

However, as Bank Austria we also consciously set priorities ourselves - among other things by seeking exchange with external experts. This is also the background to our three-year partnership with the WWF, which is all about raising awareness - both internally and externally. We are convinced that only together can we move toward a sustainable future: With our customers, but also with our committed employees. Mandatory sustainability and sustainable finance training for all colleagues, the training of sustainability ambassadors and the targeted approach to children and young people are some important cornerstones here. Particularly worthy of mention in this context are the so-called "Deep Dive" meetings at board level, which have been taking place since 2022 and in which current topics such as "energy," "mobility of the future," or "biodiversity" are discussed together with WWF experts. On the other hand, the focus continues to be on sustainability in the lending business: WWF Austria supports Bank Austria in defining sustainability targets for the loan portfolio, which are then anchored by Bank Austria in the lending process. For example, criteria for "green" mortgage loans have already been developed together with WWF experts and are to be anchored in the lending process.

In the medium and long term, the transformation of the economy together with our customers - as described above - can only succeed by aligning our financing and investment portfolio with the Paris 1.5° Celsius targets. In addition to UniCredit Group joining the Net Zero Banking Alliance, Bank Austria 2022 has therefore also reaffirmed its ambitions at the national level by joining the Green Finance Alliance, which pursues comparable objectives. The Green Finance Alliance is the initiative of the Austrian Ministry of Climate Protection, whose aim is to steer the activities of the core business of the financial sector in a sustainable direction.

Social commitment continues to be an essential part of our sustainability strategy. In line with our corporate values of "Integrity," "Ownership" and "Caring," we will continue to make an active contribution to improving social conditions and, through our environmental management, help ensure that future generations have an environment worth living in. To this end, we will continue to enter into cooperative ventures and seek exchanges with other companies and experts.

That's why we launched what we call "***Social Impact Banking***" (SIB) in 2019. With its 3 pillars "*Impact Financing*", "*Microfinance*" and "*Financial Education*" it supports our goal to contribute to the positive development of society:

With **Impact Financing**, we promote and finance companies and nonprofit organizations that achieve social improvements for society. In addition to grants and low-interest loans, these companies and organizations can benefit additionally - among other things through financial training.

In total, projects have been funded to date that have benefited people in the following areas:
- Products for mobility facilitation and for facilitating social reintegration for people with disabilities
- A residential home for people with impairments
- A residential home for people with neurological care needs
- Reintegration of people with disabilities into the labor market
- Expansion of a bilingual kindergarten group
- Completion of a church of a religious group
- Digitization of schools
- A residential facility to allow relatives of seriously ill children to be close to their children

We promote the establishment and development of small businesses through microfinance. In doing so, we not only provide access to finance, but also make our financial expertise available through a network of mentors.

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We are particularly proud of our ***MikroKredit* initiative**: In the course of the last two years (2021 and 2022), more than 150 smaller companies from various industries were supported in their investments with a total amount of more than € 4 million. Microloans are supported by a guarantee from Austria Wirtschaftsservice Gesellschaft mbH or a liability from Wiener Kreditbürgschafts- und Beteiligungs AG.

Our comprehensive financial education program is aimed primarily at teenagers and young adults. With the blended learning program "*MoneyMatters,*" we aim to teach students aged 14 and older how to handle money and financial instruments sensibly. Following a successful pilot operation in cooperation with the Burgenland Education Directorate, we rolled out the program, which consists of workshops and an innovative online learning platform, in the Vienna Education Directorate from fall 2021. In 2022, the program became part of the national financial education strategy and more than 4,300 young people across Austria have already benefited from *MoneyMatters.*

Every year, numerous teams of school students can put their entrepreneurial knowledge to the test in the *Bank Austria Business Plan Competition - next generation*; in the 2021/22 school year alone, there were around 2,500 teams. In addition, in cooperation with our partners in the social sector, we bring low-threshold financial education to vulnerable groups, especially young people and people at risk of exclusion. Our web app "*Geldwissen2go*" offers low-threshold, interesting information about money, background knowledge and a money diary.

Community

Bank Austria's initiatives, projects and cooperation in the social sphere also reflect the challenges facing society as a whole. It is therefore not surprising that the topics of "War in Ukraine," "Energy Crisis and Inflation" and, as before, "COVID-19" played a major role in determining the focus of activities in 2022.
The example of Ukraine Aid showed once again that a focus on the common good is extremely important not only in cooperation with our customers, but also in the interaction between Bank Austria and its employees. For example, in a total of three appeals for donations, the generous donations of employees were partially doubled by the company, and a charity soccer tournament for the benefit of *Caritas-Ukrainehilfe* was organized and held at the Am Kaiserwasser training center with the active help of employees. Proceeds from this event alone: more than € 20,000. Also at Am Kaiserwasser, 50 Ukrainian children had the very important opportunity to spend carefree days among other children and young people at the so-called KidsCamps in the summer. In addition, temporary housing was provided for displaced persons and not to forget the rapid help at the beginning of the war with the provision of meals for the arrivals at Vienna Central Station, also in cooperation with Caritas.

It is almost a matter of course that Bank Austria has also been actively involved in the second major challenge, namely high inflation and the resulting economic hardship of an increasingly large section of the population. The initiative "*Ein Funken Wärme*" (A Spark of Warmth) by Caritas and "Kronen Zeitung", which has been extremely successful for many years, was supported not only with a donation totaling € 100,000, but also with numerous communication measures (such as special notices in Bank Austria's mobile and online banking).

Apart from this, however, Bank Austria also continued previous initiatives in 2022: With the *Bank Austria Sozialpreis* (Social Award), outstanding social activities throughout Austria were again supported this year with a total of € 90,000. And *Volkshilfe*, with its major campaign against child poverty, and the "*Mut.Schaffen*" (Create.*Courage)* initiative also continued to receive support from Bank Austria.

Long-term, established partnerships with renowned charitable organizations continue to play an important role in our social commitment. This strategy of continuity is underscored, for example, by the cooperation with SOS Kinderdorf. The bank sponsors homes in children's villages throughout Austria. Caritas has also been a close cooperation partner throughout Austria for over 25 years. In addition to tried-and-tested projects such as the "*Käfig League*" sports integration project, the Bank Austria Volunteer Day or cooperation in the context of disaster relief, we have already helped almost 1,000 Austrian families in need through no fault of their own with the Caritas Family Fund of Bank Austria, which was founded in 1994. In the future, the focus of these long-standing cooperations will be even more on the topic of education/training for children and young people. Detailed planning for this is already underway.

With the "*Gift Matching Program*" of the UniCredit Foundation, which is probably unique in Austria, Bank Austria has launched an annual initiative since 2007 that additionally promotes the social commitment of its employees. The idea is simple: private donations are increased from funds of the UniCredit Foundation, the corporate foundation of the UniCredit Group. This not only supports charitable organizations, but also strengthens mutual exchange about social commitment and social awareness among employees.

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The promotion of art and culture continues to be a central element of our social commitment. Bank Austria has been one of the most important private supporters in Austria for many years. On the one hand, our main focus is on long-standing cooperations with renowned partners such as the *Bank Austria Kunstforum*, the *Albertina* and the *Wiener Musikverein*. On the other hand, we have been promoting young talent for just as long, and we regard their support as a sustainable investment in the future. In 2021, we launched a new, exciting program here with the Bank Austria Studios. The studios will be available rent-free for two years to selected young graduates of Austrian art colleges, giving them the opportunity to gain a foothold in the art market. Workshops on topics that are important for an independent artist's life are also intended to help with this. Thus, the cultural commitment not only fits perfectly into the bank's extensive sustainability program, but also adds a multi-layered perspective to it.

In order to reach as many projects as possible and at the same time keep its finger on the pulse of the times with its support, Bank Austria has been pursuing an innovative approach for eight years now, which remains unique in Austria in the field of cultural sponsorship: every year, we provide € 100,000 for crowdfunding campaigns in cooperation with the "*wemakeit"* platform. Since the projects each receive a third of their campaign sum as sponsorship from the bank, a total project volume three times the amount of the money invested is supported. In the past two years, the bank has helped to realize a total of more than 270 exciting projects and initiatives in this way. Together with more than 21,000 supporters, we have helped the Austrian arts and cultural scene to receive around € 2.7 million.
In the area of sports, we focus on people with disabilities in addition to classic sponsoring activities. We are proud to have been a partner of the Austrian Paralympic Committee since its inception and to support the dedicated athletes every year just as actively as we do the athletes of Austrian Wheelchair Tennis. This commitment is now deepened 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. For this reason, the topic of "Disability" has also had a special status in the company for many years. For more than 10 years, the two-member UniCredit Bank Austria Disability Management team has been working in close cooperation with the People & Culture department, the works council and the disabled persons' representatives as well as an internal network of 60 people to integrate people with disabilities as well as possible into everyday working life as employees and to provide them with the best possible support as customers.

Measures already implemented for customers include a separate bank card for people with visual impairments, Bank Austria websites for the hearing impaired and texts in plain language, and the shuttle service for customers with limited mobility introduced in 2010. With the internationally awarded *SmartBanking* in sign language, deaf people have also been enjoying Bank Austria's proven advice via video telephony since fall 2015. Since December 3, 2020, UniCredit Bank Austria has been offering customers the earmarked inclusion loan for the purchase of assistive devices at a particularly favorable variable customer interest rate of 1.5% (linked to the 3-month EURIBOR) and zero percent processing fees upon presentation of an Austrian disability ID card with a disability of 50% or more or an ID card of the *Hilfsgemeinschaft der Blinden und Sehschwachen* (Association for the Blind and Visually Impaired).

By fostering a diverse workforce and creating an inclusive culture, UniCredit Bank Austria enables an environment where everyone can develop and contribute to success with their unique strengths. The approximately 230 employees with disabilities also find a supportive environment that offers the best conditions tailored to their individual needs so that they can put their talents, skills and experience to work and add value to the company. For many years, UniCredit Bank Austria has thus been among the only 22 percent of domestic companies (according to the 2021 Annual Report of the Ministry of 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 throughout continental Europe through our commitment to accessibility and inclusion. This is also evidenced by the **numerous international awards we have received,** such as the prestigious "*Disability Matters Award 2018,"* the "*Austria's Leading Companies Award 2019,"* or the "*Highly Commended" awards* at the "*Financial Adviser Diversity in Finance Awards 2020"* and "*Diversity & Inclusion Initiative of the Year"* at the "*Financial Adviser Diversity in Finance Awards 2021*" for barrier-free offerings during the Corona crisis.2022 two "*Disability Matters Awards*" were added in the categories "Marketplace" (products and services specifically for people with disabilities) and "Workforce" (targeted recruitment and promotion of people with disabilities).

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Commitment to the environment - net zero as the ultimate goal

Commitment to the environment means above all - as already mentioned - working together with our customers to drive forward the transformation to a CO2-free economy. This means supporting our customers on this path, developing concepts together and defining a new, environmentally, climate and socially friendly form of cooperation for the future.
Of course, we can only credibly expect and demand from our customers what we ourselves live by. That is why environmental and climate protection has been a top priority for Bank Austria and UniCredit Group for years.
All the indicators that express the environmental performance of a company have developed excellently at Bank Austria over the past decade: Total emissions, energy consumption, water, waste, business trips, paper, the savings here at Bank Austria have been 80 to 90% without exception since 2008 and are thus also top in comparison with sister companies in the UniCredit Group.
That is impressive on the one hand, but it is not enough. That is why UniCredit Group has defined the goal of getting its own emissions caused by the company to net zero as quickly as possible - by 2030 at the latest. This is to be achieved first and foremost through avoidance and reduction, and only secondarily through compensation. Planning for this is in full swing; in 2022, a Group-wide inventory was carried out at real estate level and then the properties were analyzed for opportunities to influence and potential for improvement. The next step is to set concrete targets at country level to get as close as possible to net zero emissions by 2030. Another important element is ongoing, accompanying communication measures to anchor the topic sustainably in the minds of employees. The most recent example is the "***Save 11 percent***" energy-saving campaign launched in December 2022.

In addition, many environmental and climate protection activities launched in recent years at Bank Austria are of course continuing as planned or have been successfully completed. For example, all non-recyclable plastic items were removed from the break areas of the office buildings by the end of 2022, electricity consumption continues to be covered entirely by 100% green electricity from renewable energy sources in accordance with the "*Österreichisches Umweltzeichen*" (UZ46) (Austrian Eco-label), and Bank Austria continues to be involved in the "*klimaaktiv Pakt*" initiated by the Climate Protection Ministry together with ten other pioneering climate protection companies such as ÖBB and ORF. Together, the eleven companies have pledged to save at least a further 8.4 million tons of CO_2 by 2030, thus making a significant contribution to achieving the national climate targets.

Organizationally, all these activities are supported by an environmental management system in accordance with ISO 14001:2015, which Bank Austria has operated since 2011 and also has certified annually by external auditors from *quality austria, who have* again stated a significant improvement in environmental management and further development of the management system for the year 2022.
The environmental management system is structurally anchored in the company through a steering committee at the highest management level and monthly environmental team meetings with participants from all key areas of the company. Since 2022, representatives of Group companies such as Schoellerbank have also taken part in these meetings in order to place environmental and climate protection on an even broader basis.

Bank Austria's green product offering

We are firmly convinced that the transformation to a CO2-free economy can only succeed together with our customers. With mutual appreciation and with attractive products and services that meet the needs of our customers on the one hand and the ecological necessities on the other.

Bank Austria can already point to a respectable sustainable product portfolio: From a significantly expanded range of ESG investment products for both private and institutional investors to so-called ESG-linked loans, which are subject to internationally valid criteria (based on an external ESG rating of the customer), and structured products (where better conditions are linked to the improvement of ESG ratings) to green mortgage and consumer loans. The range of account products that have been awarded the label for sustainable financial products of the Austrian Eco-label (UZ49) has also been expanded. For example, in addition to accounts for business customers and young people, the student account has now also been awarded UZ49, meaning that sustainable financing is guaranteed in the amount of the total account deposits.

Products for corporate customers:
In our positioning as a strategic financial partner to our corporate customers, we have added a **strong ESG focus** to the range of advice and services we offer specifically for SMEs since 2021.

In addition to the financing products already successfully offered to companies with capital and credit market affinity (e.g. Green Bond, ESG-linked Bond, ESG-linked Schuldscheindarlehen, ESG-linked Loans, ESG-linked Derivative), Bank Austria now also offers a **standardized sustainability loan** that provides for an adjustment of the interest margin based on an external ESG rating.

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As an aid to orientation, the **Bank Austria Sustainability Barometer** also offers the possibility of an individual assessment of ESG. This consulting tool was developed by the UniCredit Group in cooperation with ISS-ESG, a company specializing in sustainability. In addition to the analysis of E, S and G, it also offers specifically relevant questions on a large number of individual industries. In 2022, the offering was expanded and currently covers 20 industries. This consulting approach provides clients with a broader understanding of, for example, the more in-depth analyses required by the EBA on environmental risks, the introduction of the EU taxonomy, green asset ratios (for banks), and extended reporting requirements (sustainability report) for companies, and has been received enormously positively by our clients.

Products for private customers:
Since 2020, Bank Austria has offered retail customers a comprehensive range of sustainable products, from sustainable accounts to sustainable financing and sustainable investment opportunities. Furthermore, we have been cooperating with WWF since 2020, which has supported Bank Austria in particular in the development of green financing. Additionally, since 2021 we have a partnership with the National Parks Austria and the Austrian sustainability start-up Glacier.

With the GoGreen account, Bank Austria offers a sustainable account certified with the Austrian Eco-label. Sustainable projects are financed in the amount of the GoGreen account deposits. The account can be used completely digitally and without paper (incl. electronic account statement, automated account opening). Customers receive a debit card made of an ecological material, which is transmitted to the customer by means of FSC-certified and sustainably printed carrier paper. All GoGreen account holders also receive a reduced issue surcharge on selected ESG funds.

The GoGreen MegaCard account - Bank Austria's youth account for customers aged between 10-20 years - has also been awarded the Austrian Ecolabel. All account deposits are used exclusively for sustainable projects. This account can also be used completely digitally (incl. electronic account statement). Customers receive a debit card made of an ecological material, which is transmitted to the customer by means of FSC-certified and sustainably printed carrier paper.

Sustainable construction and housing financing are awarded for energy-efficient new house/apartment construction and/or for renovation measures that are accompanied by energy efficiency improvements. Customers receive €150 upon presentation of the energy performance certificate. In addition, there is a dedicated blog on the Bank Austria homepage with articles on sustainable building and living. There, customers receive up to 15% on selected partners (e.g. sustainable garden & interior design).

The green consumer credit can be used for energy-efficient modernization measures or for the purchase of environmentally friendly products such as the replacement of the heating system, for new windows or for the purchase of environmentally friendly products such as a photovoltaic system or an e-car. Customers receive a voucher of up to €100 from our sustainable partners: Zotter, Sonnentor and Markta.

In addition, Bank Austria attaches great importance to the further training of its employees in order to ensure all-embracing and high-quality advice also with regard to sustainability. All employees had to complete a mandatory e-learning on sustainability. Furthermore, a comprehensive and diversified ESG training offering for all levels and job models is currently being developed.

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Customers

Excellent customer experience as a prerequisite for growth and change
With know-how and flexibility, our employees continued to build customers' trust in Bank Austria in 2022. Commitment and efforts to find financial solutions tailored to the personal situation of our customers are considered core values of customer orientation. These values provided clear direction and ensured success in 2022, another challenging year marked not only by the pandemic but also by war and inflation.

Measurement and analysis reveal changing expectations among customers and in the marketplace
In addition to the traditional survey of all customer segments with **around 8,000 interviews** per year, we also measure customer satisfaction directly after a customer contact with "*MyFeedback*". In this context, we scrutinize the customer experience in the advisory service, during a checkout or self-service transaction, or in the online channel with "*24You*" (internet banking) and the "*MobileBanking*" app.

Our customers continued to make intensive use of "*MyFeedback*" with around **70,000 "*MyFeedbacks*"** in 2022. This feedback made it possible to respond directly to open questions, requests, and also complaints, which provided concrete approaches for improvements and the management of activities to achieve goals.
In 2022, the "*Push NPS*" initiative intensified the focus on excellent customer experiences and on increasing Bank Austria's recommendation rate. As a result, the recommendation rate (*net promoter score, NPS*) increased again compared to the previous year - despite the general conditions described above (retail customers +/-0, corporate customers +7).

Shaping the future - because every customer complaint has the potential for improvement
We set a high standard for complaint management and respond to customers within 48 hours. We consistently meet this standard 99% of the time – for both, verbal and written complaints. In 2022, frequent complaints came from customers who had difficulties with the ongoing digitization or the consequences of market and price developments. The rapid, unbureaucratic processing and in-depth expertise of the ombudsman's office generally enabled the complaint to be resolved quickly and the customer relationship to be stabilized.

In addition to direct complaint handling, the complaint management team, the "*Customer Experience Taskforce*" and the "*Customer Experience Board*," identify problems promptly and initiate decisions for improvement measures. As a result, the number of complaints was **further reduced** in 2022 through consistent improvements - **across all customer segments by -17%** compared to the previous year.

Employees

UniCredit Bank Austria's headquarters at the Austria Campus in Vienna's second district are home to employees of Bank Austria Group and UniCredit's CEE units. Throughout the Austria Campus, the highest attention is paid to ecological and sustainability criteria. Examples include the reduction of expensive storage media to save energy, the use of new media to reduce hardware, printing with the *FollowMe* printing system and the implementation of an environmentally friendly paper policy for efficient paper use, which also corresponds to the goal of largely avoiding paper in the future.
To mark the occasion, the **"*Save 11 percent*" energy-saving challenge** was launched at the end of 2022. The measures range from reducing room temperatures in winter and dispensing only cold water in washrooms to reducing the running time of ventilation systems and switching off effect lighting. With the active support of employees, who can access numerous other energy-saving tips via internal communication channels, Bank Austria is thus making another important and active contribution to climate protection.

One special measure designed to help support employees' different lifestyles is the **"*Work and Family*" audit**, a government seal of approval awarded by the Austrian Federal Ministry for Women, Family, Youth and Integration. The bank successfully underwent the associated external audit for the first time at the end of 2009. The last successful re-audit took place in 2021.

Management Report

The target agreement, which has been concluded for a further three years, focuses on the provision of an optimum infrastructure in order to provide the best possible support for flexible working hours and remote working. In addition, the measures supported by both management and the works council focus on communication activities and special support for managers. Other activities to ensure equal opportunities for men and women and people with disabilities have been a natural part of the program from the very beginning. Last but not least, numerous health offerings, which are becoming even more important in times of pandemic and numerous other challenges, round off the package of measures. Controlling is central to the success of the measures implemented: qualitative and quantitative targets are defined for the measures and regularly evaluated.

Due to its many years of experience and the pioneering role confirmed by the external auditors in the area of remote working, which allows a large proportion of employees to work from their home office while maintaining the usual quality of work and service, Bank Austria was also awarded the additional **"*Mobile Working*" certificate** in 2021.

Management Report

People & Culture

Integrity, ownership and caring, are values that underpin our actions and are a baseline for the People & Culture strategy. Our task is to create a positive working environment in which employees can get involved, be heard and actively contribute to our success. Our top priority in 2022 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 our employees, thereby giving them the opportunity to live up to their full potential. By supporting the work-life balance, continuously optimizing the way we work and offering our employees comprehensive opportunities for further development, we want to create an environment that enables them 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*. In addition, we have been **awarded by the EDGE Assess Certification** that is the leading global assessment and business certification for gender and intersectional equity.

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 2022, 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.

The option of time and place flexibility is the foundation for results-oriented work and a viable work-life balance. Our goal and expectation are to find solutions that meet both individual and business needs, based on mutual understanding and regular discussions. 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 endeavored 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"***. Already well-established digital learning formats and *MyLearning* training units, different articles and toolkit series, provide support for maintaining a good work-life balance. We supported our employees with recommendations and information from our page on mental and physical well-being and support for individual needs. Topics of particular interest included own physical and mental health, by focusing 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: To ensure a positive experience for applicants, we leverage on our new applicant tracking system *Avature*, a state-of-the-art online tool that also includes solutions for the onboarding process and a module to promote active management of talent pools. Besides hiring professionals, we also engage in rejuvenating our internal pipeline. Around 190 interns were able to gain their first professional experience in our bank and all training initiatives were implemented as planned. During the summer of 2022, an additional 55 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 our online recruiting platform, we also managed to recruit 25 apprentices this year. UniCredit Bank Austria also offered rich orientation and different experiences for 14 graduates embarking on their career.

Internal job market: Bank Austria's internal job market is an integral part of the People & Culture 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 makes better use of employee potential and boosts employee satisfaction. In 2022, we continued helping employees broaden their knowledge and experience by taking on challenges in different departments of the bank and applying for internal positions.

Management Report

Performance management: Sustainable differentiation, transparency, a feedback culture and commitment are the main drivers of our development and remuneration decisions. Our UniCredit Performance Management is a modern, fair and transparent performance evaluation and development system for all employees of Bank Austria. Each employee always has access to the evaluations and feedback documentation in their personal electronic archive. We use this process to strengthen the performance concept and inclusion within our bank and our group, 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. Also in 2022, we continued leveraging on 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 part of our reality but for us, also classroom learning opportunities are important in order to maintain human connection and benefit from all positive impacts of the face-to-face meetings. While advancing digitization opens up new channels for our customers to do banking business with us, it also offers our employees new ways of learning and cooperating internally. 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.

The world of work is changing, meaning that we need to adapt our way of working and our work behavior. 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. We continue to promote already 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 as continuously improved learning interface enables 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.

We also doubled our efforts in 2022 to support employees in being able to access all learning opportunities at a glance. By creating one unique *Learning Catalogue* accessible to all employees, employees are encouraged to be owners of their development and explore all learning opportunities based on their interests or development needs.

Rewards and benefits: Our 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 categorizing all roles and activities within UniCredit. 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 in 2022, we have already made significant progress.

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 talent programmes, we have focused on innovation and disruptive thinking as well as on expanding the management repertoire of our prospective managers.

Management Report

Diversity, Equity & Inclusion (DE&I): Diversity, in combination with an inclusive, psychologically secure and equitable environment, inspires and drives innovation by bringing together many different talents, experiences and perspectives. This creates a culture of inclusion that encourages open-minded thinking and supports mutual respect. This is why we are committed to a corporate culture of inclusion which, in our eyes, is the key to sustainable success. Our **heritage of investment in diversity, equity and inclusion** has led to growth and the opening of new business opportunities, a strong drive for innovation and creativity, as well as a general improvement of the internal working environment and positive impacts on productivity, well-being and engagement of our people.

As part of UniCredit, we in Bank Austria have been establishing an environment where all employees can express their diverse ideas, talents and experiences and contribute to our company for many years with their unique value. We are committed to promoting greater diversity and inclusion by encouraging international cooperation and teamwork that extends across borders and roles. On our journey to promoting diversity, equity 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. In this respect we are leveraging on:

- Reviewed employer brand strategy from a DE&I perspective and pledge to advertise vacancies transparently
- Training and learning programs to support handling unconscious bias and promoting inclusive behaviors, inspiring people, at all levels of our organization, to act in line with our DE&I principles and embed DE&I in all that they do
- Inclusive promotion and appointment process based on merit
- Fair nomination in development paths based on equal opportunities
- Constant efforts to reduce the same role gender pay gap
- Strong support for the Disability Management action plan
- Powerful Employee Resource Groups: in Bank Austria, we have **4 Employee Resource Groups** which are nurturing an ongoing dialogue on the most important DE&I topics within our Bank:
  - UniCredit Bank Austria Women's Network
  - Unicorns of Bank Austria
  - Race, Ethnicity and Cultural Heritage Network
  - Future Generation 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 raising topics that are relevant and make our bank even more inclusive. Every human being is unique, and this variety and all individual differences need to be recognized. Therefore, we constantly support our people to be open, go beyond their own biases, see others for what they really are, value others, and appreciate their differences, through a series of DE&I initiatives running along the year.

UniCredit Bank Austria remains strongly committed to championing gender diversity, equity, and inclusion in the workplace, and this has been acknowledged also by the ***EDGE Assess Certification*** that our Bank received this year. EDGE is the leading global assessment and business certification for gender and intersectional equity. We are proud to be one of five EDGE-certified UniCredit entities. The UniCredit banks in Austria, Germany and Italy are currently the only EDGE-certified organizations in Europe in the banking industry. This is an important external acknowledgment that testifies our commitment to fostering gender equality and inclusive culture and shows that our ongoing efforts are successful.

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 former 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 talents, since 2021 we engage our female colleagues in a special mentoring program 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 2023

The global economy is facing increasing headwinds. The synchronous, strongest and fastest tightening of monetary policy in decades will exacerbate the effects of high inflation and severe irritations in international exchange rates in many countries (so-called terms-of-trade shocks). Ongoing geopolitical tensions will continue to create uncertainty. We expect global GDP to increase by only 1.9% in 2023, which is de facto equivalent to a recession. There is a risk of a technical recession in the euro zone at the turn of 2022/23 and in the USA during the first half of 2023. Despite the slowdown in the global economy, high energy costs for companies and the loss of purchasing power due to falling real wages, we expect only a mild recession. Supportive fiscal policy, the favorable liquidity situation in the corporate sector and high household savings, as well as further easing of supply chain problems and stable labor markets, should prevent a deep slump. The economy will still start to recover in the first half of 2023. Due to the delayed effect of monetary policy, we expect only a below-average pace of recovery in both the USA and the euro zone. In the major developed economies of the USA and the euro zone, only stagnation is expected overall in the coming year.

Inflation in the USA is mainly demand-driven, triggered by loose fiscal and monetary policy during the pandemic. By contrast, inflation in the euro area is mainly cost-driven, as a result of high prices for energy imports. The uneven source of the inflation shock accounts for the different degree of monetary policy tightening in the two economies. Central banks will tighten the reins of monetary policy even further in early 2023 to play it safe in the fight against inflation. We expect key interest rates in the USA to peak at 5.25% and the refinancing rate in the euro zone at 4.00% (deposit rate: 3.50%) in mid-2023. A turning point in monetary policy in the form of an easing cycle cannot be expected until 2024, which should lead to a reduction in the strength of the US dollar against the euro as the interest rate differential narrows. Still in the course of 2023, the European Central Bank's quantitative tightening is likely to involve a reduction in the securities portfolio from the purchase programs of around €15 billion per month. Despite different causes of inflation in the USA and the euro zone, a consistent pattern is expected for the slowdown in inflation from the turn of 2022/23. Goods prices will fall first due to demand, with service prices following with a slight delay. We expect inflation to fall to around 3% in the USA and 2.5% in the euro zone by the end of 2023. On an annual average, inflation in the euro zone is expected to slow from 8.4% in 2022 to 5.7% in 2023.

The outlook for Austria

In view of the cooling of the international economy and high inflation, which are weighing on consumption and investment, we expect the Austrian economy to experience a mild recession over the turn of 2022/23. As inflation weakens, supported by developments in the euro area, a recovery should set in from the spring. The pace of recovery remains low, dampened among other things by the delayed effects of the tightening of financing conditions. Due to the weak start to the year, only stagnation with GDP growth of 0.3% is expected for 2023, with high risk due to geopolitical developments.

With the decline in demand, inflation will also slow in Austria from next year. In addition to the drop in demand, base effects, the broad stabilization of commodity prices, especially for energy, and the further easing of material bottlenecks should support a slowdown in inflation from an average of 8.6% in 2022 to 6.5% in 2023. However, this will mean that inflation in Austria will fall more slowly than in the euro area, as more second-round effects from higher wage momentum and stronger fiscal stimulus are to be expected. Despite the weak economic development, the labor market in Austria is expected to prove quite resilient. After falling to an average of 6.3% in 2022, we expect the unemployment rate to reach 6.4% in 2023. The reason for the optimism lies in the current tightness on the domestic labor market. The vacancy rate, i.e. the number of reported vacancies in relation to employment, has risen to a record level of 3%.

The development of financing and also deposits will be influenced by the subdued economy and more restrictive monetary policy in 2023. The momentum in corporate loans should flatten out significantly in this environment. Growth in loans to households will also decline, mainly as a result of less demand for housing loans due to higher interest rates and sharp increases in construction costs. The positive trend in consumer loans is also unlikely to be repeated. Deposit growth is expected to slow somewhat in 2023. Despite rising interest rates, inflation-related losses in purchasing power are likely to limit household deposit growth. Corporate deposit growth is also likely to be weighed down by weak economic activity.

Management Report

Medium and long-term objectives

As defined for Bank Austria in the strategic plan "*UniCredit Unlocked*" of the Group, the focus of the bank for 2023 will be on further improving its revenue base while maintaining a strict focus on cost control and hereby achieving profitable growth, with a double-digit ROAC and furthermore maintaining regulatory capital ratios (CET1 Ratio) at high levels. This will be based on initiatives aiming at strengthening the business with a clear focus on our clients, supported by a focus on integration of technology and digitization, further simplification of processes and including sustainability in all relevant activities.

Supporting the transformation of businesses toward energy transition and sustainability.

As a strategic financial partner and advisor, the bank supports its customers, on the one hand, in solving acute issues, in the case of corporate customers, for example, through liquidity lines, financing to build up inventories or instruments to hedge currency, interest rate and price risks in commodities and energy. On the other hand, however, the bank is also increasingly financing investments in the direction of the energy turnaround. After all, if Corona was a turbo for digitization, the current crisis situation will further accelerate the overall economic transformation toward greater use of renewable energies and a more sustainable way of doing business.

This development could also have strong positive economic effects in the coming years, as shown by a potential analysis conducted by the Federal Environment Agency ("*Bundesumweltamt*") on behalf of the Austrian financial sector: This is because in order to achieve the goal of climate neutrality by 2040, a total of around €145 billion will have to be additionally invested in the energy, industry, buildings and transport sectors in Austria by 2030. This corresponds to an annual investment volume of €13.9 to 18.5 billion by 2030. These additional investments can generate annual value-added effects averaging 2.4% of GDP and create or secure around 70,000 jobs a year. The climate-friendly restructuring of infrastructure in particular has a high financing requirement. Looking beyond the banking sector in the narrower sense, however, a successful climate transformation can only be achieved with an efficient capital market as an enabler. For this reason, the Austrian financial sector unanimously emphasizes that this also requires appropriate incentives for private investors, so that people can invest in a sustainable future and at the same time counteract losses in value due to inflation. In addition, the permissible investment universe for climate transformation should be opened up in the regulation of insurance companies, pension funds and occupational pension funds.

On the one hand, the ongoing transformation of the economy thus offers great opportunities for innovation, but on the other hand it requires high levels of investment - because around 80% of the investment required to achieve the climate targets relates to transition, i.e. the environmentally sustainable alignment of the entire process, production and supply chain. Bank Austria has already launched numerous financing projects in this area in recent months and years, ranging from wind energy to photovoltaic projects or the use of waste heat in industrial plants. The range of financing instruments extends from sustainability loans to green *Schuldscheindarlehen* (promissory note loans) and green bonds. In innovation financing, Bank Austria also works closely with Oesterreichische Kontrollbank and EU institutions such as the European Investment Bank (EIB). A concrete example is the "*EIB Climate Action Austria Facility Loan*", which supports investments in small and medium-sized renewable energy projects and energy efficiency projects in Austria.

Bank Austria's customers also benefit from UniCredit's extensive ESG (Environment, Social, Governance) expertise as a European banking group, which has already had its own "Sustainable Finance Advisory" team for about three years. The bank thus combines sustainability expertise with knowledge of capital market transactions to deepen customer dialog on ESG-related issues and facilitate access to the European green finance market. In 2022, UniCredit accompanied the Republic of Austria in the issuance of the first federal green bond as lead bank; in doing so, UniCredit structured the Republic of Austria's green bond framework as ESG advisor - this green bond framework is the basis for green bond issuance and requires a high level of expertise. In addition, Bank Austria successfully placed its first own green bond on the capital market in May 2022.

The backbone of the Austrian economy is primarily the numerous SMEs. More and more customers, suppliers and, not least, their own employees are also demanding comprehensible ESG strategies from SMEs. Investments in sustainability and climate protection have thus long been on the agenda not only of (listed) large companies, but also of SMEs - and indeed all ESG topic areas: from environment to social issues to sustainable corporate governance. With the "*Sustainability Barometer*", an innovative consulting tool, Bank Austria is the only bank in Austria to offer its SME customers comprehensive advice and a site analysis on where the respective company stands with regard to ESG criteria, which ESG targets the company should set itself as part of a coherent sustainability strategy and how the bank can support it on this path with individual financing solutions. At the same time, with the Sustainability Loan, the bank is now also making special investment or working capital loans available to medium-sized companies - enabling customers to make investments with which they can reduce their carbon dioxide (CO_2) emissions, improve the working situation of their employees or ensure sustainable corporate governance.

Management Report

The sustainability loan rewards sustainable corporate governance: if the company stays on course for sustainability and achieves an improvement in its ESG rating during the financing period, it can benefit from more favorable terms.

Bank Austria is also a pioneer in Austria in the retail segment: for every euro in the GoGreen accounts of its retail or business customers, it finances sustainable projects - in particular energy-efficient buildings; wind, solar and hydropower; sustainable water management, for example water supply or flood protection; and environmentally friendly transport such as electric vehicles. GoGreen accounts are certified with the Austrian Eco-label. As of October 31, 2022, the total volume here was already around 548 million euros.

Recognition for progressive transformation of the bank's core business

Bank Austria is also systematically driving forward the transformation of its own core business in parallel and has already implemented a large number of process-related changes and innovations in its product range. The relevance and quality of these initiatives have been independently confirmed: For example, as part of the WWF Bank Study published in October 2022, experts from WWF (*World Wildlife Fund*) and PwC Austria evaluated the 14 largest Austrian universal banks (according to total assets) and their handling of climate protection and biodiversity issues. Bank Austria came out on top and was the only bank in Austria to be ranked in the "*pioneer in the area of climate protection*" category: it can demonstrate measures in almost all core areas, has made a fundamental commitment to decarbonizing its core business (*Green Finance Alliance, Net Zero Banking Alliance*) and offers a wide range of sustainable financial products.

As early as April 2022, the Vienna Chamber of Labor ("*Arbeiterkammer Wien*") had also positively highlighted Bank Austria as a "good practice" example in a study on the topic of "Sustainable Financial Products". In particular, the consistent application of ESG criteria in lending, the extensive product range in the ESG area as well as the definition of minimum criteria for the lending, savings and checking area and the transparent disclosure of sustainable activities on the bank's website were mentioned.

Environmental management and circular economy at Bank Austria

However, financing and investment products are only one side of the coin. The other side is the bank's own actions as a company, keyword "ecological footprint". And since 2008, Bank Austria has reduced its footprint by 80% or more, depending on the area - from business trips to waste, paper, water and energy consumption to total CO_2 emissions: between 2008 and the end of 2021, the bank has already reduced its greenhouse gas emissions by 86%. Sustainability and efficiency are therefore not mutually exclusive, quite the opposite: over the years, the company has thus saved enormously on CO_2 emissions, but at the same time also saved costs and a great deal of time (especially on business trips). The bank continues to set itself ambitious targets: Having already reduced its energy consumption by 63% since 2017 - thanks in particular to the particularly energy-efficient design of the corporate headquarters at the Austria Campus with one of the largest geothermal plants in Europe - it also intends to significantly reduce energy consumption in the future, for example by making adaptations to the cooling and heating systems and to the lighting in the bank's buildings.

As a contribution to the important idea of the circular economy, the bank has been providing its used IT equipment to the non-profit IT company AfB for years, thus ensuring that it is reused: In 2021, this amounted to more than 5,200 IT and mobile devices with a total weight of almost 30 tons. AfB was able to remarket more than four-fifths of these devices - thus realizing significant emissions reductions and resource savings. This cooperation also has an important social dimension, because AfB is not only Europe's largest non-profit IT company, but also a recognized inclusion company that employs around 500 people in five countries, around 45% of whom are people with disabilities.

These concrete examples illustrate the high priority that operational ecology, environmental management and social commitment have had at Bank Austria for many years.

Management Report

Digitization and simplification as important pillars in the "*UniCredit Unlocked*" multi-year plan

Initiatives for further digitalization and simplification not only make the bank faster and more efficient, but also significantly improve the customer experience in particular. They are therefore important pillars in the successful implementation of the Group-wide multi-year plan "*UniCredit Unlocked*".

Bank Austria has already defined numerous relevant initiatives and is implementing them step by step.
Some selected **examples**:

- In the corporate customer segment, the new, purely digital service model "**Corporates Direct**" was established for customers with less complex product and service needs. Here, customers have access to advisors who can respond to customer concerns within 24 hours - by telephone, video call, and communication center in Internet banking or mobile banking. The clearly defined range of products and services enables simple and efficient advice and support. At the same time, this frees up advisory capacities for corporate customers with more complex product and service needs.
- The bank has set itself ambitious digitization targets as part of its **omnichannel strategy**: in 2023, the percentage of Bank Austria customers who are mobile active users is to be increased to 50%, and the percentage of digital active users to more than 56%. In 2023, 30% of all customer orders are to be completed remotely, i.e. via an electronic channel outside the branch, and a target of 50% has been defined for the following year 2024.
- In the **24-hour service line** (call center), around 60 processes have been identified that will be systematically simplified. At the same time, the range of competencies of the service line employees will be expanded in order to reduce the number of necessary transfers to the branches and thus the number of callbacks, and to significantly speed up the handling of customer concerns overall. The increased use of the communication center in Internet banking or mobile banking plays an important role here, as this tool also enables service line employees to process customer inquiries and orders that require a signature very quickly and securely. Overall, this significantly improves the customer journey and thus customer satisfaction.
- In the area of **consumer loans**, the number of input fields in the loan application has been reduced by a tenth. On the one hand, this reduces the amount of work required to process an application at the bank; on the other hand, it improves the customer experience by ensuring faster positive completion.
- **New customers** can open a complete account package, including a debit card and internet banking, within just 15 minutes. For example, private customers can open a *GoGreen* account as a paperless green salary account using video verification within a few minutes and use it immediately.
- Together with the Austrian telecommunication company *emporia*, Bank Austria is the only bank in Austria to offer the first **cell phone specifically for internet banking for senior citizens**: It thus makes it easier for people who have not previously used a smartphone or who feel unsure about using internet banking and smartphones to enter the smartphone world: chatting with friends and family, making video calls or viewing photos are just as easy as transferring and receiving money.

Permanent establishments

There are no significant permanent establishments.
In July 2022, the administrative units previously held by UniCredit Services in Poland and Romania, which mainly perform back-office activities for the bank's business units, were transferred to UniCredit Bank Austria AG.

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. It includes, among other things, details on credit risk (E.2), liquidity risk (E.3), market risk (E.4) and climate-related and environmental risks (E.14)
- 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 (sections E.4 market risk and E.5 financial derivatives).

Management Report

Vienna, 21 February 2023

Robert Zadrazil
CEO – Chief Executive Officer
(Chairperson)

Daniela Barco
Retail

Philipp Gamauf
CFO – Chief Financial Officer

Dieter Hengl
Corporates

Georgiana Lazar
People & Culture

Emilio Manca
COO – Chief Operating Officer

Marion Morales Albiñana-Rosner
Wealth Management & Private Banking

Wolfgang Schilk
CRO – Chief Risk Officer

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Consolidated Income Statement

Consolidated income statement

(€ million)

ITEMS	YEAR 2022	YEAR 2021
10. Interest income and similar revenues	1,662	1,285
of which: interest income calculated with the effective interest method	*1,261*	*896*
20. Interest expenses and similar charges	(583)	(421)
30. Net interest margin	**1,078**	**864**
40. Fees and commissions income	886	891
50. Fees and commissions expenses	(201)	(194)
60. Net fees and commissions	**685**	**697**
70. Dividend income and similar revenues	9	16
80. Net gains (losses) on trading	123	82
90. Net gains (losses) on hedge accounting	(1)	(1)
100. Gains (Losses) on disposal and repurchase of:	68	12
a) financial assets at amortised cost	-	6
b) financial assets at fair value through other comprehensive income	(10)	8
c) financial liabilities	78	(1)
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss:	(73)	8
a) financial assets/liabilities designated at fair value	(32)	(4)
b) other financial assets mandatorily at fair value	(41)	12
120. Operating income	**1,888**	**1,678**
130. Net losses/recoveries on credit impairment	(89)	(167)
a) financial assets at amortised cost	(90)	(166)
b) financial assets at fair value through other comprehensive income	1	(1)
140. Gains/Losses from contractual changes with no cancellations	-	-
150. Net profit from financial activities	**1,800**	**1,510**
160. Net premiums	-	-
170. Other net insurance income/expenses	-	-
180. Net profit from financial and insurance activities	**1,800**	**1,510**
190. Administrative expenses:	(1,115)	(1,499)
a) staff costs	(563)	(880)
b) other administrative expenses	(552)	(618)
200. Net provisions for risks and charges:	42	8
a) commitments and financial guarantees given	66	-
b) other net provisions	(24)	7
210. Net value adjustments/write-backs on property, plant and equipment	(97)	(93)
220. Net value adjustments/write-backs on intangible assets	(3)	(10)
230. Other operating expenses/income	38	15
240. Operating costs	**(1,133)**	**(1,580)**
250. Gains (Losses) of equity investments	10	150
260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	2	10
270. Goodwill impairment	-	-
280. Gains (Losses) on disposals of investments	6	3
290. Profit (Loss) before tax from continuing operations	**684**	**93**
300. Tax expenses (income) of the year from continuing operations	139	11
310. Profit (Loss) after tax from continuing operations	**823**	**105**
320. Profit (Loss) after tax from discontinued operations	-	-
330. Profit (Loss) of the year	**823**	**105**
340. Minority profit (loss) of the year	-	10
350. Profit (Loss) for the period - attributable to the owners of Bank Austria	**823**	**115**

Consolidated Statement of Comprehensive Income

Earnings per share (in €, basic and diluted)

(€)

POSITIONS	YEAR 2022	YEAR 2021
Earnings per share from profit (loss) after taxes from continuing operations	3.56	0.50
Earnings per share from profit (loss) after taxes from discontinued operations	-	-

Consolidated statement of comprehensive income

(€ million)

ITEMS	YEAR 2022	YEAR 2021
10.PROFIT (LOSS) FOR THE PERIOD	**823**	**105**
Other comprehensive income after tax not reclassified to profit or loss	**521**	77
20. Equity instruments designated at fair value through other comprehensive income	60	20
30. Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)	-	-
40. Hedge accounting of equity instruments designated at fair value through other comprehensive income	-	-
50. Property, plant and equipment	3	7
60. Intangible assets	-	-
70. Defined-benefit plans	428	32
80. Non-current assets and disposal groups classified as held for sale	-	-
90. Portion of valuation reserves from investments valued at equity method	29	18
Other comprehensive income after tax reclassified to profit or loss	**(729)**	(215)
100. Foreign investments hedging	-	-
110. Foreign exchange differences	-	-
120. Cash flow hedging	42	(20)
130. Hedging instruments (non-designated items)	-	-
140. Financial assets (different from equity instruments) at fair value through other comprehensive income	(762)	(194)
150. Non-current assets and disposal groups classified as held for sale	-	-
160. Part of valuation reserves from investments valued at equity method	(8)	(1)
170. Total other comprehensive income after tax	**(208)**	**(138)**
180. Comprehensive income (Item 10+170)	**615**	**(33)**
190. Minority profit (loss) of the year	(1)	10
200. Parent Company's consolidated comprehensive income	**614**	**(23)**

Consolidated Statement of Financial Position

Consolidated balance sheet

(€ million)

ASSETS	AMOUNTS AS AT 31.12.2022	31.12.2021
10. Cash and cash balances	938	456
20. Financial assets at fair value through profit or loss:	3,183	1,961
a) financial assets held for trading	2,426	976
b) financial assets designated at fair value	119	160
c) other financial assets mandatorily at fair value	638	825
30. Financial assets at fair value through other comprehensive income	12,168	12,428
40. Financial assets at amortised cost:	84,649	97,723
a) loans and advances to banks	16,864	29,439
b) loans and advances to customers	67,785	68,284
50. Hedging derivatives	4,093	1,306
60. Changes in fair value of portfolio hedged items (+/-)	(2,133)	195
70. Equity investments	2,470	2,415
80. Insurance reserves charged to reinsurers	-	-
90. Property, plant and equipment	860	905
100. Intangible assets	5	6
of which: goodwill	-	-
110. Tax assets:	764	710
a) current	54	22
b) deferred	710	687
120. Non-current assets and disposal groups classified as held for sale	3	4
130. Other assets	333	296
Total assets	**107,332**	**118,404**

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 31.12.2022	31.12.2021
10. Financial liabilities at amortised cost:	89,119	101,502
a) deposits from banks	16,603	27,097
b) deposits from customers	63,007	64,643
c) debt securities in issue	9,509	9,763
20. Financial liabilities held for trading	2,410	1,029
30. Financial liabilities designated at fair value	60	61
40. Hedging derivatives	3,930	1,400
50. Value adjustment of hedged financial liabilities (+/-)	(1,972)	116
60. Tax liabilities:	32	43
a) current	27	37
b) deferred	6	6
70. Liabilities associated with assets classified as held for sale	-	-
80. Other liabilities	966	944
90. Provision for employee severance pay	-	-
100. Provisions for risks and charges:	3,352	4,370
a) commitments and guarantees given	177	233
b) post-retirement benefit obligations	2,956	3,757
c) other provisions for risks and charges	220	380
110. Technical reserves	-	-
120. Valuation reserves	(2,105)	(1,902)
130. Redeemable shares	-	-
140. Equity instruments	600	600
150. Reserves	4,270	4,279
160. Share premium	4,133	4,135
170. Share capital	1,681	1,681
180. Treasury shares (-)	-	-
190. Minority shareholders' equity (+/-)	32	31
200. Profit (Loss) of the year (+/-)	823	115
Total liabilities and shareholders' equity	**107,332**	**118,404**

Consolidated Statement of Changes in Equity

Statement of changes in Equity as at 31.12.2022

(€ million)

	BALANCE AS AT 31.21.2021	ALLOCATION OF PROFIT FROM PREVIOUS YEAR: RESERVES	ALLOCATION OF PROFIT FROM PREVIOUS YEAR: DIVIDENDS AND OTHER ALLOCATIONS	CHANGES IN THE PERIOD: CHANGES IN RESERVES	CHANGES IN THE PERIOD: SHAREHOLDERS' EQUITY TRANSACTIONS: CHANGES IN CONSOLIDATION SCOPE	CHANGES IN THE PERIOD: SHAREHOLDERS' EQUITY TRANSACTIONS: OTHER	CHANGES IN THE PERIOD: SHAREHOLDERS' EQUITY TRANSACTIONS: TOTAL	CHANGES IN THE PERIOD: COMPREHENSIVE INCOME	BALANCE AS AT 31.12.2022
Issued capital: a) ordinary shares	1,681	-	-	-	-	-	-	-	1,681
b) other shares	-	-	-	-	-	-	-	-	-
Share premium	4,135	-	-	-	-	(1)	(1)	-	4,133
Reserves: a) other reserve	4,280	115	(60)	(53)	(10)	-	(10)		4,272
b) foreign currency reserve	(1)	-	-	(0)	-	-	-	-	(2)
Revaluation reserves:	(1,902)	-	-	5	-	-	-	(208)	(2,105)
a) Cashflow Hedge Reserve	-	-	-	-	-	-	-	42	42
b) Revaluation Reserve FA @FVTOCI	179	-	-	-	-	-	-	(702)	(523)
c) Revaluation Reserve associates and joint ventures	17	-	-	4	-		-	21	42
d) Revaluation reserve tangible assets	71	-	-	1	-	-	-	3	75
e) Pension and similar liabilities IAS 19	(2,169)	-	-	0	-	-	-	428	(1,741)
f) Revaluation reserve: non - current assets classified held-for-sale	1			-		-	-	-	1
Equity instruments	600							-	600
Net profit or loss for the period	115	(115)	-	-	-	-	-	823	823
Shareholders' Equity Group	**8,908**	**-**	**(60)**	**(48)**	**(10)**	**(1)**	**(12)**	**614**	**9,402**
Shareholders' Equity minorities	31	-	(0)	0				1	32
Total Shareholders' Equity	**8,939**	**-**	**(60)**	**(48)**	**(10)**	**(1)**	**(12)**	**615**	**9,434**

Consolidated Statement of Changes in Equity

Statement of changes in Equity as at 31.12.2021

(€ million)

				CHANGES IN THE PERIOD					
		ALLOCATION OF PROFIT FROM PREVIOUS YEAR			SHAREHOLDERS' EQUITY TRANSACTIONS				
	BALANCE AS AT 31.21.2020	RESERVES	DIVIDENDS AND OTHER ALLOCATIONS	CHANGES IN RESERVES	CHANGES IN CONSOLIDATION SCOPE	OTHER	TOTAL	COMPREHENSIVE INCOME	BALANCE AS AT 31.12.2021
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 Cash Flows

Consolidated cash flow statement (indirect method)

	AS AT	
	31.12.2022	31.12.2021
A. OPERATING ACTIVITIES		
1. Non-cash items included in net profit and adjustments to reconcile net profit to cash flows from operating activities:	**933**	**604**
- profit (loss) of the period (+/-)	823	105
- gains/losses on financial assets held for trading and on other financial assets/liabilities at fair value through profit or loss (-/+)	(31)	(47)
- gains (losses) on hedge accounting (-/+)	1	1
- net losses/recoveries on impairments (+/-)	201	273
- net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-)	98	94
- net provisions for risks and charges (incl. personnel) and other expenses/income (+/-)	(171)	(175)
- unpaid duties, taxes and tax credits (+/-)	(140)	(12)
- impairments/write-backs after tax on discontinued operations (+/-)	-	-
-other adjustments (+/-)	151	366
2. Liquidity generated/absorbed by financial assets:	**12,445**	**(1,927)**
- financial assets held for trading	24	47
- financial assets designated at fair value	4	(52)
- other financial assets mandatorily at fair value	146	183
- financial assets at fair value through other comprehensive income 1)	(546)	256
- financial assets at amortised cost 2)	12,872	(2,607)
- other assets	(54)	246
3. Liquidity generated/absorbed by financial liabilities:	**(12,784)**	**728**
- financial liabilities at amortised cost 2)	(12,383)	978
- financial liabilities held for trading	-	-
- financial liabilities designated at fair value	17	5
- other liabilities	(418)	(255)
Net liquidity generated/absorbed by operating activities	**593**	**(594)**
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by:	**99**	**86**
- sales of equity investments	-	-
- collected dividends on equity investments	39	38
- sales of property, plant and equipment	59	48
- sales of intangible assets	-	-
- sales of subsidiaries and business units (less cash disposed)	-	-
2. Liquidity absorbed by:	**(121)**	**(78)**
- purchases of equity investments	(48)	(12)
- purchases of property, plant and equipment	(71)	(63)
- purchases of intangible assets	(2)	(3)
- purchases of subsidiaries and business units (less cash acquired)	-	-
Net liquidity generated/absorbed by investment activities	**(22)**	**9**

1) Change due to the negative development of Fair Value driven by increase of interest rates.
2) In the 2022 financial year cash outflow is due to repayment of TLTRO III in amount of -€10 billion and cash inflow is mainly driven by reduction of mandatory reserves.

Consolidated Statement of Cash Flows

	AS AT	
	31.12.2022	31.12.2021
C. FUNDING ACTIVITIES		
- issue/purchase of equity instruments [3]		600
- payouts on equity instruments [4]	(28)	-
- dividend distribution to shareholders and non controlling interests	(60)	-
- sale/purchase of minority control	-	-
- Proceeds from issues of subordinated liabilities	-	-
- Payments for repayment of subordinated liabilities		(503)
Net liquidity generated/absorbed by funding activities	**(88)**	**97**
NET LIQUIDITY GENERATED/ABSORBED IN THE YEAR	**482**	**(488)**
CASH AND CASH EQUIVALENTS AT END OF PREVIOUS PERIOD	**456**	**944**
Cash flows from operating activities	593	(594)
Cash flows from investment activities	(22)	9
Cash flows from funding activities	(88)	97
Effects of changes in scope of consolidation	-	-
Effects of exchange rate changes	-	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**938**	**456**
PAYMENTS FOR TAXES, INTEREST AND DIVIDENDS		
Income taxes received (+)/ paid (–) from operating activities	(1)	(1)
Interest received	1,662	1,285
Interest paid	(583)	(421)
Dividends received	39	38

3) 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".
4) In 2022 payment of coupon on additional core capital instrument in the form of Tier 1 (AT1 bond) in amount of -€28 million.

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Notes
In this report, "Bank Austria" and "the Bank Austria Group" refer to the Group. To the extent that information relates to the parent company's separate 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.

Explanatory notes on figures/tables:
- "X" means that there can be no values for Bank Austria in this item (e.g. due to reporting standards applied or not applied),
- a dash ("-") means exactly zero,
- a zero means that this value in the respective numerical unit (e.g. in € million) rounded to a zero.

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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 financial year 2022 and the comparative information have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), and endorsed by the European Commission up to 31 December 2022, 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).

In the preparation of the consolidated financial statements, the guidelines specified by the parent company as binding for the Group were taken into account.

The following documents have been used to interpret and support the application of IFRSs:
- 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 of the European Securities and Markets Authority (ESMA) and the Consob (Italian Companies and Exchange Commision)
- 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 statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows (compiled using the "indirect method") 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 (€).

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.

Going concern statement

Management has monitored the increase in geopolitical tensions between the Russian Federation and Ukraine in 2022 and the sanctions imposed on Russia by several countries, which were met with counter-sanctions. These events created significant uncertainty about the macroeconomic outlook in terms of GDP, inflation rates and interest rates.
In addition, management has monitored the development of the Covid-19 pandemic and the progressive lifting of the restrictions imposed by the government since 2020.
Management has assessed these circumstances and concluded with reasonable certainty that Bank Austria will be able to operate profitably in the foreseeable future; therefore, in accordance with the provisions of IAS1, the consolidated financial statements for the year ended 31 December 2022 have been prepared on a going concern basis.

This is reinforced by the capital base of the Bank Austria Group with a regulatory Tier 1 capital ratio and total capital ratio of 17.4% and 21.1% respectively as at 31 December 2022 (previous year: 16.8% and 20.5% respectively) as well as a very good liquidity position on the part of UniCredit Bank Austria AG (LCR as at 31 December 2022: 164.4%, previous year: 170.8%).

A – Accounting methods

Risk and uncertainty in relation to the use of estimates and assumptions

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 due to the war in Ukraine, rising energy prices and higher inflation, such that effects on future carrying amounts cannot be ruled out.
In addition, the ESMA has issued a public statement ("European common enforcement priorities for 2022 annual financial reports"), in which the European common enforcement priorities (ECEP) for the 2022 annual financial reports of issuers admitted to trading on EEA regulated markets are set out.

The ESMA underlines the responsibility of management and supervisory bodies of issuers as well as the importance of the oversight role of audit committees (i) to ensure the overall internal consistency of the annual financial report, (ii) to implement and supervise internal controls, including those to prevent and mitigate cybersecurity risks and (iii) ultimately to contribute to high-quality annual financial reports.

The following topics are addressed in the 2022 ECEP for IFRS financial statements:
- Climate-related matters
- Russia's invasion of Ukraine
- Macroeconomic environment.

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);
- impairment of financial instruments (A.5.3.3);
- recoverability of deferred tax assets (C.10);
- recoverability of property, plant and equipment (A.6.2, C.8);
- impairment test of investments in subsidiaries, associates and other companies (A.5.4).

The reason for this uncertainty, in particular also due to the effects of the Russia/Ukraine war, is 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 – Accounting methods

Deferred tax assets
With regard to deferred tax assets, valuation is influenced by assumptions about future profit expectations, which in turn include assumptions for assessing the macroeconomic scenario.

As a result, in order to reflect the above level of uncertainty and in accordance with the requirements of ESMA's public statement, the valuation has weighted future profit expectations (basis for taxable profits) - "mild recession" scenarios as well as "recession" scenarios - with a higher probability of the "mild recession" scenario occurring (hence 60% vs. 40%).

In addition to future profit expectations, other relevant parameters were used in the impairment test of deferred taxes, including the (i) volatility of expected profits before taxes and (ii) the confidence level used in the Monte Carlo simulation, and were therefore reviewed taking into account the ESMA statements on the recognition of deferred tax assets from loss carryforwards. The valuation was carried out taking into account the appropriate assessment assumptions in connection with ongoing tax audits or years that have not yet been finally assessed.

The results of this valuation may change depending on the development of geopolitical issues, inflation and ultimately the degree of economic recovery. Possible deviations in the actual economic recovery from the assumptions on which the valuations are based could necessitate a redetermination of the parameters used for valuation purposes, in particular with regard to future profit expectations, and the resulting change in the valuation. Further details in Part A 6.5 - Current and deferred taxes.

Valuation of the real estate portfolio
With regard to the valuation of non-financial assets, the valuation of the real estate portfolio deserves a special mention. On 31 December 2019, the fair value model (for assets held for investment purposes) and the revaluation model (for business assets) were introduced.
The fair value as at 31 December 2022 was determined by external appraisals for these assets in the same way as in the previous year. In this context, it should be noted that the fair value of these assets in the coming financial years may deviate from the fair value determined as at 31 December 2022 due to the possible development of the real estate market.

A – Accounting methods

A.3 – Consolidation principles

This section outlines the consolidation criteria and principles used to prepare the consolidated financial statements on 31 December 2022.

Consolidated Accounts

The 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 2022.

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).

Subsidiaries

Subsidiaries are entities which the parent company controls in accordance with IFRS 10.
Control means that another company (parent company)

- may exercise power of disposal over investees, and
- is exposed to the risk of fluctuating returns, and

has the ability to make use of the power of disposal in such a way that it affects the level of return of the investee.

In order to verify the existence of control, Bank Austria takes the following factors into account:

- the purpose and structure of the investee, in order to determine what the company's objectives are, what activities drive its revenues and how those activities are managed;
- the power of disposal, in order to understand whether the Group has contractual rights that give it the ability to direct the relevant activities; for this purpose, only essential rights that offer a practical manner of control are taken into account;
- exposure to the investee, in order to assess whether the Group has relationships with the investee, the revenues of which may change depending on the performance of the investee;
- the existence of potential relationships (principal-agent).

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 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".

In the consolidated statement of financial position, non-controlling interests are presented separately from liabilities and parent shareholders' equity in the entry "Non-controlling interests". In the consolidated income statement, non-controlling interests are reported under the item "Non-controlling interests".

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 arrangements
A joint arrangement is a contractual agreement in which two or more contracting parties agree to jointly manage a business. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
Under IFRS 11 - Joint Arrangements, such arrangements are to be classified as joint operations or joint ventures in accordance with the contractual rights and obligations that the Group holds.
A joint operation is a joint arrangement in which the parties have rights to the assets and obligations in respect of the liabilities of the arrangement.
A joint venture is a joint arrangement in which the parties have rights to the net assets of the arrangement.

Bank Austria has assessed the type of joint arrangements and determined that its jointly-managed equity investments are to be assigned to joint ventures. These equity investments are accounted for using the equity method.

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 or equivalent governing body of the investee;
  - participation in policy-making process, including participation in decisions about dividends or other distributions;
  - material transactions between the investor and the investee.
  - interchange of managerial personnel;
  - provision of important technical information.

It should be noted that only companies controlled through voting rights can be classified as companies with significant influence.
Investments in associates are accounted for using the equity method. The carrying amount of associates is assessed as a single asset in accordance with IAS 36 by comparing it to its recoverable amount (i.e. the higher of value in use and FV less costs to sell).

Equity method
Investments in companies accounted for according to the equity method include the goodwill paid for the acquisition (less any impairment loss). The investor's share of the profit and loss of the investee after the acquisition date is recognised under item 250 "Profit (loss) on equity investments" in the income statement. Any dividends paid reduce the carrying amount of the equity investment.
If the investor's share in the losses of an investee is equal to or exceeds the carrying amount, no further losses are recorded unless the investor has incurred specific obligations or made payments on behalf of the investee.
Gains and losses from transactions with associates or joint agreements are eliminated to the extent of the Group's interest in the associate or joint arrangement.
Any changes in the revaluation surplus of associates or joint arrangements recorded as an offset to changes in the value of the phenomena relevant for this purpose are presented separately in the statement of other comprehensive income.

The net investment in an associate or joint venture is impaired and an impairment loss is incurred if and only if there is objective evidence of an impairment as a result of one or more events that occurred after the initial recognition of the net investment (a "loss event") and this damaging event (or damaging events) has a reliably estimable impact on estimated future cash flows from the net investment.

Impairment/write-ups are recorded in item 250 "Profit (loss) on equity investments".

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 – Application of amended financial reporting standards and accounting methods

Changes to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "*Interest Rate Benchmark Reform*"
On 26 September 2019, in a two-stage process, the IASB introduced changes to IFRS 9 (Financial Instruments), IAS 39 (Financial Instruments: Recognition and Measurement) and IFRS 7 (Financial Instruments: Disclosures). The Board is responding to uncertainties related to the possible ramifications of the IBOR reform on financial reporting. The changes aim to ensure that balance sheet hedging relationships (hedge accounting) continue to exist despite the anticipated replacement of various reference interest rates. The amendments concern, in particular, certain provisions relating to hedge accounting regulations – accounting documentation and are mandatory for all hedging relationships directly affected by the reform of the reference interest rate. Bank Austria has applied the amendments described here (as well as the EONIA/€STR conversion) since 2019.

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

The 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 needs to 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 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 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 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 were gradually implemented until February 2022 in accordance with the underlying schedule. The only exceptions are the EUR LIBOR, which can continue to be used as an interest rate benchmark, as well as some USD LIBORs (Overnight, 1, 3, 6 and 12 months), which will continue until 30 June 2023. No new USD LIBOR transactions were concluded in the 2022 financial year. Following the final discontinuation of almost all LIBOR (*London Interbank Offered Rate*) rates in 2023, the USD LIBOR rates will be discontinued as at 30 June 2023 and corresponding contracts will be converted by then.

At 31 December 2022, the majority of derivatives were converted to the new benchmark rate, where 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	OTHER INDICES
Fair Value Hedge	Assets	1,983	69
	Liabilities	501	-
Cash Flow Hedge	Assets	480	-
	Liabilities	-	-

A – Accounting methods

A.4.2 – First-time application of amended and new financial reporting standards and accounting methods

Changes to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions for Risks and Charges, Contingent Liabilities and Contingent Assets and Annual Improvements 2018–2020

Changes to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions for Risks and Charges, Contingent Liabilities and Contingent Assets and Annual Improvements were published on 14 May 2020. The amendments are to be applied from 1 January 2022. Earlier application of the amendments is permitted, but requires an EU endorsement, 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 Leases.

Bank Austria does not expect the changes listed above to have any significant effects.

A.4.3 – New and amended financial reporting standards not yet adopted by the Group

IFRS 17 Insurance Contracts

IFRS 17 governs the principles with regard to the formation, evaluation, disclosure and information for insurance contracts with the area of application of the standard. The standard was published on 18 May 2017 and must be applied as mandatory for the first time to financial years starting on or after 01 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. For Bank Austria, there is no significant impact from this standard.

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. EU endorsement took place on 8 September 2022. There are no significant changes for Bank Austria as a result of this adjustment.

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.

A – Accounting methods

The amendments to IAS 1 and IAS 8 must be applied for financial years beginning on or after 1 January 2023. Premature application is permitted; EU endorsement took place on 2 March 2022. As soon as an enterprise applies the amendments to IAS 1, it may also apply the amendments to IFRS Practice Statement 2. Bank Austria does not expect these amendments to have any significant effect.

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.

The following standards and amendments have not yet been adopted by the EU at the time of preparing the consolidated financial statements:

Amendments to IAS 1 Presentation of Financial Statements

On 31 October 2022, the IASB finalised the amendments to IAS 1 on the classification of liabilities with covenants. The amendments to IAS 1 were issued to clarify how the conditions that an entity must satisfy within twelve months of the reporting period affect the classification of a liability. Only covenants that an entity must satisfy on or before the reporting date affect the classification of a liability as current or non-current. However, an entity must disclose information in the notes that enables users of the financial statements to understand the risk that long-term debt with covenants could become repayable within twelve months. Furthermore, the effective date of the changes was deferred to 1 January 2024. 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 above changes have no material impact on Bank Austria.

Amendments to IFRS 16 Leases

On 22 September 2022, the IASB published amendments to IFRS 16. Lease liability in a sale-and-leaseback transaction (Amendments to IFRS 16) requires that a seller-lessee subsequently measure lease liabilities arising from a sale-leaseback transaction such that it does not include an amount of profit or loss related to the retained right of use. The new regulations do not prevent a seller-lessee from recording gains or losses in connection with the partial or complete termination of a lease in the income statement.
The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Premature application is permitted. The changes mentioned above do not have any material impact on Bank Austria.

A – Accounting methods

A.5 – Significant accounting policies

A.5.1 – Business combinations

A business combination is a transaction or other event through which an entity gains control over one or more businesses.

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 balance of the amounts of the assets acquired and liabilities assumed measured at fair value at the acquisition date exceeds the consideration transferred, the acquirer must remeasure the fair values and, following this reappraisal, recognise any excess in profit or loss.

In the case of an acquisition of less than 100% of the shares in 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 transactions

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".

A – Accounting methods

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

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

Any 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/€)

		2022		2021		CHANGE IN %	
		AVERAGE	END OF REPORT-ING PERIOD	AVERAGE	END OF REPORT-ING PERIOD	AVERAGE	END OF REPORT-ING PERIOD
US Dollar	USD	1.0531	1.0666	1.1827	1.1326	-10.97%	-5.83%
British Pound	GBP	0.8528	0.8869	0.8596	0.8403	-0.80%	5.55%
Japanese Yen	JPY	138.0270	140.6600	129.8770	130.3800	6.28%	7.88%
Swiss Franc	CHF	1.0047	0.9847	1.0812	1.0331	-7.07%	-4.68%

*) 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 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 realising cash flows through a sale. This business model is also applied to portfolios that are managed on a fair value basis and whose performance is assessed on a fair value basis. 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 behaviour: available information on how cash flows have been realised 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 recognised provisions for loan losses, this would indicate the "hold" business model.

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

A – Accounting methods

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

The valuation of this SPPI criterion is done depending on the relevant product and contract characteristics. The analysis is done both with the help of a software solution developed by the UniCredit Group (the "SPPI-Tool") and using information from external data providers.
Loans and securities that meet ESG criteria or that have special ESG features are also subject to the SPPI test.

Derecognition of financial assets
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.

A – Accounting methods

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.

Bank Austria writes off a financial liability if the underlying obligations have been fulfilled, cancelled or have expired. The difference between the book value of the derecognised financial liability and the consideration paid is recognised in the income statement under item "100. Gains and losses on disposal and repurchase of financial liabilities".

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".

Although the objective of the "Hold" business model is to hold financial assets in order to receive contractual cash flows, not all of these instruments need to be held until maturity. Bank Austria considers the following types of sale to be compatible with the "Hold" business model:
- Sales that occur due to a deterioration in the creditworthiness of the financial assets;
- Sales of a non-significant value: Sales are considered non-significant if these sales make up less than 10% (based on the carrying amount of the respective portfolio at the end of the previous reporting period). The 10% threshold is also supplemented by a 25% limit over a period of three years (rolling).
- Sales made shortly before maturity: This exemption applies to loans and securities with a residual maturity at the time of initial recognition of at least 3 years beginning with 6 months to maturity, provided the sale price is close to the repayment amount. In addition, debt instruments with a residual maturity of between 3 years and 1 year at initial recognition may be sold from a residual maturity of three months. Debt instruments purchased on the primary market with a residual term to maturity of 1 year or less on initial recognition may be sold from 1 month to maturity.
- Sales are rare or irregular.

In order to ensure that sales are consistent with the "Hold" business model, Bank Austria regularly monitors all planned and completed sales.

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 resulting from the adjustment of the carrying amounts of the financial assets before deduction of accumulated amortisation are reported in the item "Income/expenses due to contractual changes (without derecognition)". The effects of contractual changes on the expected loss, on the other hand, are recognised in the item "Impairments on financial assets at amortised cost".

A – Accounting methods

This item may also include on-balance-sheet credit exposures that are already non-performing at initial recognition. These investments are classified as “Purchased Originated Credit Impaired - POCI”. The amortised cost and interest income from these assets are calculated by taking into account the expected credit losses over the remaining life of the asset when estimating future cash flows. These expected credit losses are reviewed regularly to determine the recognition of impairments or write-downs.

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 initial recognition 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. Interest income from gains and losses on financial assets and liabilities held for trading is reported under net interest income.

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 that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

An embedded derivative is considered a component of a structured contract that also included a non-derivative host contract. As a result, part of the cash flows of the compound financial instrument are subject to fluctuations similar to those of a free-standing derivative. If the basic 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.
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 basic 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.

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

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

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

A – Accounting methods

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". Realised or unrealised gains and losses are reported under item "110. Net gains (losses) on other financial assets/liabilitites fair value through profit or loss: a) financial assets/liabilities designated at fair value through profit or loss"; these items also include changes in the fair value of "financial liabilities measured at fair value through profit and loss" associated with the Company's own credit risk if such classification causes or increases an income statement mismatch in accordance with IFRS 9.

c) Other financial assets measured at fair value on a mandatory basis

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 (excluding repayments and interest payments);
- 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, an AfS financial asset is measured at fair value through other comprehensive income plus transaction costs and income directly attributable to the transaction.

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

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

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.

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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.

Financial liabilities in the category "*held for trading*" are 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 under the equity item "revaluation reserve", unless this causes or increases mismatches in valuation or recognition ("*accounting mismatch*"). In the latter case, all fair value changes are recognised in profit or loss.

A.5.3.3 – Impairment of financial instruments

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

Depending on the change in credit risk between the time of the initial recognition and the current credit risk on the valuation date, these instruments are categorised either in Level 1, Level 2 or Level 3:
- Level 1 includes (i) newly originated or purchased credit exposures, (ii) exposures whose credit risk has not deteriorated significantly since initial recognition, (iii) exposures with low credit risk (low credit risk exemption)
- Level 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.
- Level 3 includes impaired credit exposures.

With regard to Level 3, it should be noted that it includes impaired exposures, which correspond to the aggregated non-performing receivables according to ITS EBA (EBA/ITS/2013/03/rev1 7/24/2014).
In particular, the EBA has defined "non-performing" as exposures that meet one or both of the following criteria:
- substantial receivables more than 90 days overdue;
- receivables for which, in the Group's assessment, it is unlikely that the debtor will meet its credit obligations in full without resorting to enforcement and realisation of collateral, regardless of the overdue receivables and the number of days the receivable is overdue.
Bank Austria applies the same definition of performing and non-performing as is used for regulatory purposes.

A – Accounting methods

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

Impairment losses for Stage 1 and 2 (Performing Loans)

For Stage 1 instruments, a credit loss equal to the expected 12-month credit loss ("*1 year ECL*") is recognised. For Stage 2 and 3 instruments, on the other hand, a credit loss amounting to the lifetime credit loss expected ("*lifetime ECL*") is recognised. The credit risk parameters used are generally based on the regulatory IRB models, and are adapted in relation to 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 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 and the historical default behaviour 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 shows the highest PD at the time of the initial recognition. The higher the PD is at the start of business, the lower the relative tolerated deterioration is, which leads to a shift into 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.
- **Level 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 Level 2**: Foreign currency loans in the retail banking segment, taking into account the inherent risks since initial recognition in Level 2. Since Q1 2022, transactions with risk- or domicile countries that include Russia, Ukraine or Belarus have been allocated to Level 2 transactions.
- **Portfolios in Level 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 until November 2022. (See also Section E2 – Assessment of potential loss due to the current environment).
- **Special treatment of bullet loans**: For Stage-2 transactions, IFRS 9 PD is not accumulated over the remaining term as of the reporting date, but over the total term of the transaction. This special feature means that a significantly higher PD is used in the ECL calculation for Stage-2 transactions with final maturity than, for example, for loans that are continuously being paid out. At the same time, the use of this higher PD also causes some transactions to be assigned to Stage 2.

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 provisioning

Customers with a total exposure of more than €2 million (based on group of connected customers, GCC) are transferred to restructuring management (NPE Operational Management & Monitoring) as soon as the first concrete indications of a possible default appear. 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.

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Portfolio-based specific provisioning method
UniCredit Bank Austria AG applies a parameter-based method for the calculation of a flat-rate individual value adjustment ("Pauschale Einzelwertberichtigung" – PEWB) for defaulted assets grouped by similar credit risk characteristics and with no significant exposure (total exposure lower than €2 million) at the GCC (group of connected customers) level. Upon the decision of the restructuring management, customers belonging to a GCC of over 2 million can be assigned to this method, as long as the individual customer obligation does not exceed €1 million. Depending on the customer segment, the amount of the exposure and collateral, the credit rating and the duration of the default are determined and recognised. The parameters used to calculate the loss rate are re-estimated and back-tested annually. 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.

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

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")
Pursuant to IFRS 9, loans and receivables measured at amortised cost or at fair value through profit or loss and classified as non-performing instruments at the date of acquisition are classified as purchased or originated credit impaired ("POCI") instruments. In Bank Austria, "POCI" loans include new loans for defaulting customers (above a defined threshold value), which are granted as a forbearance measure, as well as permanently converted non-performing 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. 1 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.

A – Accounting methods

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 in a point-in-time and *forward-looking* manner, 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 broadly 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 calculation of the equity requirement cannot be used until after approval by the authority (see also E2 – Current status of the application of the internal ratings-based approaches). 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 IFRS 9 purposes by way of an approximation (see also E.2. – Assessment of potential loss due to the current environment).

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 overwhelming majority of this portfolio relates to loans 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.

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 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.

Consideration of forward-looking information

Macroeconomic forecast are considered in the determination of expected credit losses. The application of a multiple scenario consideration of forward-looking 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 the impact of 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. A basic scenario and a negative scenario are currently used (see also Section E – "Consideration of baseline and alternative scenarios").

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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 (the satellite model used for this is a multi-factor model). This modelling results in adjustments to the parameters on the multi-year horizon of the scenarios. For subsequent terms, the parameters of the base scenario are gradually approximated to their original values.

With regard to the application and description of the current scenarios, see also section E2 – Assessment of potential loss due to the current environment.

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 main models are validated by independent internal validation during initial use or on an ongoing basis.

Internal processes ensure that the regulations from IFRS 9 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 presented in detail as appropriate and submitted to the FCRC (*Financial and Credit Risks Committee*) for approval. 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 comments regarding IRB changes and adjustments in relation to the current macroenvironment are mentioned in section E2 (Credit risk).

Contractual modifications

As part of renegotiations of loans and receivables, contractual cash flow is changed, meaning that an assessment regarding the significance of the change is necessary.
In the case of a creditworthiness-related, non-significant change in the contractual cash flow, an adjustment will be made to the gross carrying amount of the instrument based on a cash consideration of the new contractual cash flow, discounted with the original effective interest rate. The difference between the old gross carrying amount and the new gross carrying amount is recognised as a change in 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.

If renegotiations (including renegotiations to avoid customer migration) cause payment flows to change due to an extension of the term, change of interest rate, change of currency etc., this constitutes a significant modification requiring the old contract to be derecognised and the new contract to be recognised. However, if the market value of the old instrument is not substantially different 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 the context of factoring transactions with recourse are recorded in the amount of advances granted to customers in return for their consideration. Loans acquired without recourse are recorded as such once it has been established that there are no contractual clauses that preclude the transfer of all risks and benefits to the factor.

Guarantees and credit derivatives in the same class

Guarantees and credit derivatives are initially and subsequently recognised under "Other liabilities and equity", 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 hedging 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.

A – Accounting methods

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.

Lease agreements
As part of its business activities, Bank Austria concludes lease agreements, for which rights of use are recognised, which mainly relate to the following types of property, plant and equipment:
- Buildings;
- Other.

These contracts are reported in accordance with the IFRS 16 accounting standards.
The rights of use resulting from these lease agreements are mainly used to provide services or for administrative purposes and are recorded in accordance with the acquisition cost model. If these rights of use are leased to third parties, a financing or operating lease agreement is recorded, depending on the specific characteristics.
As provided for in the accounting standard, the Bank has decided not to record rights of use or lease liabilities if they relate to:
- short-term lease agreements with a term of less than 12 months; and
- lease agreements relating to low-value assets.

In this context, an asset is considered to be low-value if its fair value, in its new condition, is equal to or lower than €5,000. This category mainly includes office equipment (PCs, monitors, tablets, etc.), as well as landline and mobile telephone devices.

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

Operating leasing
For operating leasing, the opportunities and risks associated with the subject of the lease will remain with the lessor who is the economic owner of the subject of the lease and who will be accounted for on the balance sheet. In the case of operating leases, the lessor records the lease payments in the income statement according to the period in which they are made.

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.
The lessee records an asset that represents the right of use of the underlying asset and, at the same time, a liability for the future payments required in the lease agreement.

The right of use is initially recorded under item "90. Property, plant and equipment" on the basis of the amount in which the relevant lease liability is initially recognised, which is adjusted if necessary to take into account lease payments made at or before the start of the lease, the initial direct costs and estimated costs necessary to put the assets in the condition prescribed by the lease agreement.

After initial recognition, the interest on the lease liability is calculated at the interest rate implied in the contract and recorded under item "20. Interest expense and similar charges". The amount of the lease liability is reassessed if the term of the lease changes, even if the valuation of a purchase option for the leased item changes, or if the lease payments change, either due to a change in the index or the interest rate used to determine these payments, or due to the amount which is expected to be paid under a residual value guarantee.
In these cases, the carrying amount of the lease liability is calculated by discounting the lease payments over the term of the lease, using the original or a new discount rate.
Changes in the amount of the lease liability arising from the revaluation are recorded as an adjustment to the right of use.
In the event of a change to a lease agreement, the lessee records an additional separate lease if the change in the scope of the lease is extended and the right of use of one or more assets is added and the fee to be paid for this extension corresponds to the individual price of the extension.

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Hedge accounting

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

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

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.

Derivatives may only be designated as hedging instruments 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.

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- **Cash Flow Hedge** – The effective part of the change in market value of the hedging transaction (e.g. cross-currency swaps, interest rate swaps), is recognised at equity in other comprehensive income under "Revaluation reserves" according to IAS 39". The ineffective portion of the gain or loss is recognised through profit or loss in the item "Fair value adjustments in hedge accounting". If a cash flow hedge is no longer considered effective or is terminated for other reasons, the accumulated value gain or loss of the hedge recorded until that point shall remain under revaluation reserves until the hedged future transaction occurs or is no longer considered probable. In the first case, the recorded valuation results upon the occurrence of the hedged future transaction are recorded in each item in which the valuation effect of the hedged transaction is reflected, or they change, provided the transaction leads to an asset or liability being recorded. In the last case, the valuations results recorded in the reserve will be transferred into the profit and loss account, and will be recognised under the item "Fair value adjustments in hedge accounting". The fair value changes recorded in item "Revaluation reserves" are also disclosed in the Statement of Comprehensive Income.
  Cash flow hedges are used by Bank Austria for protecting future variable cash flows against changes in market rates. They hedge the exposure to variability in cash flows which result from assets or liabilities or from planned transactions and have an effect on profit or loss. Changes in the fair values of derivatives designated as hedging instruments are divided into a portion that is determined to be an effective hedge, and into an ineffective portion. The effective portion of any gain or loss on the hedging instrument is included in the cash flow hedge reserve and recognised in profit or loss in the same period in which the change in the value of the underlying transaction is recognised in profit or loss.
  This neutralises the effect on profit or loss. The effectiveness of cash flow hedges is measured on a regular basis in accordance with IAS 39.
- **Portfolio Fair Value Hedge** for financial assets or debts: Pursuant to IAS 39, not only fixed-interest assets or debts can be hedged against interest rate changes as a fair value hedge, but also a monetary item that is spread across a number of financial assets or debts (or parts thereof). Accordingly, a group of derivatives can be used to hedge fluctuations in fair value in a portfolio of hedge items as a consequence of fluctuations in market interest rates. Macro hedging may not be used for net positions resulting from the offsetting of assets and liabilities. 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.

Additional Tier 1 capital instruments are included in this category in accordance with the provisions of Regulation (EU) No 575/2013 (CRR) on prudential requirements for credit institutions and investment firms if, in addition to the characteristics described above,

- it is at the issuer's full discretion to write-up the nominal value after an event that led to a write-down of the capital;
- they do not contain any conditions that oblige the issuer to make payments ("must-pay clause") upon the occurrence of certain events (which are subject to direct control by the contracting parties).

A – Accounting methods

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

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

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

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

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

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

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

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

Loan securitisations
Loans and receivables also include loans securitized.

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".

A – Accounting methods

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** (2023 to 2025; different in individual cases):
  For 2022, annual net profit and, in the case of valuations of banks, 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 2025, were used. Any planning data available for subsequent years beyond this was used.
- **Phase 2** (from end of planning period–2030):
  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 Bank Austria 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, Bank Austria uses a target CET1 capital ratio of 12.0% for banks (unchanged from the previous year). 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.

Bank Austria holds a stake in three Austrian regional banks (Oberbank, BKS Bank AG (BKS), Bank für Tirol und Vorarlberg (BTV), known collectively as the “3-Bank Group”), which are recognised “at equity” in the annual consolidated 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 clarified in 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. In accordance with IAS 36, it was established as at 31 December 2022 whether there was any indication from either external or internal information sources that the investments could be impaired. A check was also done to determine 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 2022, 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 with the fair value (less costs to sell). Where the fair value (less costs to sell) was less than the carrying amount or, in the case of a previously existing impairment, where the fair value (less costs to sell) 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 BKS and BTV, their fair values (less costs to sell) were less than their respective carrying amounts. An impairment test was carried out by calculating the value in use for all three banks.

A – Accounting methods

The value in use was calculated using the DCF model, with the following two scenarios taken into account:

- **"Baseline 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 to 2025.
  From 2025, the effects of the application of CRR3, where this had not yet been taken into account in the investments themselves, were scheduled for all three investments.
- **"Downturn scenario":**
  The downturn scenario differs from the basic scenario by adjusting the expected cash flows in Phase 2 to the long-term average level of the three investments, supported by the level of the selected peer group.

The basic scenario and downturn scenario were each weighted with a probability of occurrence of 50%. A different weighting of the basic and downturn scenarios would not significantly change the result of the impairment test: a 5% shift in favour of the downturn scenario would worsen the value in use by a maximum of 0.9%.
In addition, a change in the cost of capital of 0.1% points per company would result in a maximum change in the value in use of 1.1%, and a change in the long-term growth rate by 0.1% points would result in a maximum change in the value in use of 0.4%.

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

3-Banken - Impairment Test

(€ million)

LEGAL ENTITY	SHARE	CARRYING VALUE BEFORE 4Q22 IMPAIRMENT [1]	CARRYING VALUE AFTER 4Q22 IMPAIRMENT [1] [2]	PROPORTIONAL MARKET CAPITALIZATION [2]
Oberbank	27.2%	938.6	938.6	983.4
BTV	47.4%	776.2	711.0	657.9
BKS	29.8%	380.7	356.0	179.0

1) Values incl. 2022 earnings share
2) as of 31 December 2022

The result of the impairment test for the three banks carried out in Q4 2022 led to an impairment of €65.3 million for BTV and €24.7 million for BKS in Q4 2022. The proportional market capitalisation for Oberbank was higher than the carrying amount. However, there were no impairments recorded in the past.

For 2022, the result of the impairment test for the three banks resulted mainly from the increase in the cost of capital to 8.5% (previous year: 7%) for calculating the value in use at a total impairment of €107.9 million (previous year: total impairment of €5.8 million) or €85.6 million for BTV (previous year: impairment of €85.8 million) and €22.3 million for BKS (previous year: write-up of €37.2 million), while no impairment was carried out for Oberbank (previous year: write-up of €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 2022 financial statements.

A – Accounting methods

A.6 – Information on other financial statement line items

A.6.1 – Cash and cash equivalents

The cash and cash equivalents designated in the statement of cash flows include the cash and cash balances. Cash and cash balances include current accounts with banks.

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

Item 90. Property, plant and equipment 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 investment
- Inventories within the scope of application of IAS 2.

This item also includes property, plant and equipment from the recall of collateral.

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 are land and buildings covered by IAS 40, i.e. properties held 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 plant, property and equipment 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.

A – Accounting methods

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.

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 systems: max. 15 years
- Other: maximum 10 years

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

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

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

A.6.3 – Intangible assets

Intangible assets mainly include software and are not explained due to 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 “Non-current assets, liabilities and disposal groups classified as held for sale” at the lesser of the carrying amount and 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 – Current and deferred taxes

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 due in accordance with local tax regulations;
- deferred tax assets, i.e. the amounts of income tax recoverable in future fiscal 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 fiscal years in respect of taxable temporary differences.

A – Accounting methods

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

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

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

The impact of the adopted change in the tax rate (in 2023: 24%; from 2024: 23%) was calculated according to the expected future use of deferred tax assets and liabilities and was taken into account accordingly. This led to a reduction in deferred tax assets of €39 million in the reporting year.

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.

An update to the multi-year plan “UniCredit Unlocked” for 2023 to 2025 was available to assess the usability of the tax losses carried forward as at 31 December 2022. For tax purposes, an update was carried out for subsequent years (10-year period) using the Monte Carlo simulation. With regard to the tax loss carryforwards attributable to the spun-off CEE segment, an appropriate allocation of the loss carryforwards was made, which is to be regarded as recoverable. The valuation was carried out taking into account the appropriate assessment assumptions in connection with ongoing tax audits or years that have not yet been finally assessed.

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 discontinued 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.

As at 31 December 2022, in accordance with Article 9 of the Austrian Corporation Tax Act (KStG), a group of companies consisted of UniCredit Bank Austria AG as the group parent and 139 exclusively domestic group members, including 10 companies with profit and loss transfer agreements (previous year: 11) and 129 companies with tax allocation agreements (previous year: 148).

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 – Accounting methods

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

A.6.7.1 – Long-term former employee benefits

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

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

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

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

The amount recognised in the item "Provisions for risks and charges – post-retirement benefit obligations" is the present value of the obligation at the balance sheet date. There are currently no plan assets in the Bank Austria Group. Pursuant to IAS 19, actuarial gains and losses are not recognised in profit or loss but in other comprehensive income. 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 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 2022:
- Pensions: 11.36 years (previous year: 13.13 years)
- Severance: 7.04 years (previous year: 7.94 years)
- Anniversary bonus: 6.54 years (previous year: 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 the basis of the following actuarial assumptions:

- Discount rate: 3.80% p.a. (previous year: 1.00% p.a.)
  The interest rate was calculated based on the DBO cash flow determined by Mercer and taking as a basis the UniCredit Yield Curve from the UniCredit Group. The actuarial assumptions used to determine obligations vary from plan to plan. The discount rate is determined depending on the maturity of the liability, referring to the market returns on the balance sheet date for a portfolio of "high-quality corporate bonds" in order to reflect the economic correlation and to ensure the mutual consistency of the different valuation assumptions (i.e. inflation rate, salary and bond growth rates, plan assets).
- Salary increase: 3.43% (previous year: 2.48%);
- Pension increase (BA - ASVG: 2.85% p.a. (previous year: 1.74% p.a.), calculated on the basis of the effective average real pension increases over the last 20 years;
- Pension increase (other): 3.14% p.a. (previous year: 2.24% p.a.), calculated on the basis of the effective average real pension increases, taking into account a long-term expected inflation rate of 1.93%;
- No discount for staff turnover, as in the previous year;
- AVÖ-2018 P mortality tables for employees (Aktuarverein Österreich, generation tables for employees) (previous year: AVÖ-2018 P for employees).

A – Accounting methods

Sensitivity analysis

(€ millions)

		EFFECT ON DEFINED BENEFIT OBLIGATION	
		31.12.2022	**31.12.2021**
Discount rate	-0.25%	79	120
	0.25%	(75)	(113)
Salary increase rate	-0.25%	(4)	(6)
	0.25%	4	7
Pension increase rate	-0.25%	(71)	(106)
	0.25%	75	112

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

A.6.7.2 – Other provisions for risks and charges and contingent liabilities

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

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

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

Provisions are reviewed periodically and adjusted to reflect the current best estimate. If it becomes clear that it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.
Provisions are used only for expenses for which they were originally recognised. Allocations made in the year are recognised in profit or loss and include increases due to the passage of time; they are also net of any reversal.

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

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

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

A.6.7.3 – Share-based payments

Share-based remuneration paid to employees or other service providers as consideration for goods or services received includes:
- stock options;
- performance-related shares (i.e. they are granted when certain targets are achieved);
- blocked shares (i.e. that are subject to a vesting period).

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 – Accounting methods

The fair value of a cash-settled share-based payment, the services acquired and the liability incurred are measured at the fair value of the liability, recognised in the item "Other liabilities". The fair value of the liability, as long as it has not been settled, is revalued on each balance sheet date, and all changes in the fair value are recorded in the income statement under the item "Administrative costs": - Payroll costs

A.6.7.4 – Other long-term employee benefits

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

Actuarial gains/losses from this type of benefit are recognised at once through profit or loss.

A.6.8 – Targeted longer-term refinancing operations (TLTRO)

In accordance with the UniCredit Group's accounting principles, the TLTRO III liabilities are recorded as refinancing instruments in the banking book, which are subsequently measured at amortised cost in accordance with IFRS 9.4.2.1. The prospect that the borrowing bank will be charged a variable negative interest rate on "longer-term refinancing operations" in addition to the average deposit facility rate ("DFR") or the main refinancing operation ("MRO") is linked to the achievement of certain threshold values for the cumulative net financing (CNL) vis-à-vis approved business partners.1
In particular, the terms and conditions for TLTRO instruments originally reflected the ECB's monetary policy initiatives aimed at reducing the "financing costs" for banking institutions through the use of "unconventional" instruments, which was reflected in money market transactions.

Consequently, in the context of the accounting analysis, the possibility was rejected that such interest would have been evened out either (i) by a public-sector grant (since the ECB's TLTRO is itself a market with "limited access and bank-specific") or (ii) by an embedded derivative. Consequently, the contractual clause was interpreted as a clause reflecting a floating-rate financial liability with a coupon (the refinancing operation) and as part of calculating the interest on the liability under IFRS 9.

In accordance with the aforementioned accounting standard, interest was calculated using the "effective interest method", in which interest rates are distributed over the period of application of the "effective interest rate" (EIR). The latter is defined as the rate at which the estimated future cash flows are discounted to the net book value over the expected term of the financial instruments.
Accordingly, the changes to the "performance-based fee" in the periods from June 2020 to June 2022 were treated similarly to changes to the market index for floating-rate liabilities. With reference to the EIR rules for "market-based" variable remuneration, changes to the "market index" (e.g. key interest rate and spread) were therefore taken into account by adjusting the carrying amount of the instruments, which was calculated with reference to the performance of the "TLTRO index" and limited to the share accrued (to date)[2].

UniCredit Bank Austria AG used a total of €16.95 billion in central bank refinancing, which each had a 3-year term (of which €15.40 billion under the fourth tranche of TLTRO III in June 2020 and €1.55 billion under the seventh tranche of TLTRO III in March 2021).

In the third quarter of 2022, the ECB raised interest rates on the deposit facility twice: in July 2022, the interest rate for the deposit facility was raised from -0.5% to 0% and in September from 0% to 0.75%. As a result of the application of the accounting policy, the effective interest rate of TLTRO III was retroactively recalculated: for the allocation of the fourth tranche of TLTRO III ("TLTRO III.4"), the recalculation led to an increase in the EIR from -0.83% to -0.71%, while for the TLTRO III.7, the recalculation led to an increase in the EIR from -0.51% to -0.32% (the weighted overall average of the EIR rose from -0.82% to -0.67%), which led to a negative impact of €-48 million.

On 27 October 2022, the ECB Council decided to re-calibrate the conditions of the third series of targeted longer-term refinancing operations (TLTRO III) as part of its monetary policy measures to restore medium-term price stability in order to help normalise the banks' favourable financing costs.

[1] Loans to non-financial corporations & loans to private households, excluding housing loans.
[2] Similar to other "market-indexed" floating-rate bonds.

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The purpose of the TLTRO has changed in this respect: from instruments intended to improve the functioning of the monetary transmission mechanism by stimulating banks' lending to the real economy, to regular financing of banks at market interest rates. Further details:

- The calculation of the interest rate on the basis of the originally contractually determined average DFR over the total term to maturity of the respective instrument was maintained for the period from the settlement date of the respective TLTRO III operation until 22 November 2022;
- From 23 November 2022 (i.e. until the maturity date or early repayment date of the respective TLTRO III operation), the interest rate will be adjusted to the average applicable ECB key interest rates in this period, i.e. to the DFR.

Against this background, an audit was carried out to determine whether the amendment to the terms and conditions of the TLTRO represents a significant change to the conditions of the financial liability that is to be recorded in accordance with IFRS 9 paragraph 3.3.6 as repayment of the original financial liability and recognition of a new liability.

The contractual conditions were amended as follows:

- Change of "moving average" over the entire term of the instrument
- Conversion of the instrument into a "pure" variable interest instrument at market conditions from 23 November 2022
- Introduction of new early repayment dates at nominal value[3] without contractual penalties

Consequently, the contractual changes were considered to be material in triggering the derecognition of the underlying liability, as the economic risks underlying the TLTRO III liabilities have changed significantly.
In addition, the calculation of amortised cost on the basis of the average effective interest rate calculated since the beginning of the instrument and up to its maturity was no longer considered appropriate[4].
Consequently, the derecognition of the current financial liability and recognition of the new financial liability on 23 November 2022 led to a positive impact on the income statement in the amount of €78.7 million[5], which was classified under the item "100. Gains (Losses) from the disposal and repurchase of: financial liabilities".

It should be noted that the current IAS/IFRS do not contain any specific guidelines for the accounting of TLTRO instruments.

As of 31 December 2022, UniCredit Bank Austria AG still holds €5.4 billion in TLTRO III.4 (due in June 2023) following the early redemption of €10 billion in December 2022 and €1.55 billion in TLTRO III.7 (due in March 2024) with a positive contribution to the 2022 income statement in the amount of €123.7 million, which results from the following factors: interest recorded from 1 January to 22 November 2022 in the amount of €68.5 million, (ii) interest costs of €-23.6 million for the period from 23 November to 31 December 2022, (iii) €+78.7 million from the derecognition of financial liabilities and the recording of final interest rates.

A.6.9 – 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.

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 was 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).

[3] plus accrued interest.
[4] From 27 October 2022 to 23 November 2022 (date of derecognition), net interest was recorded on the basis of the effective interest rate determined in September 2022, as it was no longer possible to apply the previous accounting approach, which included a recalculation of the effective interest rate, following the change in the liability structure.
[5] This is the difference between (i) the contractual financial remuneration (which can be recovered upon effective repayment) and (ii) the previous accounting accruals (including the catch-up and CLN benefits distributed up to the expected maturity after this date).

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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 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 4.750%. 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.6.10 – Interest income and interest expenses

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 income and expenses are recognised in profit or loss on instruments measured at amortised cost and financial assets at fair value through other comprehensive income using the effective interest method. Further execution using the effective interest method can be found in section A.5.3.2 – Categories of financial instruments – Financial assets valued at amortised cost.

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 prevalent low interest rate levels in early-2022, 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) were included in “Interest expenses and similar charges”. Income that Bank Austria received for deposits (liabilities and equity) were recorded in “Interest income and similar revenues”.
The ECB’s raising of benchmark interest rates from July 2022 changed the situation to date. Once again, income was generated again in interbank business and expenses were generated from financial liabilities. Likewise, negative interest accrued with large and institutional customers when a certain limit was exceeded has almost entirely levelled off

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A.6.11 – Income from fees and commissions and other operating income

Income from fees and commissions and other operating income is recognised in the income statement if the company has fulfilled the performance obligation included in the contract in accordance with the rules of "IFRS 15 - Revenue from Contracts with Customers".
Especially:

- if the performance obligation is fulfilled at a specific *point in time*, the relevant revenue is recorded in the income statement at the time of service provision;
- if the performance obligation is met over time, the relevant revenue is recorded in the income statement in order to reflect the progress of the fulfilment of this obligation.

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 fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.
The amount of revenue in connection with fees and commissions and other operating income is determined on the basis of contractual provisions. If the contractually stipulated amount is subject to fluctuations in whole or in part, a return must be recorded on the basis of the most likely amount that the Bank expects.

A.6.12 – Dividends

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

A.6.13 – Gains and losses on the sale and repurchase of: financial assets at amortised cost; financial assets and financial liabilities at fair value through other comprehensive income

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

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

A.6.15 – 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.

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A.6.16 – 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.6.17 – Profit (loss) on equity investments

The share of the owner in the profit or loss of the associated company and the write-ups or write-downs of companies accounted for at equity are recorded in this item.

A.6.18 – Gains and losses on disposal of investments

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

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A.7 – Information on fair value

A.7.1 – General overview

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

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

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

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

If the observable prices in an active market for the identical item held by another party as an asset, or other observable inputs, such as the quoted price in a market that is not active for the identical item held by another party as an asset are not available, the Group should use another valuation technique, such as:
- 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);
- 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 methods use inputs based on prices set in recent transactions for the instrument being valued and/or prices/quotations for instruments having similar characteristics in terms of risk profile.

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

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) and
- fair value adjustments (FVAs).

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

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

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

A.7.2 - Fair value hierarchy

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

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

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

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 31.12.2022			AMOUNTS AS AT 31.12.2021		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets at fair value through profit or loss	120	2,862	202	160	1,595	206
a) Financial assets held for trading	-	2,424	2	-	975	1
b) Financial assets designated at fair value	119	-	-	160	-	-
c) Financial assets mandatorily at fair value	-	438	200	-	620	205
2. Financial assets at fair value through other comprehensive income	9,659	1,895	614	9,574	2,119	734
3. Hedging derivatives	-	4,093	-	-	1,306	-
4. Property, plant and equipment	-	-	372	-	-	385
5. Intangible assets	-	-	-	-	-	-
Total	**9,779**	**8,850**	**1,188**	**9,734**	**5,021**	**1,326**
1. Financial liabilities held for trading	-	2,385	25	-	1,028	-
2. Financial liabilities designated at fair value	-	59	1	-	60	1
3. Hedging derivatives	-	3,930	-	-	1,400	-
Total	**-**	**6,375**	**26**	**-**	**2,489**	**1**

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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 2022							
	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	**206**	**1**	**-**	**205**	**734**	**-**	**385**	**-**
2. Increases	**66**	**1**	**-**	**65**	**11**	**-**	**20**	**-**
2.1 Purchases	1	1	-	-	1	-	1	-
2.2 Profits recognised in	-	-	-	-	9	-	15	-
2.2.1 Income statement	-	-	-	-	-	-	7	-
- of which unrealised gains	-	-	-	-	-	-	7	-
2.2.2 Equity	X	X	X	X	9	-	7	-
2.3 Transfers from other levels	65	-	-	65	-	-	-	-
2.4 Other increases	-	-	-	-	2	-	4	-
3. Decreases	**71**	**-**	**-**	**70**	**131**	**-**	**33**	**-**
3.1 Sales	1	-	-	-	-	-	6	-
3.2 Redemptions	-	-	-	-	54	-	-	-
3.3 Losses recognised in	21	-	-	21	77	-	14	-
3.3.1 Income statement	21	-	-	21	-	-	11	-
- of which unrealised losses	*21*	-	-	*21*	-	-	7	-
3.3.2 Equity	X	X	X	X	77	-	2	-
3.4 Transfers to other levels	37	-	-	37	-	-	6	-
3.5 Other decreases	13	-	-	13	-	-	7	-
of which: business combinations	-	-	-	-	-	-	-	-
4. Closing balances	**202**	**2**	**-**	**200**	**614**	**-**	**372**	**-**

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.7.2.2 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**	**712**	**-**	**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	653	-	-	-
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	*3,000*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
4. Closing balances	**206**	**1**	**-**	**205**	**711**	**-**	**385**	**-**

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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 2022			CHANGES IN 2021		
	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	**-**	**1**	**-**	**3**	**1**	**-**
2. Increases	**24**	**-**	**-**	**-**	**-**	**-**
2.1 Issuance	24	-	-	-	-	-
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**	**-**	**-**
3.1 Redemptions	-	-	-	3	-	-
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	**25**	**1**	**-**	**-**	**1**	**-**

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

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

In the 2022 fiscal year, there were transfers from Level 2 to Level 1 of €495 million and from Level 1 to Level 2 of €39 million.

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.

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

In the Bank Austria Group, the fundamental fair value measurements are adjusted to include factors that a market participant would take into account when determining the fair value of a financial instrument. Fair value adjustments 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 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.

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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 separated between the offices that are responsible for development and validation. The purpose of this independent control framework is to assess model risk arising from models' theoretical soundness, calibration techniques where needed, and the appropriateness of the model for a specific product in a defined market.

In addition to daily "*marking to market*" or "*marking to model*", Independent Price Verification (IPV) shall be performed. During the Independent Price Verification (IPV), a fair value is determined for each illiquid instrument using the pricing model. The sensitivity analysis for Level 3 positions with respect to the unobservable model input is based on the following categories of model inputs:

- Credit spreads (SP): for instruments exposed to issuer risk the unobservable input is mainly the issuer credit spread.
- Interest rates (IR): In the absence of liquid interest rate swap markets, the term structure of the return curve of available instruments, primarily government bonds, is used.
- Equity (EQ): in the absence of active markets, approximate values are used.

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

The sensitivity analysis for Bank Austria shows that the main level 3 positions are fair value loans, bond issues and interest rate options.

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

- for equity, commodity and currency derivatives and interest rate options, the change in value in the event of a 1% shift in the underlying volatility is indicated;
- For credit derivatives, a 1 basis point change in the risk premium or the effect of a 5% shift in the repayment rate on the CVA is indicated [6];
- 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.

[6] The sensitivity to the LGD of the CVA adjustment of counterparties who are in default under internal guidelines amounts to €0.03 million.

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(€ million)

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	AS AT 31.12.2022 FAIR VALUE ASSETS LEVEL 3	FAIR VALUE MOVEMENTS GIVEN REASONABLE POSSIBLE ALTERNATIVES	
1. Financial assets at fair value through profit or loss	202	+/-	0.3
a) Financial assets held for trading	2	+/-	0.1
b) Financial assets designated at fair value	-	+/-	-
c) Financial assets mandatorily at fair value	200	+/-	0.2
2. Financial assets at fair value through other comprehensive income	614	+/-	0.2
3. Hedging derivatives	-	+/-	-
4. Property, plant and equipment	372	+/-	-
5. Intangible assets	-	+/-	-
Total A	**1,188**	**+/-**	**0.5**
1. Financial liabilities held for trading	25	+/-	0.1
2. Financial liabilities designated at fair value	1	+/-	-
3. Hedging derivatives	-	+/-	-
Total B	**26**	**+/-**	**0.1**

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. Bank Austria 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 represents the most significant parameter in determining fair value for instruments that are sensitive to an equity forward price.

Interest rate curve

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

Credit spreads

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

Loss Given Default (LGD)/recovery rate

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

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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 liabilitites 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 debt securities in issue, recorded at amortised cost, is determined using the Discounted Cash Flow model.

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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			FAIR VALUE ASSETS	FAIR VALUE LIABILITIES	VALUATION TECHNIQUE	UNOBSERVABLE PARAMETERS	UNCERTAINTY RANGES	
Derivatives								
	Financial instruments	Equity & Commodities	0.76	0.19	Option Pricing Model	Volatility	3%	15%
						Correlation	2%	29%
					Option Pricing Discounted Cash	Dividends Yield	1%	26%
		Foreign Exchange	0.56	0.22	Option Pricing	Volatility	0%	161%
					Discounted Cash	Interest rate	0.315	140.81
		Interest Rate	0.38	24.03	Discounted Cash	Swap Rate	0.315	140.81
						Inflation Swap	2.94	11.59
					Option Pricing Model	Inflation Volatility	1%	3%
						Interest Rate Volatility	0%	29%
						Correlation	0%	22%
	Credit derivatives		0.13	0.14	Hazard Rate Model	Credit Spread (bps)	1	369
						Recovery rate	0%	5%
Debt Securities and Loans		Corporate/Government/ Other	566.88	0	Market Approach	Credit Spread (bps)	1	1707
		Mortgage & Asset Backed Securities	129.92	0	Discounted Cash Flows	Credit Spread (bps)	55	2280
						Recovery rate	0%	70%
						Default Rate	0%	4%
						Prepayment Rate	0%	20%
Equity Securities		Unlisted Equity & Holdings	112.07	0	Market Approach	Price (% of used value)	0%	3%
					Gordon Growth Model	Ke	8%	17%
						Growth Rate	1%	4%
Units in Investment Funds		Real Estate & Other Funds	1.92	0	Adjusted Nav	PD	1%	30%
						LGD	35%	60%

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A.8 – Scope of consolidated companies and changes in the scope of consolidated companies of Bank Austria Group

A.8.1 – Information on fully consolidated companies

Investments in subsidiaries (consolidated line by line)

NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2022 HOLDING %	2022 VOTING RIGHTS % *)	2021 HOLDING %	2021 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	
Alpha Rent doo Beograd	BELGRADE	RSD 3,285,948,900	100.00		100.00	
ALV Immobilien Leasing Gesellschaft m.b.H.	VIENNA		Merged on 24.08.2022		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 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		Sold on 01.11.2022		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 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	
BAHBETA Ingatlanhasznosito Kft.	BUDAPEST	HUF 30,000,000	100.00		100.00	
BAH-OMEGA Zrt. "v.a."	BUDAPEST	HUF 70,000,000	100.00		100.00	
BAL CARINA Immobilien Leasing GmbH	VIENNA		Merged on 24.08.2022		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	
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	

*) Voting rights are only shown if they differ from the percentage of shareholdings and/or if there has been a change compared with the previous year.

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NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2022 HOLDING %	2022 VOTING RIGHTS % *)	2021 HOLDING %	2021 VOTING RIGHTS % *)
Bank Austria Finanzservice GmbH	VIENNA	EUR 490,542	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		Merged on 18.08.2022		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		Merged on 02.09.2022		94.95	
Bank Austria Real Invest Immobilien-Kapitalanlage GmbH	VIENNA	EUR 5,000,000	94.95	100.00	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 OG	VIENNA		100.00		100.00	
Beteiligungsverwaltungsgesellschaft der Bank Austria Creditanstalt Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
Brewo Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,337	100.00		100.00	
CABET-Holding GmbH	VIENNA	EUR 290,909	100.00		100.00	
CABO Beteiligungsgesellschaft m.b.H.	VIENNA	EUR 35,000	100.00		100.00	
CA-Leasing Senioren Park GmbH	VIENNA	EUR 36,500	100.00		100.00	
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		Liquidated on 02.12.2022		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, Wien & Co. Grundstücksvermietung und -verwaltung KG	MÜNCHEN	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	
CA-ZETA Real Estate Development Limited Liability Company	BUDAPEST	HUF 3,000,000	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	
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	-	Merged on 30.09.2022		50.10	

*) Voting rights are only shown if they differ from the percentage of shareholdings and/or if there has been a change compared with the previous year.

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NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2022 HOLDING %	2022 VOTING RIGHTS % *)	2021 HOLDING %	2021 VOTING RIGHTS % *)
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		Merged on 24.08.2022		100.00	
FactorBank Aktiengesellschaft	VIENNA	EUR 3,000,000	100.00		100.00	
FINN Arsenal Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
FMZ Savaria Szolgáltató Korlátolt Felelösség Tarsaság	BUDAPEST	HUF 3,000,000	75.00		75.00	
FMZ Sigma Projektentwicklungs GmbH	VIENNA		Merged on 18.08.2022		100.00	
Folia Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,336	100.00		100.00	
Fugato Leasing Gesellschaft m.b.H.	VIENNA		Merged on 30.07.2022		100.00	
GALA Grundstückverwaltung Gesellschaft m.b.H.	VIENNA	EUR 27,434	100.00		100.00	
Gebäudeleasing Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Gemeindeleasing Grundstückverwaltung Gesellschaft m.b.H.	VIENNA	EUR 18,333	100.00		100.00	
Grundstücksverwaltung Linz-Mitte GmbH	VIENNA	EUR 35,000	100.00		100.00	
HERKU Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
HONEU Leasing Gesellschaft m.b.H.	VIENNA		Merged on 30.07.2022		100.00	
Immobilienleasing Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA		Liquidated on 03.12.2022		100.00	
INTRO Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,336	100.00		100.00	
ISB Universale Bau GmbH	BERLIN	EUR 6,288,890	100.00		100.00	
Jausern-Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,336	100.00		100.00	
Kaiserwasser Bau- und Errichtungs GmbH und Co OG	VIENNA	EUR 36,336	99.80	100.00	99.80	
Kutra Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,337	100.00		100.00	
Lagermax Leasing GmbH	VIENNA		Sold on 01.07.2022		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	

*) Voting rights are only shown if they differ from the percentage of shareholdings and/or if there has been a change compared with the previous year.

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NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2022 HOLDING %	2022 VOTING RIGHTS % *)	2021 HOLDING %	2021 VOTING RIGHTS % *)
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		Merged on 24.08.2022		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		Merged on 18.08.2022		100.00	
Mögra Leasing Gesellschaft m.b.H.	VIENNA		Merged on 30.07.2022		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		Liquidated on 01.12.2022		95.00	
Oct Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
OLG Handels- und Beteiligungsverwaltungsgesellschaft m.b.H.	VIENNA	EUR 36,336	100.00		100.00	
Palais Rothschild Vermietungs GmbH & Co OG	VIENNA	EUR 2,180,185	100.00		100.00	
Paytria Unternehmensbeteiligungen Gesellschaft m.b.H.	VIENNA	EUR 36,336	100.00		100.00	
PELOPS Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,337	100.00		100.00	
Piana Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
POLLUX Immobilien GmbH	VIENNA	EUR 36,500	100.00		100.00	
Posato Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Prelude Grundstücksverwaltungs-Gesellschaft m.b.H. in Liqu.	VIENNA	EUR 36,500	100.00		100.00	
Projekt-Lease Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
QUADEC Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Quart Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Quint Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
RANA-Liegenschaftsverwertung GmbH	VIENNA	EUR 72,700	99.90		99.90	
Real Invest Europe d BA RI KAG	VIENNA		75.64		75.64	

*) Voting rights are only shown if they differ from the percentage of shareholdings and/or if there has been a change compared with the previous year.

A – Accounting methods

NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2022 HOLDING %	2022 VOTING RIGHTS % *)	2021 HOLDING %	2021 VOTING RIGHTS % *)
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.in Liqu.	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		Liquidated on 03.12.2022		100.00	
Spectrum Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,336	100.00		100.00	
Stewe Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,337	100.00		100.00	
Success 2015 B.V.	AMSTERDAM	EUR 1	100.00		100.00	
Terz Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
TREDEC Z Immobilien Leasing Gesellschaft m.b.H. in Liqu.	VIENNA	EUR 36,500	100.00		100.00	
UCLA Am Winterhafen 11 Immobilienleasing GmbH & Co OG	VIENNA		100.00		Added to scope of consolidation 01.02.2021	
UCLA Immo-Beteiligungsholding Gmbh & Co KG	VIENNA	EUR 10,000	100.00		100.00	
Ufficium Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,337	100.00		100.00	
Unicom Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
UniCredit Achterhaus Leasing GmbH	VIENNA	EUR 35,000	Added to scope of consolidation 03.03.2022			
UniCredit AURORA Leasing GmbH	VIENNA	EUR 219,000	100.00		100.00	
UniCredit Bank Austria AG	VIENNA	EUR 1,681,033,521	100.00		100.00	
UniCredit Center am Kaiserwasser GmbH	VIENNA	EUR 35,000	100.00		100.00	
UniCredit Garagen Errichtung und Verwertung GmbH	VIENNA	EUR 57,000	100.00		100.00	
Unicredit Gustra Leasing GmbH	VIENNA	EUR 35,000	100.00		100.00	
Unicredit Hamred Leasing GmbH	VIENNA	EUR 35,000	100.00		100.00	
UniCredit KFZ Leasing GmbH	VIENNA	EUR 648,000	100.00		100.00	
UniCredit Leasing (Austria) GmbH	VIENNA	EUR 17,296,134	100.00		100.00	
UniCredit Leasing Alpha Assetvermietung GmbH	VIENNA	EUR 35,000	100.00		100.00	
UniCredit Leasing Technikum GmbH	VIENNA	EUR 35,000	100.00		100.00	
UniCredit Leasing Versicherungsservice GmbH & Co KG	VIENNA		Liquidated on 01.07.2022		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 OK1 Leasing GmbH	VIENNA	EUR 35,000	100.00		100.00	

*) Voting rights are only shown if they differ from the percentage of shareholdings and/or if there has been a change compared with the previous year.

A – Accounting methods

NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2022 HOLDING %	2022 VOTING RIGHTS % *)	2021 HOLDING %	2021 VOTING RIGHTS % *)
UniCredit Pegasus Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
UniCredit Polaris Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
UniCredit Sterneck Leasing GmbH	VIENNA	EUR 35,000	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	
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		Merged on 24.08.2022		100.00	
Z Leasing TAURUS Immobilien Leasing Gesellschaft m.b.H.	VIENNA		Liquidated on 07.12.2022		100.00	
Z Leasing VENUS Immobilien Leasing Gesellschaft	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing VOLANS Immobilien Leasing Gesellschaft m.b.H.	VIENNA		Liquidated on 02.12.2022		100.00	
Zapadni Trgovacki Centar d.o.o.	RIJEKA	HRK 20,000	100.00		100.00	

*) Voting rights are only shown if they differ from the percentage of shareholdings and/or if there has been a change compared with the previous year.

A – Accounting methods

A.8.2 – Breakdown of minority interests

Non-controlling interests

(€ million)

	31.12.2022	31.12.2021
card complete Service Bank AG	23	20
DC Bank AG [1]	-	4
Other entities	3	5
Consolidation adjustments	6	2
TOTAL	**32**	**31**

[1] Merged with card complete on 30 September 2022

A – Accounting methods

Investments in subsidiaries with material non-controlling interests, 2022

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	723,955	2,558	623,076	94,577	352,243	45,226	22,568	49.90

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

A – Accounting methods

(€ thousand)

NET INTEREST MARGIN	OPERATING INCOME	OPERATING COSTS	TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	TOTAL PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	PROFIT (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS	NET PROFIT OR LOSS (1)	OCI (2)	COMPREHENSIVE INCOME (3) = (1) + (2)	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	DIVIDENDS PAID TO NON-CONTROLLING INTERESTS
5,700	77,341	(74,171)	(936)	(1,809)	-	(1,809)	1,032	(777)	(388)	-

(€ 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)	-

A – Accounting methods

A.8.3 - Joint Ventures and associated companies

Investments in associates and joint ventures

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	30.09.2022
BKS Bank AG	At equity	KLAGENFURT	1	30.09.2022
CBD International Sp.z.o.o.	At equity	WARSCHAW	5	31.12.2021
Fides Leasing GmbH	Joint Venture	VIENNA	2	31.12.2022
HETA BA Leasing Süd GmbH	Joint Venture	KLAGENFURT	2	31.12.2022
NOTARTREUHANDBANK AG	At equity	VIENNA	1	30.09.2022
Oberbank AG	At equity	LINZ	1	30.09.2022
Oesterreichische Kontrollbank Aktiengesellschaft	At equity	VIENNA	1	30.09.2022
Österreichische Wertpapierdaten Service GmbH	At equity	VIENNA	3	31.12.2021
Palatin Grundstückverwaltungs Gesellschaft m.b.H.	Joint Venture	ST. PÖLTEN	2	31.12.2022
PSA Payment Services Austria GmbH	At equity	VIENNA	2	31.12.2021
"UNI" Gebäudemanagement GmbH	At equity	LINZ	5	30.09.2022
WKBG Wiener Kreditbürgschafts- und Beteiligungsbank AG	At equity	VIENNA	1	31.12.2021

1) Last financial statements used for consolidation.

Type of participation:
1 = Bank
2 = Financial institution
3 = Provider of ancillary banking services
4 = Insurance company
5 = Non-financial company
6 = Other participation

A – Accounting methods

(€ thousand)

2022				2021			
ISSUED CAPITAL	HOLDING %	VOTING RIGHTS %	CARRYING AMOUNT € THSD	ISSUED CAPITAL	HOLDING %	VOTING RIGHTS %	CARRYING AMOUNT € THSD
EUR 74,250,000	47.38		710,879	EUR 68,062,500	47.38		699,213
EUR 85,885,800	29.78		355,992	EUR 85,885,800	29.78		359,656
PLN 100,500	49.75		5,491	PLN 100,500	49.75		1,821
EUR 36,000	50.00		211	EUR 36,000	50.00		207
EUR 36,500	50.00		32	EUR 36,500	50.00		1,134
EUR 8,030,000	25.00		11,523	EUR 8,030,000	25.00		10,973
EUR 105,846,000	27.17		938,561	EUR 105,864,000	27.17		909,830
EUR 130,000,000	49.15		426,279	EUR 130,000,000	49.15		407,004
EUR 100,000	29.30		88	EUR 100,000	29.30		77
EUR 36,336	50.00		65	EUR 36,336	50.00		74
EUR 285,000	24.00		8,547	EUR 285,000	24.00		7,669
EUR 18,168	50.00		156	EUR 18,168	50.00		118
EUR 9,205,109	21.54		3,697	EUR 9,205,109	21.54		5,911

Note: Voting rights are only shown if they differ from the percentage of shareholdings and/or if there has been a change compared with the previous year.

A – Accounting methods

Investments in associates and joint ventures: accounting information 2022*)

NAME	TOTAL ASSETS	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	NON-FINANCIAL ASSETS	FINANCIAL LIABILITIES
Under significant influence					
BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT	14,249,518	2,387,515	11,303,415	558,588	11,943,456
BKS BANK AG	10,561,712	910,231	9,445,486	205,995	8,907,013
NOTARTREUHANDBANK AG	2,711,243	3	2,706,969	4,271	2,658,862
OBERBANK AG	27,910,663	3,483,211	23,877,699	549,753	23,818,536
OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT	34,891,796	79,702	34,712,104	99,990	32,412,871

*) In addition to the data from 30.09.2022, the table also includes the capital increase of BTV, which was carried out in December 2022.

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

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
275,265	2,030,797	423,001	146,985	(75,183)	(12,798)	93,857	101,213	4,838
215,711	1,438,988	279,987	138,755	(98,136)	(7,333)	57,586	67,538	2,942
6,287	46,094	15,366	9,371	(8,997)	(1,615)	4,013	4,013	453
795,349	3,296,778	679,887	372,261	(339,391)	(45,182)	114,877	134,220	9,594
1,611,620	867,305	412,656	109,915	(80,151)	(16,596)	53,012	71,938	16,082

(€ 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

A – Accounting methods

Consolidated companies and changes in consolidated companies of the Bank Austria Group in 2022

	CONSOLIDATED COMPANIES	COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD	TOTAL
Opening balance	**193**	**13**	**206**
Additions	**1**	**-**	**1**
Newly established companies	-	-	-
Acquired companies	1	-	1
Other changes	-	-	-
Changes in UniCredit Group	-	-	-
Disposals	**22**	**-**	**22**
Companies sold or liquidated	9	-	9
Mergers	13	-	13
Changes in UniCredit Group	-	-	-
CLOSING BALANCE	**172**	**13**	**185**

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	25.00
"MARTIANEZ COMERCIAL, SOCIEDAD ANONIMA"	Puerto de la Cruz	100.00
AI Beteiligungs GmbH	Vienna	100.00
Alpine Cayman Islands Ltd.	George Town	100.00
BAH-Kappa Kft. "V.A."	Budapest	Liquidated on 11.04.2022
BA Alpine Holdings, Inc.	Wilmington	100.00
BA WORLDWIDE FUND MANAGEMENT LTD	Tortola	94.95
BA-CA Investor Beteiligungs GmbH	Vienna	89.26
BA-CA Wien Mitte Holding	Vienna	Merged on 30.09.2022
Bank Austria Real Invest Asset Management GmbH	Vienna	94.95
DC elektronische Zahlungssysteme GmbH	Vienna	50.10
Diners Club CS, s.r.o.	Warsaw	50.10
Diners Club Polska Sp.z.o.o.	Bratislava	50.10
ELINT Gesellschaft m.b.H. in Liqu.	Vienna	Liquidated on 15.05.2022
GEWOG Gemeinnützige Wohnungsbau-Gesellschaft m.b.H.	Vienna	20.00
Human Resources Service 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	Liquidated on 08.06.2022
RE-St.Marx Holding GmbH	Vienna	100.00
Treuconsult Beteiligungsgesellschaft m.b.H.	Vienna	94.95

*) Inclusion is based on quantitative (e.g. total assets <€10 million, possibility of realizing profits) 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	31.12.2022 BOOK VALUE	31.12.2022 NOMINAL VALUE	31.12.2022 FAIR VALUE	31.12.2021 BOOK VALUE	31.12.2021 NOMINAL VALUE	31.12.2021 FAIR VALUE
Units in investment funds	Financial assets mandatorily at fair value through P&L	15	12	15	18	14	18
	Held for trading	-	-	-	-	-	-
TOTAL		**15**	**12**	**15**	**18**	**14**	**18**

Other exposure towards unconsolidated investment funds

Assets

(€ million)

EXPOSURE TYPE	CATEGORY	31.12.2022 BOOK VALUE	31.12.2022 NOMINAL VALUE	31.12.2021 BOOK VALUE	31.12.2021 NOMINAL VALUE
Loans and receivables	Financial assets at amortised cost with customers and financial assets mandatorily at FV through profit or loss	242	242	282	282
Credit derivatives	Held for trading	-	-	-	-
Other derivatives	Held for trading	-	-	1	17
Guarantees	Off-balance sheet	-	-	-	-
Credit lines revocable	Off-balance sheet	-	1,829	-	1,837
Credit lines irrevocable	Off-balance sheet	-	54	-	137
TOTAL		**242**	**2,125**	**283**	**2,273**

Liabilities

(€ million)

EXPOSURE TYPE	CATEGORY	31.12.2022 BOOK VALUE	31.12.2021 BOOK VALUE
Deposits	Financial liabilities at amortised cost: b) Loans and receivables with customers	1,266	1,154
Other derivatives (no credit risk)	Liabilities	-	-
TOTAL		**1,266**	**1,154**

Income from unconsolidated structured entities

In 2022, Bank Austria Group generated income from fees and commissions from unconsolidated investment funds in the amount of € 40 million (previous year: € 41 million).

A – Accounting methods

Disclosure 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 significant 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.1 – 10. Interest income/20. Interest expense	152
B.2 – 40. Fee and commission income/50. Fee and commission expense	154
B.3 – 70. Dividend income and similar revenues	155
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B – Notes to the income statement

B.1 – 10. Interest income/20. Interest expense

B.1.1 Interest income and similar revenues: breakdown

(€ million)

ITEMS/TYPES	YEAR 2022 DEBT SECURITIES	YEAR 2022 LOANS	YEAR 2022 OTHER TRANSACTIONS	YEAR 2022 TOTAL	YEAR 2021 TOTAL
1. Financial assets at fair value through profit or loss	**3**	**33**	**254**	**289**	**292**
1.1 Financial assets held for trading	-	-	254	254	250
1.2 Financial assets designated at fair value	1	-	-	1	1
1.3 Other financial assets mandatorily at fair value	1	33	-	34	40
2. Financial assets at fair value through other comprehensive income	**122**	**-**	**X**	**122**	**108**
3. Financial assets at amortised cost	**7**	**1,132**	**X**	**1,139**	**788**
3.1 Loans and advances to banks	3	118	X	121	24
3.2 Loans and advances to customers	4	1,014	X	1,018	764
4. Hedging derivatives	**X**	**X**	**(49)**	**(49)**	**(130)**
5. Other assets	**X**	**X**	**19**	**19**	**13**
6. Financial liabilities	**X**	**X**	**X**	**141**	**215**
Total	**132**	**1,165**	**224**	**1,662**	**1,285**
of which: interest income on impaired financial assets	-	*43*	-	*43*	*40*
of which: interest income on financial lease	*X*	*43*	*X*	*43*	*47*

Total interest income for financial assets not measured at fair value through profit or loss amounts to €1,280 million (previous: €908 million). Interest income from currency-denominated financial assets amounts to €284 million (previous year: €97 million).

Income received on deposits (liabilities) of €141 million (previous year: €215 million) is reported under interest and similar income.
In addition, interest income also includes €68.5 million (previous year: €57.7 million) attributable to participation in TLTRO III (Targeted Longer-Term Refinancing Operations) of the ECB.

B – Notes to the income statement

B.1.2 Interest expenses and similar charges: breakdown

(€ million)

ITEMS/TYPES	YEAR 2022 DEBTS	YEAR 2022 SECURITIES	YEAR 2022 OTHER TRANSACTIONS	YEAR 2022 TOTAL	YEAR 2021 TOTAL
1. Financial liabilities at amortised cost	**(209)**	**(147)**	**X**	**(356)**	**(233)**
1.1 Deposits from central banks	(26)	X	X	(26)	-
1.2 Deposits from banks	(100)	X	X	(100)	(28)
1.3 Deposits from customers	(83)	X	X	(83)	(60)
1.4 Debt securities in issue	X	(147)	X	(147)	(145)
2. Financial liabilities held for trading	**-**	**-**	**(251)**	**(251)**	**(251)**
3. Financial liabilities designated at fair value	**-**	**(1)**	**-**	**(1)**	**-**
4. Other liabilities and funds	**X**	**X**	**-**	**-**	**(1)**
5. Hedging derivatives	**X**	**X**	**103**	**103**	**202**
6. Financial assets	**X**	**X**	**X**	**(78)**	**(138)**
Total	**(209)**	**(147)**	**(149)**	**(583)**	**(421)**
of which: interest expenses on lease liabilities	*(8)*	*X*	*X*	*(8)*	*(9)*

Total interest expense for liabilities not measured at fair value through profit or loss amounts to -€356 million (previous year: -€234 million).

Interest expense on financial liabilities denominated in foreign currencies amounts to -€139 million (previous year: -€86 million).

Expenses incurred for receivables (assets) amounting to €-78 million (previous year: €-138 million) are reported under interest and similar expenses. In addition, €23.6 million (previous year: €0 million) attributable to participation in TLTRO III (Targeted Longer-Term Refinancing Operations) of the ECB is also reported under interest expense.

B – Notes to the income statement

B.2 – 40. Fee and commission income/50. Fee and commission expense

B.2.1 Fees and commissions income: breakdown

(€ million)

TYPE OF SERVICES/VALUES	YEAR 2022	YEAR 2021
a) Financial Instruments	39	56
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	4
2.1 Reception and transmission of orders of financial instruments	4	4
2.2 Execution of orders on behalf of customers	-	-
3. Other fees related to activities linked to financial instruments	35	52
of which: proprietary Trading	-	-
of which: individual portfolio management	*35*	*52*
b) Corporate Finance	13	8
1. M&A advisory	-	-
2. Treasury services	-	-
3. Other fee and commission income in relation to corporate finance activities	13	8
c) Fee based advice	20	20
d) Clearing and settlement	-	-
e) Collective portfolio management	143	143
f) Custody and administration of securities	70	94
1. Custodian Bank	60	86
2. Other fee and commission income in relation to corporate finance activities	10	9
g) Central administrative services for collective investment	-	-
h) Fiduciary transactions	-	-
i) Payment services	88	83
1. Current accounts	1	1
2. Credit cards	1	2
3. Debits cards and other card payments	25	20
4. Transfers and other payment orders	47	46
5. Other fees in relation to payment services	15	14
j) Distribution of third party services	66	78
1.Collective portfolio management	44	54
2. Insurance products	20	22
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	36	37
of which: credit derivatives	-	-
o) Lending transaction	51	72
of which: factoring services	*3*	*3*
p) Currency trading	27	2
q) Commodities	-	-
r) Other fee income	332	298
of which: management of sharing multilateral trading facilities	-	-
of which: management of organized trading systems	-	-
Total	**886**	**891**

Item r) Other fee income mainly comprises package accounts as well as debit and credit card services.

B – Notes to the income statement

B.2.2 Fees and commissions expenses: breakdown

(€ million)

SERVICES/VALUES	YEAR 2022	YEAR 2021
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	(17)	(18)
1. Own portfolio	(4)	(4)
2. Third party portfolio	(13)	(14)
d) Custody and Admnistration	(33)	(32)
e) Collection and payments services	(134)	(111)
of which: debit credit card service and other payment cards	*(124)*	*(100)*
f) Loan securitization servicing activities	-	-
g) Loan commitment given	-	-
h) Financial guarantees received	(3)	(1)
of which: credit derivatives	-	-
i) Off - site distribution of financial instruments, products and services	(6)	(26)
j) Currency trading	(1)	-
k) Other commission expenses	(5)	(4)
Total	**(201)**	**(194)**

B.3 – 70. Dividend income and similar revenues

B.3.1 Dividend income and similar revenues

(€ million)

	YEAR 2022		YEAR 2021	
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	-	5	-
D. Equity investments	3	-	10	-
Total	**9**	**-**	**16**	**-**

Total dividends and similar revenues	**9**	**16**

B – Notes to the income statement

B.4 – 80. 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 Debt securities	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-
1.3 Units in investment funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Deposits	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**31**
4. Derivatives	**90**	**-**	**-**	**-**	**91**
4.1 Financial derivatives	90	-	-	-	91
- On debt securities and interest rates	89	-	-	-	89
- On equity securities and share indices	-	-	-	-	-
- On currency and gold	X	X	X	X	1
- Other	1	-	-	-	1
4.2 Credit derivatives	-	-	-	-	-
of which: economic hedges linked to the fair value option	*X*	*X*	*X*	*X*	-
Total 31.12.2022	**91**	**-**	**-**	**-**	**123**
Total 31.12.2021	**52**	**1**	**-**	**-**	**82**

B – Notes to the income statement

B.5 – 90. Fair value adjustments in hedge accounting

B.5.1 Fair value adjustments in hedge accounting

(€ million)

P&L COMPONENT/VALUES	YEAR 2022	YEAR 2021
A. Gains on		
A.1 Fair value hedging instruments	2,659	510
A.2 Hedged financial assets (in fair value hedge relationship)	-	-
A.3 Hedged financial liabilities (in fair value hedge relationship)	388	191
A.4 Cash-flow hedging derivatives	-	-
A.5 Assets and liabilities denominated in currency	-	-
Total gains on hedging activities (A)	**3,047**	**701**
B. Losses on		
B.1 Fair value hedging instruments	(2,808)	(510)
B.2 Hedged financial assets (in fair value hedge relationship)	(240)	(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)	**(3,048)**	**(702)**
C. Net hedging result (A – B)	**(1)**	**(1)**
of which: net gains (losses) of hedge accounting on net positions	-	-

The increase of interest rates in year 2022 leads to a significant increase of fair values of derivatives, as well as for the hedge of the asset side as for the liability side.

B.6 – 100. Profits and losses on the disposal of financial assets and repurchase of financial liabilities

B.6.1 Gains (Losses) on disposal/repurchase

(€ million)

	YEAR 2022			YEAR 2021		
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	17	(27)	(10)	8	-	8
2.1 Debt securities	17	(27)	(10)	8	-	8
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**17**	**(27)**	**(10)**	**14**	**-**	**14**
B. Financial liabilities at amortised cost						
1. Deposits from banks	79	-	79	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities in issue	1	(1)	(1)	-	(2)	(1)
Total liabilities (B)	**79**	**(1)**	**78**	**-**	**(2)**	**(1)**
Total financial assets/liabilities			**68**			**12**

B – Notes to the income statement

B.7 – 110. 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	**-**	**-**	**(37)**	**(13)**	**(50)**
1.1 Debt securities	-	-	(37)	(13)	(50)
1.2 Loans	-	-	-	-	-
2. Financial liabilities	**119**	**-**	**(101)**	**-**	**18**
2.1 Debt securities	2	-	-	-	2
2.2 Deposits from banks	117	-	(101)	-	17
2.3 Deposits from customers	-	-	-	-	-
3. Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**-**
Total 31.12.2022	**119**	**-**	**(138)**	**(13)**	**(32)**
Total 31.12.2021	**77**	**-**	**(81)**	**-**	**(4)**

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	**2**	**2**	**(44)**	**(2)**	**(41)**
1.1 Debt securities	-	-	(19)	-	(19)
1.2 Equity securities	-	-	-	-	-
1.3 Units in investment funds	1	2	(2)	-	-
1.4 Loans	1	1	(22)	(2)	(22)
2. Financial assets: exchange differences	**X**	**X**	**X**	**X**	**-**
Total 31.12.2022	**2**	**2**	**(44)**	**(2)**	**(41)**
Total 31.12.2021	**8**	**16**	**(10)**	**(2)**	**12**

B – Notes to the income statement

B.8 – 130. Impairments

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

(€ million)

	YEAR 2022											YEAR 2021
	WRITE-DOWNS						WRITE-BACKS					
			STAGE 3		POCI ASSETS							
TRANSACTIONS/INCOME ITEMS	STAGE 1	STAGE 2	WRITE-OFF	OTHER	WRITE-OFF	OTHER	STAGE 1	STAGE 2	STAGE 3	POCI ASSETS	TOTAL	TOTAL
A. Loans and advances to banks	**-**	**(7)**	**-**	**(8)**	**-**	**-**	**1**	**-**	**-**	**-**	**(14)**	**-**
- Loans	-	(7)	-	(8)	-	-	1	-	-	-	(15)	-
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
B. Loans and advances to customers	**(95)**	**(242)**	**(6)**	**(162)**	**-**	**-**	**42**	**252**	**135**	**1**	**(75)**	**(166)**
- Loans	(95)	(242)	(6)	(162)	-	-	41	252	135	1	(75)	(166)
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(95)**	**(250)**	**(6)**	**(170)**	**-**	**-**	**42**	**253**	**135**	**1**	**(90)**	**(166)**

The development of provisions and write-downs on "loans and advances to customers" is presented in the risk report under the section Overall picture of the development of expected credit losses, development of credit risk costs, and non-performing loans.

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

(€ million)

	YEAR 2022											YEAR 2021
	WRITE-DOWNS						WRITE-BACKS					
			STAGE 3		POCI ASSETS							
TRANSACTIONS/INCOME ITEMS	STAGE 1	STAGE 2	WRITE-OFF	OTHER	WRITE-OFF	OTHER	STAGE 1	STAGE 2	STAGE 3	POCI ASSETS	TOTAL	TOTAL
A. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**1**	**(1)**
B. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Loans and advances to customers	-	-	-	-	-	-	-	-	-	-	-	-
- Loans and advances to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**1**	**(1)**

B – Notes to the income statement

B.9 – 190. a) Payroll costs

B.9.1 Staff expenses

(€ million)

TYPE OF EXPENSES/VALUES	YEAR 2022	YEAR 2021
1) Employees	**(580)**	**(914)**
a) Wages and salaries	(427)	(464)
b) Social charges	(108)	(117)
c) Severance pay	-	-
d) Social security costs	-	-
e) Allocation to employee severance pay provision	-	-
f) Provision for retirements and similar provisions	(49)	(21)
- Defined contribution	-	-
- Defined benefit	(49)	(22)
g) Payments to external pension funds	(14)	(15)
- Defined contribution	(13)	(14)
- Defined benefit	(1)	(1)
h) Costs arising from share-based payments	(3)	(3)
i) Other employee benefits	19	(293)
2) Other staff	**(13)**	**(9)**
3) Directors and Statutory Auditors	**-**	**-**
4) Early retirement costs	**-**	**-**
5) Recoveries of payments for second employees to other companies	**40**	**53**
6) Early retirement costs	**(9)**	**(11)**
Total	**(563)**	**(880)**

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

(€ million)

	YEAR 2022	YEAR 2021
Current service cost	(12)	(13)
Settlement gains (losses)	-	16
Past service cost	(1)	-
Interest cost on the DBO	(36)	(25)
Interest income on plan assets	-	-
Other costs/revenues	-	-
Administrative expenses paid through plan assets	-	-
Total recognised in profit or loss	**(49)**	**(22)**

B.9.3 Other employee benefits

(€ million)

	YEAR 2022	YEAR 2021
- Seniority premiums	-	(2)
- Leaving incentives	31	(279)
- Other	(12)	(12)
Total	**19**	**(293)**

In the year 2022, leaving incentives coming from UniCredit Bank Austria AG includes €17 million discounting of HR provision and liabilities and €7 million release of previous year restructuring provision.

In the previous year, a restructuring provision of -€279.1 million was recognized in connection with the measures planned for Bank Austria under the new strategic plan 2022-2024 "UniCredit Unlocked" announced to the market on 9 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.

B – Notes to the income statement

B.10 – 190. b) Other administrative expenses

B.10.1 Other administrative expenses: breakdown

(€ million)

TYPE OF EXPENSES/SECTORS	YEAR 2022	YEAR 2021
1) Indirect taxes and duties	**(22)**	**(3)**
1a. Settled	(22)	(3)
1b. Unsettled	-	-
2) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)	**(85)**	**(110)**
3) Guarantee fee for DTA conversion	**-**	**-**
4) Miscellaneous costs and expenses	**(445)**	**(505)**
a) Advertising marketing and communication	(17)	(26)
b) Expenses relating to credit risk	(5)	(4)
c) Indirect expenses relating to personnel	(6)	(6)
d) Information & Communication Technology expenses	(250)	(252)
Lease of ICT equipment and software	(1)	(1)
Software expenses: lease and maintenance	(6)	(8)
ICT communication systems	(6)	(6)
Services ICT in outsourcing	(229)	(228)
Financial information providers	(10)	(10)
e) Consulting and professional services	(12)	(24)
Consulting	(9)	(18)
Legal expenses	(3)	(6)
f) Real estate expenses	(37)	(35)
Rentals of premises	(2)	(3)
Utilities	(13)	(9)
Other real estate expenses	(21)	(22)
g) Operating costs	(117)	(159)
Surveillance and security services	(2)	(3)
Money counting services and transport	(5)	(5)
Printing and stationery	(4)	(4)
Postage and transport of documents	(16)	(19)
Administrative and logistic services	(78)	(98)
Insurance	(3)	(3)
Association dues and fees and contributions to the administrative expenses deposit guarantee funds	(8)	(10)
Other administrative expenses - other	(2)	(17)
Total (1+2+3+4)	**(552)**	**(618)**

Bank levies and contribution to resolution funds and deposit guarantee schemes decreased overall to -€107 million (-€112 million in the previous year). Of the total amount, €16 million (€59 million in the previous year) and €69 million (€51 million in the previous year) were allocated to the deposit guarantee schemes and to resolution funds, respectively, and €22 (€3 million in the previous year) million to the bank levy.

The contribution of prior year was triggered mainly by insolvencies in 2021 and the withdrawal of market participants from the deposit guarantee schemes for banks in the financial year 2021. Recoveries from the insolvency estate reduced the contribution in 2022.

B – Notes to the income statement

B.11 – 200. a) Provisions for credit risk on commitments and financial guarantees

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

(€ million)

	YEAR 2022		
	PROVISIONS	SURPLUS REALLOCATIONS	TOTAL
Loan commitments	(32)	71	**40**
Financial guarantees given	(20)	46	**26**

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

(€ million)

	YEAR 2021		
	PROVISIONS	SURPLUS REALLOCATIONS	TOTAL
Loan commitments	(48)	51	**3**
Financial guarantees given	(27)	25	**(2)**

B.12 – 200. b) Net provisions for risks and charges

B.12.1 Net provisions for risks and charges

(€ million)

	YEAR 2022			YEAR 2021
ASSETS/P&L ITEMS	PROVISIONS	REALLOCATION SURPLUS	TOTAL	TOTAL
1. Other provisions				
1.1 Legal disputes	(5)	3	(2)	4
1.2 Staff costs	-	-	-	-
1.3 Other	(34)	12	(22)	3
Total	**(39)**	**15**	**(24)**	**7**

B – Notes to the income statement

B.13 – 210. 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 2022				YEAR 2021			
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	**(82)**	**(15)**	**-**	**(97)**	**(80)**	**(14)**	**-**	**(93)**
- Owned	(49)	-	-	(49)	(47)	(1)	-	(48)
- Right of use of Leased Assets	(33)	(15)	-	(48)	(33)	(13)	-	(46)
A.2 Held for investment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Owned	-	-	-	-	-	-	-	-
- Right of use of Leased Assets	-	-	-	-	-	-	-	-
A.3 Inventories	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total A	**(82)**	**(15)**	**-**	**(97)**	**(80)**	**(14)**	**-**	**(93)**
B. Non-current assets and groups of assets held for sale	**X**	**-**	**-**	**-**	**X**	**-**	**-**	**-**
- Used in the business	X	-	-	-	X	-	-	-
- Held for investments	X	-	-	-	X	-	-	-
- Inventories	X	-	-	-	X	-	-	-
TOTAL A + B	**(82)**	**(15)**	**-**	**(97)**	**(80)**	**(14)**	**-**	**(93)**

B – Notes to the income statement

B.14 – 220. Depreciations, impairments and write-backs on intangible assets

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

(€ million)

ASSETS/INCOME ITEMS	YEAR 2022			
	AMORTISATION (A)	IMPAIRMENT LOSSES (B)	WRITE-BACKS (C)	NET PROFIT (A+B-C)
A. Intangible assets				
of which: software	*3*	-	-	*3*
A.1 Owned	**(3)**	**-**	**-**	**(3)**
- Generated internally by the company	-	-	-	-
- Other	(3)	-	-	(3)
A.2 Right of use of Leased Assets	**-**	**-**	**-**	**-**
Total	**(3)**	**-**	**-**	**(3)**

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.15 – 230. Other operating income and expenses

B.15.1 Other operating expenses

(€ million)

TYPE OF EXPENSE/VALUES	YEAR 2022	YEAR 2021
Costs for operating leases	-	-
Non-deductible tax and other fiscal charges	-	-
Write-downs on leasehold improvements	(11)	(36)
Costs relating to the specific service of financial leasing	-	-
Other	(102)	(42)
Total of other operating expenses	**(114)**	**(79)**

B.15.2 Other operating income

(€ million)

TYPE OF REVENUE/VALUES	YEAR 2022	YEAR 2021
A) Recovery of costs	**-**	**2**
B) Other revenues	**152**	**91**
Revenues from administrative services	16	19
Revenues from operating leases	52	47
Recovery of miscellaneous costs paid in previous years	67	5
Revenues on financial leases activities	-	-
Other	17	20
Total of other operating income (A+B)	**152**	**94**

B – Notes to the income statement

B.16 – 250. Profit (loss) on equity investments

B.16.1 Profit (Loss) of equity investments

(€ million)

P&L ITEMS/VALUES	YEAR 2022	YEAR 2021
A. Income	**124**	**244**
1. Revaluations	122	163
2. Gains on disposal	-	-
3. Writebacks	2	80
4. Other gains	-	-
B. Expenses	**(115)**	**(93)**
1. Writedowns	-	-
2. Impairment losses	(114)	(93)
3. Losses on disposal	-	-
4. Other expenses	-	-
Net profit	**10**	**150**

Profit of associated companies amounts to €122 million (€163 million in the previous year); 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 related to BKS €37.2 million and Oberbank €42.7 million.

The impairment losses in the 2022 financial year relate to BTV -€86 million; BKS -€22 million and non-consolidated subsidiaries -€6 million. The impairment losses in the 2021 financial year related to BTV -€85.8 million and non-consolidated subsidiaries -€7 million.

B.17 – 260. 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 2022				
			EXCHANGE DIFFERENCES		
	REVALUATIONS (A)	WRITEDOWNS (B)	POSITIVE (C)	NEGATIVE (D)	NET PROFIT (A-B+C-D)
A. Property, plant and equipment	**7**	**(8)**	**2**	**-**	**2**
A.1 Used in the business	**-**	**(1)**	**-**	**-**	**-**
- Owned	-	(1)	-	-	-
- Right of use of Leased Assets	-	-	-	-	-
A.2 Held for investment	**7**	**(7)**	**2**	**-**	**2**
- Owned	7	(7)	2	-	2
- 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	**7**	**(8)**	**2**	**-**	**2**

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 – Notes to the income statement

B.18 – 280. Gains and losses on disposal of investments

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

(€ million)

P&L ITEMS/SECTORS	YEAR 2022	YEAR 2021
A. Property		
- Gains on disposal	6	4
- Losses on disposal	-	-
B. Other assets		
- Gains on disposal	-	3
- Losses on disposal	-	(4)
Net Profit	**6**	**3**

B.19 – 300. Income tax

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

(€ million)

	P&L ITEMS/SECTORS	YEAR 2022	YEAR 2021
1.	Current taxes (-)	(20)	(27)
2.	Change of current taxes of previous years (+/-)	2	6
3.	Reduction of current taxes for the year (+)	18	18
3.a	Reduction of current taxes for the year due tax credit under Law 214/2011 (+)	-	-
4.	Change of deferred tax assets (+/-)	135	15
5.	Change of deferred tax liabilities (+/-)	3	-
6.	**Tax expenses for the year (-) (-1+/-2+3+/-4+/-5)**	**139**	**11**

At UniCredit Bank Austria AG, deferred tax assets of €155 million (previous year: €11 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.

B.19.2 Reconciliation of theoretical tax charge to actual tax charge

(€ millions)

	YEAR 2022	YEAR 2021
Total profit of loss before tax from continuing operations	**684**	**93**
Applicable tax rate	25%	25%
Theoretical tax	**(171)**	**(23)**
Different tax rates	-	-
Non-taxable income	141	3
Non-deductible expenses	(2)	(6)
Different fiscal laws	(4)	-
Prior years and changes in tax rates	(1)	(1)
a) effects on current tax	(1)	-
b) effects on deferred tax	-	(1)
Valuation adjustments and non-recognition of deferred taxes	25	41
Amortisation of goodwill	-	-
Non-taxable foreign income	-	-
Other differences	151	(2)
Recognized taxes on income	**139**	**11**

Item “Other differences” is mostly referrable to the recognition of deferred tax assets on tax loss carryforwards.

B – Notes to the income statement

B.20 – 320. Profit after tax from discontinued operations

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

No data to be disclosed.

B.21 – Earnings per share

B.21.1 Earnings per share

	YEAR 2022	YEAR 2021
Net profit or loss attributable to the ordinary shareholders of UniCredit Bank Austria AG in € million	823	115
from continuing operations	823	115
from discontinued operations	-	-
Weighted average number of ordinary shares (in million) outstanding in the reporting period	231.2	231.2
Basic/diluted earnings per share in €	**3.56**	**0.50**
from continuing operations	3.56	0.50
from discontinued operations	-	-

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 (2022: 231.2 million shares; 2021: 231.2 million shares).

B.22 – Appropriation of profits

The Management Board proposes to the Annual General Meeting to distribute a dividend of €1.01 per eligible share from the balance sheet profit of UniCredit Bank Austria AG for the financial year 2022 in the amount of €817,612,330.66, on the share capital of €1,681,033,521.40. With 231,228,820 shares, the distribution therefore amounts to €233,541,108.20.

C – Notes to the statement of financial position

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C – Notes to the statement of financial position

C.1 – 10. Cash and cash balances

C.1.1 Cash and cash balances: breakdown

(€ million)

	AMOUNTS AS AT	
	31.12.2022	31.12.2021
a) Cash	77	87
b) Current accounts and demand deposits with Central Banks	4	87
c) Current accounts and demand deposits with Banks	857	282
Total	**938**	**456**

The item "c) Current accounts and demand deposits with Banks" comprises current accounts that can be converted into cash immediately. The increase from €282 million to €857 million is business-related.

C.2 – 20. 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 31.12.2022			AMOUNTS AS AT 31.12.2021		
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	**-**	**2,423**	**2**	**-**	**975**	**1**
1.1 Trading	-	2,322	2	-	845	1
1.2 Linked to fair value option	-	101	-	-	130	-
1.3 Other	-	-	-	-	-	-
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**1**
2.1 Trading	-	-	-	-	-	-
2.2 Linked to fair value option	-	-	-	-	-	1
2.3 Other	-	-	-	-	-	-
Total (B)	**-**	**2,423**	**2**	**-**	**975**	**1**
Total (A+B)	**-**	**2,424**	**2**	**-**	**975**	**1**
Total Level 1, Level 2 and Level 3			**2,426**			**976**

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 31.12.2022			AMOUNTS AS AT 31.12.2021		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**-**	**4**	**68**	**-**	**4**	**87**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	4	68	-	4	87
2. Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**
3. Units in investment funds	**-**	**-**	**2**	**-**	**1**	**4**
4. Loans	**-**	**434**	**130**	**-**	**615**	**114**
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	434	130	-	615	114
Total	**-**	**438**	**200**	**-**	**620**	**205**
Total Level 1, Level 2 and Level 3			**638**			**825**

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

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 31.12.2022	31.12.2021
1. Equity instruments	**-**	**-**
of which: banks	-	-
of which: other financial companies	-	-
of which: non-financial companies	-	-
2. Debt securities	**72**	**91**
a) Central banks	-	-
b) Governments and other Public Sector Entities	59	78
c) Banks	-	-
d) Other financial companies	12	12
of which: insurance companies	*12*	*12*
e) Non-financial companies	-	-
3. Units in investment funds	**2**	**5**
4. Loans and advances	**564**	**730**
a) Central banks	-	-
b) Governments and other Public Sector Entities	-	-
c) Banks	-	-
d) Other financial companies	7	9
of which: insurance companies	-	-
e) Non-financial companies	319	436
f) Households	238	284
Total	**638**	**825**

C – Notes to the statement of financial position

C.3 – 30. 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 31.12.2022			AMOUNTS AS AT 31.12.2021		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**9,659**	**1,841**	**499**	**9,574**	**2,094**	**621**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other	9,659	1,841	499	9,574	2,094	621
2. Equity instruments	**-**	**54**	**115**	**-**	**25**	**114**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**9,659**	**1,895**	**614**	**9,574**	**2,119**	**734**
Total Level 1, Level 2 and Level 3			**12,168**			**12,428**

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

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 31.12.2022	AMOUNTS AS AT 31.12.2021
1. Debt securities	**11,999**	**12,289**
a) Central Banks	-	-
b) Governments and other Public Sector Entities	8,937	9,761
c) Banks	2,855	2,280
d) Other financial companies	71	72
of which: insurance companies	-	-
e) Non-financial companies	137	176
2. Equity instruments	**169**	**139**
a) Banks	54	-
b) Other issuers	115	139
- Other financial companies	38	59
of which: insurance companies	*27*	*26*
- Non-financial companies	72	76
- Other	5	4
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	**12,168**	**12,428**

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	11,952	11,952	48	-	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-	-	-	-	-
Total 31.12.2022	**11,952**	**11,952**	**48**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 31.12.2021	**12,215**	**12,215**	**75**	**-**	**-**	**1**	**1**	**-**	**-**	**-**

C.4 – 40. 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 31.12.2022						AMOUNTS AS AT 31.12.2021					
	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	**13,308**	**-**	**-**	**-**	**12,618**	**644**	**22,224**	**-**	**-**	**-**	**-**	**22,224**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserves	13,308	-	-	X	X	X	21,624	-	-	X	X	X
3. Reverse repos	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	600	-	-	X	X	X
B. Loans and advances to banks	**3,493**	**63**	**-**	**1,291**	**1,634**	**420**	**7,215**	**-**	**-**	**828**	**6,253**	**145**
1. Loans	1,683	63	-	-	1,603	119	6,322	-	-	-	6,203	145
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2 Time deposits	934	-	-	X	X	X	4,048	-	-	X	X	X
1.3 Other loans	749	63	-	X	X	X	2,274	-	-	X	X	X
- Reverse repos	-	-	-	X	X	X	1,531	-	-	X	X	X
- Lease Loans	-	-	-	X	X	X	-	-	-	X	X	X
- Other	749	63	-	X	X	X	743	-	-	X	X	X
2. Debt securities	1,810	-	-	1,291	31	301	893	-	-	828	50	-
2.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other	1,810	-	-	1,291	31	301	893	-	-	828	50	-
Total	**16,801**	**63**	**-**	**1,291**	**14,252**	**1,064**	**29,439**	**-**	**-**	**828**	**6,253**	**22,368**
Total Level 1, Level 2 and Level 3						**16,607**						**29,449**

Decrease in item “A. Loans and advance to Central Banks” mainly stems from Compulsory Reserve held toward National Central Bank. Loans and advances to Central Banks and banks are not carried at fair value, which is presented solely for the purpose of fulfilling financial disclosure requirements.

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 31.12.2022						AMOUNTS AS AT 31.12.2021					
	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	**64,452**	**1,208**	**8**	**-**	**24,735**	**37,972**	**65,209**	**1,031**	**13**	**-**	**30,131**	**37,548**
1.1 Current accounts	5,228	127	-	X	X	X	5,093	136	-	X	X	X
1.2 Reverse repos	-	-	-	X	X	X	568	-	-	X	X	X
1.3 Mortgages	14,685	50	1	X	X	X	14,017	49	-	X	X	X
1.4 Credit cards and personal loans, including wage assignment	843	36	-	X	X	X	817	44	1	X	X	X
1.5 Lease loans	1,657	74	-	X	X	X	1,705	82	-	X	X	X
1.6 Factoring	2,368	10	-	X	X	X	2,165	10	-	X	X	X
1.7 Other loans	39,671	910	6	X	X	X	40,843	711	13	X	X	X
2. Debt securities	**2,117**	**-**	**-**	**1,607**	**145**	**115**	**2,030**	**-**	**-**	**1,726**	**150**	**134**
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	2,117	-	-	1,607	145	115	2,030	-	-	1,726	150	134
Total	**66,569**	**1,208**	**8**	**1,607**	**24,880**	**38,087**	**67,239**	**1,031**	**13**	**1,726**	**30,282**	**37,682**
Total Level 1, Level 2 and Level 3						**64,574**						**69,690**

The column "purchased or originated credit-impaired financial assets" includes loans, belonging to stage 2 and stage 3, that at the time of the purchase, as part of transactions other than business combinations, were already impaired.

The sub-item "1.7 Other loans" mainly include export and special financing of €17.444 million (previous year: €17.600 million).

C – Notes to the statement of financial position

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

(€ million)

	AMOUNTS AS AT 31.12.2022			AMOUNTS AS AT 31.12.2021		
TYPE OF TRANSACTIONS/VALUES	STAGE 1 OR STAGE 2	STAGE 3	POCI ASSETS	STAGE 1 OR STAGE 2	STAGE 3	POCI ASSETS
1. Debt securities	**2,117**	**-**	**-**	**2,030**	**-**	**-**
a) Governments and other Public Sector Entities	1,781	-	-	1,734	-	-
b) Other financial companies	85	-	-	70	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	252	-	-	227	-	-
2. Loans	**64,452**	**1,208**	**8**	**65,209**	**1,031**	**13**
a) Governments and other Public Sector Entities	6,950	257	-	8,197	111	-
b) Other financial companies	4,403	1	-	2,858	2	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	33,575	667	5	35,177	622	12
d) Households	19,524	283	3	18,976	295	1
Total	**66,569**	**1,208**	**8**	**67,239**	**1,031**	**13**

The split of financial assets to Level 1 and Level 2, respectively, the accumulated impairment losses on loans and advances to customers at amortized cost are shown in "E.2 - Credit risk".

C.4.4 Financial assets at amortised cost: gross value and total accumulated impairments

(€ million)

	GROSS VALUE					TOTAL ACCUMULATED IMPAIRMENTS				
	STAGE 1									
		OF WHICH: INSTRUMENTS WITH LOW CREDIT RISK EXEMPTION	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	STAGE 1	STAGE 2	STAGE 3	POCI ASSETS	PARTIAL ACCUMULATED WRITE-OFFS(*)
1. Debt securities	3,858	3,858	70	-	-	-	-	-	-	-
2. Loans	63,889	17,577	16,125	2,219	10	108	462	949	2	52
Total 31.12.2022	**67,747**	**21,435**	**16,195**	**2,219**	**10**	**109**	**463**	**949**	**2**	**52**
Total 31.12.2021	**71,926**	**5,349**	**25,280**	**2,010**	**16**	**61**	**466**	**979**	**3**	**69**

C.5 – 50. Hedging derivatives (assets)

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

(€ million)

	AMOUNTS AS AT 31.12.2022				AMOUNTS AS AT 31.12.2021			
	FAIR VALUE			NOTIONAL AMOUNT	FAIR VALUE			NOTIONAL AMOUNT
	LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3	
A. Financial derivatives	**-**	**4,093**	**-**	**64,004**	**-**	**1,306**	**-**	**40,774**
1) Fair value	-	3,940	-	59,078	-	1,275	-	38,573
2) Cash flows	-	153	-	4,926	-	31	-	2,201
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	**-**	**-**
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**4,093**	**-**	**64,004**	**-**	**1,306**	**-**	**40,774**

	31.12.2022		31.12.2021
Total Level 1, Level 2 and Level 3	**4,093**		**1,306**

The fair value measurements are classified by hierarchy levels reflecting observability of the inputs used in the valuation.

The increase in notional amount is mainly driven by hedges for TLTRO transactions (incl. in portfolio hedge) and the increase in business volume with customers. The statement does not include any notional amounts of derivatives with a present value of zero.

For a breakdown of financial derivatives by interest rate and currency derivatives, please refer to table "E.5.2 Hedging derivatives: positive and negative gross fair value - breakdown by product".

C.6 – 60. 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 31.12.2022	31.12.2021
1. Positive changes	**1,233**	**859**
1.1 Of specific portfolios	1,233	859
a) Financial assets at amortised cost	1,233	859
b) Financial assets at fair value through other comprehensive income	-	-
1.2 Overall	-	-
2. Negative changes	**3,366**	**665**
2.1 Of specific portfolios	3,366	665
a) Financial assets at amortised cost	3,366	665
b) Financial assets at fair value through other comprehensive income	-	-
2.2 Overall	-	-
Total	**(2,133)**	**195**

C – Notes to the statement of financial position

C.7 – 70. Investments in associates and joint ventures

C.7.1 Investments in associates and joint ventures

(€ million)

	CHANGES IN	
	31.12.2022	31.12.2021
A. Opening balance as at 1 January	**2,415**	**2,250**
B. Increases	**168**	**259**
B.1 Purchases	-	-
B.2 Write-backs	2	80
B.3 Revaluation	122	163
B.4 Other changes	44	16
C. Decreases	**(114)**	**(93)**
C.1 Sales	-	-
C.2 Write-downs	-	-
C.3 Impairment	(114)	(93)
C.4 Other changes	-	-
D. Closing balance as at 31 December	**2,470**	**2,415**

Profit of associates and joint ventures amounts to €122 million (previous year: €163 million).This item includes pro rata profits from companies subject to significant influence, mainly 3-Banken Group and Oesterreichische Kontrollbank.

Impairment losses in the financial year 2022 mainly relate to BTV -€86 million and BKS -€22 million. In the previous financial year the equivity investments in BKS and in Oberbank were written up by €37.2 million and by €42.7 million.

The other changes are mainly attributable to increase of equity investment in BTV and non-consolidated subsidiaries.

C.8 – 90. Property, plant and equipment

The UniCredit Bank Austria AG adopts the fair value model for measurement of properties held for investment and the revaluation model for measurement of properties used in business.

As at 31 December 2022, as in previous year fair value of both properties held for investment and properties used in business were re-determined through external appraisals. Other properties are measured at amortised costs.

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

(€ million)

	AMOUNTS AS AT	
ASSETS/VALUES	31.12.2022	31.12.2021
1. Owned assets	**229**	**231**
a) Land	-	-
b) Buildings	-	-
c) Office furniture and fitting	23	27
d) Electronic systems	12	15
e) Other	194	189
2. Right of use of Leased Assets	**259**	**289**
a) Land	-	-
b) Buildings	254	283
c) Office furniture and fitting	-	-
d) Electronic systems	-	-
e) Other	5	6
Total	**488**	**520**
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 31.12.2022			AMOUNTS AS AT 31.12.2021		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Owned assets	**-**	**-**	**153**	**-**	**-**	**152**
a) Land	-	-	58	-	-	55
b) Buildings	-	-	96	-	-	97
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	**-**	**-**	**153**	**-**	**-**	**152**
of which: obtained by the enforcement of collateral	-	-	-	-	-	-
Total Level 1, Level 2 and Level 3			**153**			**152**

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

(€ million)

ASSETS/VALUES	AMOUNTS AS AT 31.12.2022			AMOUNTS AS AT 31.12.2021		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Owned assets	**-**	**-**	**219**	**-**	**-**	**233**
a) Land	-	-	112	-	-	124
b) Buildings	-	-	107	-	-	109
2. Right of use of Leased Assets	**-**	**-**	**-**	**-**	**-**	**-**
a) Land	-	-	-	-	-	-
b) Buildings	-	-	-	-	-	-
Total	**-**	**-**	**219**	**-**	**-**	**233**
of which: obtained by the enforcement of collateral	-	-	*49*	-	-	*51*
Total Level 1, Level 2 and Level 3			**219**			**233**

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

There are no inventories of property, plant and equipment by IAS2 portfolio reported at the end of the reporting period.

C – Notes to the statement of financial position

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

(€ million)

	CHANGES IN 2022					
	LANDS	BUILDINGS	OFFICE FURNITURE AND FITTINGS	ELECTRONIC SYSTEMS	OTHER	TOTAL
A. Gross opening balance	**55**	**527**	**60**	**78**	**269**	**989**
A.1 Total net reduction in value	-	(146)	(33)	(63)	(75)	(318)
A.2 Net opening balance	55	381	27	15	194	672
B. Increases	**4**	**26**	**1**	**5**	**65**	**101**
B.1 Purchases	-	4	1	5	64	75
of which: business combinations	-	*3*	-	-	-	*3*
B.2 Capitalised expenditure on improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value	4	4	-	-	-	8
a) In equity	3	4	-	-	-	7
b) Through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfer from properties held for investment	-	-	X	X	X	-
B.7 Other changes	-	17	-	-	-	17
C. Reductions	**1**	**57**	**5**	**8**	**60**	**131**
C.1 Disposals	-	4	-	-	26	30
of which: business combinations	-	-	-	-	-	-
C.2 Depreciation	-	35	5	8	33	82
C.3 Impairment losses	1	15	-	-	-	16
a) In equity	1	-	-	-	-	1
b) Through profit or loss	-	15	-	-	-	15
C.4 Reduction of fair value	-	3	-	-	-	3
a) In equity	-	2	-	-	-	2
b) Through profit or loss	-	1	-	-	-	1
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfer to	-	-	-	-	-	-
a) Property, plant and equipment held for investment	-	-	X	X	X	-
b) Non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	1	-	-	1
D. Net final balance	**58**	**349**	**23**	**12**	**199**	**641**
D.1 Total net reduction in value	-	*(171)*	*(29)*	*(21)*	*(90)*	*(312)*
D.2 Gross closing balance	58	520	52	34	290	953
E. Carried at cost	**9**	**54**	**-**	**-**	**-**	**63**

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.8.6 Property, plant and equipment held for investment: annual changes

(€ million)

	CHANGES IN 2022			CHANGES IN 2021
	LANDS	BUILDINGS	TOTAL	TOTAL
A. Opening balances	**124**	**109**	**233**	**247**
B. Increases	**8**	**4**	**11**	**22**
B.1 Purchases	-	-	-	-
of which: business combinations	-	-	-	-
B.2 Capitalised expenditure on improvements	-	-	-	-
B.3 Increases in fair value	6	1	7	16
B.4 Write-backs	-	-	-	-
B.5 Positive exchange differences	-	1	2	1
B.6 Transfer from properties used in the business	-	-	-	-
B.7 Other changes	2	1	3	5
C. Reductions	**20**	**6**	**26**	**36**
C.1 Disposals	6	-	6	27
of which: business combinations	-	-	-	-
C.2 Depreciation	-	-	-	-
C.3 Reductions in fair value	2	4	7	6
C.4 Impairment losses	-	-	-	-
C.5 Negative exchange differences	-	1	2	-
C.6 Transfer to	11	-	11	1
a) Properties used in the business	-	-	-	-
b) Non-current assets and disposal groups classified as held for sale	11	-	11	1
C.7 Other changes	-	-	-	1
D. Closing balances	**112**	**107**	**219**	**233**
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 2022							
	INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT OBTAINED BY ENFORCEMENT OF COLLATERAL					OTHER INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT	TOTAL IN 2022	TOTAL IN 2021
	LANDS	BUILDINGS	OFFICE FURNITURE AND FITTINGS	ELECTRONIC SYSTEMS	OTHER			
A. Opening balances	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Increases	**-**	**-**	**-**	**-**	**10**	**-**	**10**	**-**
B.1 Purchases	-	-	-	-	10	-	10	-
of which: business combinations	-	-	-	-	-	-	-	-
B.2 Write-backs	-	-	-	-	-	-	-	-
B.3 Positive exchange differences	-	-	-	-	-	-	-	-
B.4 Other changes	-	-	-	-	-	-	-	-
C. Reductions	**-**	**-**	**-**	**-**	**10**	**-**	**10**	**-**
C.1 Disposals	-	-	-	-	10	-	10	-
of which: business combinations	-	-	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	-	-	-	-	-
C.3 Negative exchange differences	-	-	-	-	-	-	-	-
C.4 Other changes	-	-	-	-	-	-	-	-
D. Closing balances	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

C – Notes to the statement of financial position

C.9 – 90. Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance, to be used for several years. Intangible assets may include goodwill and, among "other intangible assets", brands, customer relationships and software.

C.9.1 Intangible assets: breakdown by asset type

(€ million)

	AMOUNTS AS AT 31.12.2022		AMOUNTS AS AT 31.12.2021	
ASSETS/VALUES	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE
A.1 Goodwill	**X**	**-**	**X**	**-**
A.1.1 Attributable to the Group	X	-	X	-
A.1.2 Attributable to minorities	X	-	X	-
A.2 Other intangible assets	**5**	**-**	**6**	**-**
of which: software	*5*	-	*6*	-
A.2.1 Assets carried at cost	5	-	6	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	5	-	6	-
A.2.2 Assets measured at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**5**	**-**	**6**	**-**

Total finite and indefinite life	**5**	**6**

C – Notes to the statement of financial position

C.9.2 Intangible assets: annual changes

(€ million)

		OTHER INTANGIBLE ASSETS					
		GENERATED INTERNALLY		OTHER			
	GOODWILL	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE	TOTAL 31.12.2022	TOTAL 31.12.2021
A. Gross opening balance	**519**	**-**	**-**	**51**	**-**	**570**	**570**
A.1 Total net reduction in value	(519)	-	-	(45)	-	(564)	(564)
A.2 Net opening balance	**-**	**-**	**-**	**6**	**-**	**6**	**5**
B. Increases	**-**	**-**	**-**	**3**	**-**	**3**	**12**
B.1 Purchases	-	-	-	2	-	2	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
of which: business combinations	-	-	-	-	-	-	-
C. Reduction	**-**	**-**	**-**	**3**	**-**	**3**	**12**
C.1 Disposals	-	-	-	-	-	-	-
C.2 Write-downs	-	-	-	3	-	3	10
- Amortisation	X	-	-	3	-	3	8
- Write-downs	-	-	-	-	-	-	3
- In equity	X	-	-	-	-	-	-
- Through profit or loss	-	-	-	-	-	-	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
of which: business combinations	-	-	-	-	-	-	-
D. Net closing balance	**-**	**-**	**-**	**5**	**-**	**5**	**6**
D.1 Total net write-down	(519)	-	-	(40)	-	(560)	(564)
E. Gross closing balance	**519**	**-**	**-**	**45**	**-**	**565**	**570**
F. Carried at cost	**-**	**-**	**-**	**-**	**-**	**-**	**-**

C – Notes to the statement of financial position

C.10 – 110. Tax claims

C.10.1 Tax claims

(€ million)

	AMOUNTS AS AT	
	31.12.2022	31.12.2021
Deferred tax assets arising from tax losses	**372**	**188**
Deferred tax assets arising from temporary differences	**703**	**833**
Financial assets and liabilities (different from loans and deposits)	148	33
Loans and deposits to/from banks and customers	125	57
Hedging and hedged item revaluation	28	162
Property, plant and equipment and intangible assets different from goodwill	3	6
Goodwill and equity investments	2	2
Current assets and liabilities held for sale	-	-
Other assets and Other liabilities	84	45
Provisions, pension funds and similar	314	529
Other	-	-
Accounting offsetting	**(365)**	**(334)**
Total	**710**	**687**

The classification of deferred taxes from temporary differences was expanded in the financial year 2022. In order to ensure comparability, the previous year's figures have been adjusted.

Details on deferred tax liabilities are provided in Part C.18.

Included in assets are deferred taxes due to capitalized benefits from unused tax loss carryforwards in the amount of €372 million (prior year: €188 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 2022, the approved Multi-Year Plan "UniCredit Unlocked" for the years 2023 to 2025 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.

C.10.2 Tax losses carried forward

(€ million)

	31.12.2022	31.12.2021
Tax losses carried forward	311	1,082
Deductible temporary differences	-	-
TOTAL	**311**	**1,082**

The major part of tax losses carried forward originates 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.
The change compared to the previous year results from the capitalization of unused losses carried forward as of December 31, 2022.

C – Notes to the statement of financial position

C.11 – 120. 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	
	31.12.2022	31.12.2021
A. Assets held for sale		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Property, plant and equipment	3	4
of which: obtained by the enforcement of collateral	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total (A)	**3**	**4**
of which: carried at cost	-	-
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	*2*	*4*
B. Discontinued operations		
B.1 Financial assets at fair value through profit or loss	-	-
- Financial assets held for trading	-	-
- Financial assets designated at fair value	-	-
- Other financial assets mandatorily at fair value	-	-
B.2 Financial assets at fair value through other comprehensive income	-	-
B.3 Financial assets at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Property, plant and equipment	-	-
of which: obtained by the enforcement of collateral	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total (B)	**-**	**-**
of which: carried at cost	-	-
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	-	-
C. Liabilities associated with assets classified as held for sale		
C.1 Deposits	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total (C)	**-**	**-**
of which: carried at cost	-	-
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	-	-
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total (D)	**-**	**-**
of which: carried at cost	-	-
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	-	-

C – Notes to the statement of financial position

Discontinued operations
At the financial year 2022 there were no discontinued operations reported.

Non-current assets held for sale
The change in the item "Assets held for sale" is attributable to the sale of the land and building portfolio in Klachau and Mattersburg.

C.12 – 130. Other assets

C.12.1 Other assets: breakdown

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 31.12.2022	31.12.2021
Margin with derivatives clearers (non-interest bearing)	-	-
Gold, silver and precious metals	15	20
Accrued income and prepaid expenses other than capitalised income	5	2
Positive value of management agreements (so-called servicing assets)	-	-
Cash and other valuables held by cashier	-	-
- Current account cheques being settled, drawn on third parties	-	-
- Current account cheques payable by group banks, cleared and in the process of being debited	-	-
- Money orders, bank drafts and equivalent securities	-	-
- Coupons, securities due on demand, revenue stamps and miscellaneous valuables	-	-
Interest and changes to be debited to	7	7
- Customers	6	6
- Banks	1	1
Items in transit between branches not yet allocated to destination accounts	-	-
Items in processing	138	108
Items deemed definitive but not-attributable to other items	-	-
- Securities and coupons to be settled	-	-
- Other transactions	-	-
Adjustments for unpaid bills and notes	3	-
Tax items other than those included in item C.10 tax claims	-	-
Commercial credits pursuant to IFRS15	-	-
Other items	165	159
Total	**333**	**296**

C – Notes to the statement of financial position

C.13 – 10. 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 31.12.2022				AMOUNTS AS AT 31.12.2021			
	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	**6,838**	X	X	X	**16,750**	X	X	X
2. Deposits from banks	**9,765**	X	X	X	**10,347**	X	X	X
2.1 Current accounts and demand deposits	923	X	X	X	1,265	X	X	X
2.2 Time deposits	7,633	X	X	X	6,875	X	X	X
2.3 Loans	261	X	X	X	1,841	X	X	X
2.3.1 Repos	244	X	X	X	1,832	X	X	X
2.3.2 Other	17	X	X	X	9	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	948	X	X	X	366	X	X	X
Total	**16,603**	**-**	**9,293**	**7,433**	**27,097**	**-**	**19,127**	**7,981**
Total Level 1, Level 2 and Level 3				**16,725**				**27,108**

The decrease in deposits from central banks is mainly attributable to early repayment of €10 billion in December 2022 of TLTRO (Targeted Longer-Term Refinancing Operations). UniCredit Bank Austria AG still holds €5.4 billion in TLTRO III.4 (maturing in June 2023) and €1.55 billion in TLTRO III.7 (maturing in March 2024).

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

(€ million)

TYPE OF TRANSACTION/VALUES	AMOUNTS AS AT 31.12.2022				AMOUNTS AS AT 31.12.2021			
	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	56,385	X	X	X	60,440	X	X	X
2. Time deposits	6,267	X	X	X	3,830	X	X	X
3. Loans	13	X	X	X	14	X	X	X
3.1 Repos	-	X	X	X	-	X	X	X
3.2 Other	13	X	X	X	14	X	X	X
4. Liabilities relating to commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
5. Lease liabilities	305	X	X	X	320	X	X	X
6. Other deposits	37	X	X	X	39	X	X	X
Total	**63,007**	**-**	**1,675**	**61,308**	**64,643**	**-**	**1,531**	**63,220**
Total Level 1, Level 2 and Level 3				**62,983**				**64,751**

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 31.12.2022				AMOUNTS AS AT 31.12.2021			
	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	9,509	3,981	5,481	-	9,763	4,073	6,040	-
1.1 Structured	458	-	464	-	701	-	701	-
1.2 Other	9,050	3,981	5,017	-	9,062	4,073	5,339	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 Structured	-	-	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-	-	-
Total	**9,509**	**3,981**	**5,481**	**-**	**9,763**	**4,073**	**6,040**	**-**
Total Level 1, Level 2 and Level 3				**9,462**				**10,113**

C.13.4 Amounts payable under lease contracts

(€ million)

	31.12.2022	31.12.2021
	CASH OUTFLOWS LEASES	CASH OUTFLOWS LEASES
Up to 1 year	36	35
1 year to 2 years	35	35
2 year to 3 years	35	34
3 year to 4 years	35	34
4 year to 5 years	43	42
Over 5 years	160	179
Total Lease Payments to be made	**344**	**359**
Reconciliation with deposits	(39)	(40)
Unearned finance expenses (-) (Discounting effect)	(39)	(40)
Lease deposits	**305**	**319**

C – Notes to the statement of financial position

C.14 – 20. Financial liabilities held for trading

C.14.1 Financial liabilities held for trading: breakdown by product

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 31.12.2022					AMOUNTS AS AT 31.12.2021				
	NOMINAL VALUE	FAIR VALUE			FAIR VALUE	NOMINAL VALUE	FAIR VALUE			FAIR VALUE
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
A. Cash liabilities										
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives instruments										
1. Financial derivatives	X	-	2,385	24	X	X	-	1,028	-	X
1.1 Trading derivatives	X	-	2,281	24	X	X	-	876	-	X
1.2 Linked to fair value option	X	-	104	-	X	X	-	152	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading derivatives	X	-	-	-	X	X	-	-	-	X
2.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**-**	**2,385**	**25**	**X**	**X**	**-**	**1,028**	**-**	**X**
Total (A+B)	**X**	**-**	**2,385**	**25**	**X**	**X**	**-**	**1,028**	**-**	**X**
Total Level 1, Level 2 and Level 3				**2,410**					**1,029**	

The change in fair value level 2 in item B.1. financial derivatives results from the increase in the key interest rate in fiscal year 2022.

C.15 – 30. 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 31.12.2022					AMOUNTS AS AT 31.12.2021				
	NOMINAL VALUE	FAIR VALUE			FAIR VALUE	NOMINAL VALUE	FAIR VALUE			FAIR VALUE
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
1. Deposits from banks	**1**	**-**	**-**	**1**	**1**	**1**	**-**	**-**	**1**	**1**
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	1	-	-	1	X	1	-	-	1	X
of which:										
- loan commitments given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
- financial guarantees given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
2. Deposits from customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- loan commitments given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
- financial guarantees given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
3. Debt securities	**60**	**-**	**59**	**-**	**59**	**60**	**-**	**60**	**-**	**61**
3.1 Structured	60	-	59	-	X	60	-	60	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
Total	**61**	**-**	**59**	**1**	**60**	**61**	**-**	**60**	**1**	**62**
Total Level 1, Level 2 and Level 3				**60**					**61**	

The cumulative change in financial liabilities designated at fair value through profit or loss attributable to changes in credit risk shows an increase of €0.3 million.

C.16 – 40. Hedging derivatives (liabilities and equity)

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

(€ million)

	AMOUNTS AS AT 31.12.2022				AMOUNTS AS AT 31.12.2021			
	NOTIONAL AMOUNT	FAIR VALUE			NOTIONAL AMOUNT	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
A. Financial derivatives	**65,270**	**-**	**3,930**	**-**	**47,139**	**-**	**1,400**	**-**
1) Fair value	63,719	-	3,919	-	43,137	-	1,319	-
2) Cash flows	1,551	-	11	-	4,003	-	81	-
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**65,270**	**-**	**3,930**	**-**	**47,139**	**-**	**1,400**	**-**
Total Level 1, Level 2 and Level 3				**3,930**				**1,400**

The change in fair value level 2 in item A.1. Fair value hedge results from the increase in the key interest rate in the fiscal year 2022.

C.17 – 50. 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	
	31.12.2022	31.12.2021
1. Positive changes to financial liabilities	6	213
2. Negative changes to financial liabilities	(1,978)	(97)
Total	**(1,972)**	**116**

C.18 – 60. Tax obligations

C.18.1 Tax obligations

(€ million)

	AMOUNTS AS AT	
	31.12.2022	31.12.2021
Deferred tax liabilities arising from temporary differences	**371**	**340**
Financial assets and liabilities (different from loans and deposits)	160	124
Loans and deposits to/from banks and customers	44	17
Hedging and hedged item revaluation	132	138
Property, plant and equipment and intangible assets different from goodwill	26	24
Goodwill and equity investments	-	-
Assets and liabilities held for sale	-	-
Other assets and Other liabilities	7	35
Other	2	2
Accounting offsetting	**(366)**	**(334)**
Total	**6**	**6**

The classification of deferred taxes from temporary differences was expanded in the financial year 2022. To ensure comparability, the prior-year figures have been adjusted. to the 2022 structure.

No deferred taxes were recognised for temporary differences in connection with investments in domestic subsidiaries in the amount of €983 million (previous year: €962 million) in accordance with IAS 12.39, as their disposal is not currently planned.

C – Notes to the statement of financial position

C.19 – 80. Other liabilities

C.19.1 Other liabilities: breakdown

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 31.12.2022	31.12.2021
Liabilities in respect of financial guarantees issued	-	1
Accrued expenses and deferred income other than those to be capitalised for the financial liabilities concerned	38	40
Other liabilities due to employees	385	448
Interest and amounts to be credited to	9	11
- Customers	1	1
- Banks	8	10
Available amounts to be paid to others	1	-
Items in processing	355	260
Items deemed definitive but not attributable to other lines	62	96
- Accounts payable - suppliers	18	60
- Other entries	45	37
Tax items different from those included in item 60	2	2
Other entries	113	85
Total	**966**	**944**

For those employees who have concluded a termination agreement under previous strategic plans, an amount of €269 million (prior year €237 million) is included. Disbursements will be made until 2029. The item "Items in processing" mainly includes accruals and deferrals in connection with credit card transactions.

C.20 – 100. Provisions

C.20.1 Provisions for risks and charges: breakdown

(€ million)

ITEMS/COMPONENTS	AMOUNTS AS AT 31.12.2022	AMOUNTS AS AT 31.12.2021
1. Provisions for credit risk on commitments and financial guarantees given	177	233
2. Provisions for other commitments and other guarantees given	-	-
3. Pensions and other post-retirement benefit obligations	2,956	3,757
4. Other provisions for risks and charges	220	380
4.1 Legal and tax disputes	51	57
4.2 Staff expenses	119	261
4.3 Other	50	62
Total	**3,352**	**4,370**

The item Other provisions includes amounts related to the measures planned for Bank Austria based on the strategic plan 2022-2024 "***UniCredit Unlocked***" communicated in December 2021 for the portion that has not been either settled or reclassified to "Other liabilities" as a result of the incurrence of a specific debt toward the employees.

During the spin-off of the CEE (Central & Eastern Europe) 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 31.12.2022			
	PROVISIONS FOR OTHER OFF-BALANCE SHEET COMMITMENTS AND OTHER GUARANTEES GIVEN	PENSION AND POST-RETIREMENT BENEFIT OBLIGATIONS	OTHER PROVISIONS FOR RISKS AND CHARGES	TOTAL
A. Opening Balance	**-**	**3,757**	**380**	**4,137**
B. Increases	**-**	**70**	**16**	**86**
B.1 Current service cost	-	12	12	24
B.2 Interest cost	-	36	-	36
B.3 Remeasurements	-	-	-	-
B.4 Other changes	-	21	4	25
of which: business combinations	-	*1*	*1*	*1*
C. Decreases	**-**	**871**	**177**	**1,047**
C.1 Payments/uses in der reporting period	-	220	16	237
C.2 Remeasurements	-	-	-	-
C.3 Other changes	-	650	160	811
of which: business combinations	-	-	-	-
D. Closing balance	**-**	**2,956**	**220**	**3,176**

The decrease in pensions and similar obligations is attributable to the increase in the interest rate from 1% to 3.8% used for the discounting of the position.

C – Notes to the statement of financial position

C.20.2 Provisions for risks and charges: annual changes

(€ million)

	CHANGES IN 31.12.2021			
	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**

Other changes in pensions and similar obligations include experience adjustments, as well as adjustments to financial and demographic assumptions recognized in other comprehensive income.

C.20.3 Provisions for credit risk on commitments and financial guarantees given

(€ million)

	AMOUNTS AS AT 31.12.2022				
	PROVISIONS FOR CREDIT RISK ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN				
	STAGE 1	STAGE 2	STAGE 3	POCI ASSETS	TOTAL
Loan commitments given	21	20	33	-	75
Financial guarantees given	4	8	89	-	102
Total	**25**	**29**	**123**	**-**	**177**

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 – Notes to the statement of financial position

C.20.4 Commitments and financial guarantees given

(€ million)

	AMOUNTS AS AT 31.12.2022					AMOUNTS AS AT 12/31/21
	NOTIONAL AMOUNTS OF COMMITMENTS AND FINANCIAL GUARANTEES GIVEN					
	STAGE 1	STAGE 2	STAGE 3	POCI ASSETS	TOTAL	TOTAL
1. Loan commitments given	**27,871**	**4,627**	**161**	**-**	**32,658**	**30,481**
a) Central Banks	-	-	-	-	-	-
b) Governments and other Public Sector Entities	2,998	7	8	-	3,014	1,915
c) Banks	22	16	-	-	38	30
d) Other financial companies	3,113	263	-	-	3,376	4,487
e) Non-financial companies	18,206	3,376	145	-	21,727	18,722
f) Households	3,532	964	8	-	4,504	5,326
2. Financial guarantees given	**5,821**	**2,405**	**178**	**-**	**8,404**	**8,503**
a) Central Banks	-	-	-	-	-	-
b) Governments and other Public Sector Entities	7	1	-	-	8	7
c) Banks	452	37	-	-	488	576
d) Other financial companies	1,220	8	4	-	1,232	1,799
e) Non-financial companies	4,020	2,241	173	-	6,434	5,852
f) Households	122	118	1	-	241	269

The table includes all commitments and financial guarantees given measured in accordance with the requirements of IFRS9. In the financial year 2022, there were no other commitments and financial guarantees given that are not measured in accordance with IFRS9.

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.

Deferred taxes recognized on the components of other comprehensive income are as follows:
Deferred taxes for items that will not be reclassified to the income statement in the future in the amount of €208 million and are allocated to the individual components as follows:
- Equity instruments designated at fair value through other comprehensive income in the amount of €3 million
- Actuarial gains/losses on defined benefit plans of €-201 million
- Share of other income and expense items recognized in equity of companies accounted for using the equity method in the amount of €-10 million.

Deferred taxes for items that may be reclassified to the income statement in the future in the amount of €92 million and are allocated to the individual components as follows:
- Cash flow hedges (effective portion) in the amount of €-12 million
- Financial assets (debt instruments) at fair value through other comprehensive income in the amount of €102 million
- Share of other income and expense items recognized in equity of companies accounted for using the equity method in the amount of €3 million.

C.22 – Statement of Cash Flows

In the financial year 2022, there were no repayments of subordinated liabilities (previous year: -€503 million). The measurement of subordinated liabilities at the balance sheet date resulted in effects of €-22 million (previous year: €-28 million) and of €4 million (previous year: €1 million) from foreign currency translation.

D – Segment reporting

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D – Segment reporting

D.1 – Reconciliation of income statement to segment report

The table on the following two pages breaks down the income statement according to controlling aspects and allows **reconciliation to the results and key figures used in segment reporting** (prior year's figures not adjusted).

(€ million)

	AS AT	
	31.12.2022	31.12.2021 1)
Net interest (reconciled)	**1,120**	**864**
Net interest margin	*1,078*	*864*
less: Trading interest income (expenses) - Derivatives related to Regulatory Trading Book	*(0)*	*0*
less: Derivatives - economic hedges - interest component	*1*	*0*
Interest costs on DBO	*(37)*	*-*
Gains (losses) on derecognition of TLTRO III	*79*	*-*
Dividends and other income from equity investments	**130**	**179**
Dividend income and similar revenue	*9*	*16*
less: Dividends and similar revenues - on shares and other equity securities - mandatorily at FV	*(0)*	*(0)*
Profits (losses) of joint ventures and associates	*122*	*163*
Net fees and commissions (reconciled)	**685**	**697**
Net fees and commissions	*685*	*697*
Net trading, hedging and fair value income (reconciled)	**41**	**104**
Gains (losses) on financial assets and liabilities held for trading	*123*	*82*
Gains (losses) on disposals / repurchases on financial assets at amortized cost	*-*	*6*
Gains (losses) on disposals/repurchases on OCI financial assets	*(10)*	*8*
Gains (losses) on disposals/repurchases on deposits	*79*	*-*
Gains (losses) on disposals/repurchases on securities in issue	*(1)*	*(1)*
Other operating income and expenses - Gold and Precious Metals Trading	*4*	*3*
Trading interest income (expenses) - Derivatives related to Regulatory Trading Book	*0*	*(0)*
Derivatives - economic hedges - interest component	*(1)*	*(0)*
Fair value adjustments in hedge accounting	*(1)*	*(1)*
Gains (losses) on financial liabilities designated at fair value through profit and loss	*(32)*	*(4)*
Gains (losses) on financial assets mandatorily at fair value through profit and loss	*(41)*	*12*
Dividends and similar revenues - on shares and other equity securities - mandatorily at FV	*0*	*0*
Gains (losses) on derecognition of TLTRO III	*(79)*	*-*
Net other expenses /income (reconciled)	**16**	**35**
Other net operating income	*38*	*15*
less: Recovery of expenses	*(0)*	*(2)*
less: Other operating expenses and earnings - Gold and Precious Metals Trading	*(4)*	*(3)*
less: Other operating expenses – amortization on leasehold improvements	*11*	*12*
less: Integration cost - Amortization on leasehold improvements classified as Other assets	*2*	*41*
Impairment on tangible and intangible assets – other operating leases	*(32)*	*(30)*
Received consideration regarding business relationship	*1*	*2*
OPERATING INCOME (RECONCILED)	**1,993**	**1,878**

1) Previous year's figures as published

D – Segment reporting

(€ million)

	AS AT	
	31.12.2022	31.12.2021 [1]
Payroll costs (reconciled)	**(557)**	**(601)**
Administrative costs – staff expenses	*(563)*	*(880)*
less: Integration/restructuring costs	*(32)*	*279*
less: Interest costs on DBO	*37*	*-*
Other administrative expenses (reconciled)	**(453)**	**(505)**
Other administrative expenses	*(552)*	*(618)*
less: Integration/restructuring costs	*4*	*15*
less: Ex-ante contributions to resolution funds and deposit guarantee schemes and bank levies	*107*	*112*
less: Received consideration regarding business relationship	*(1)*	*(2)*
Other operating expenses – amortization on leasehold improvements	*(11)*	*(12)*
Recovery of expenses	**0**	**2**
Amortisation, depreciation and impairment losses on intangible and tangible assets (reconciled)	**(52)**	**(61)**
Impairment/Write-backs on property, plant and equipment	*(97)*	*(93)*
less: Impairment/write-backs of right of use	*15*	*-*
less: Impairment on tangible and intangible assets – other operating leases	*32*	*30*
less: Impaiment on tangible assets: Integration costs	*-*	*13*
Impairment/Write-backs on intangible assets	*(3)*	*(10)*
OPERATING COSTS (RECONCILED)	**(1,062)**	**(1,165)**
OPERATING PROFIT	**930**	**713**
Net write-downs on loans and provisions for guarantees and commitments	**(24)**	**(166)**
Provisions for risks and charges reserves – Other commitments	*66*	*0*
Impairment losses/write-backs on impairment on loans	*(90)*	*(166)*
Modification gains (losses)	*0*	*(0)*
NET OPERATING PROFIT	**907**	**548**
Provisions for risk and charges	**(20)**	**4**
Net provisions for risks and charges	*(24)*	*7*
less: Integration/restructuring costs	*3*	*7*
less: Impairment/write-backs of IFRS 5 non-current assets and disposal groups	*-*	*(11)*
Systemic charges	**(107)**	**(112)**
Ex-ante contributions to resolution funds and deposit guarantee schemes and bank levies	*(107)*	*(112)*
Integration/restructuring costs	**22**	**(355)**
Net income from investments	**(118)**	**9**
Profit (loss) on equity investments	*10*	*150*
less: Profits (losses) of joint ventures and associates	*(122)*	*(163)*
Impairment/write-backs of IFRS 5 non-current assets and disposal groups	*-*	*11*
Gains (losses) on tangible and intangible assets	*2*	*10*
Gains (losses) on disposal of investments	*6*	*3*
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*	*(1)*
Impairment/write-backs of right of use	*(15)*	*(0)*
PROFIT BEFORE TAX	**684**	**93**
Income tax for the period	139	11
PROFIT (LOSS) FOR THE PERIOD	**823**	**105**
Non-controlling interests	(0)	10
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**823**	**115**

1) Previous year's figures as published

D – Segment reporting

Reconciliation principles followed for the reclassified consolidated income statement

The main reclassifications, whose amounts are provided analytically in the tables enclosed with this report, involve:

- the inclusion in "**Dividends and other income from equity investments**" of "Profits (losses) of joint ventures and associates" and the exclusion of (i) "Dividends from held for trading equity instruments" and (ii) "Dividends and similar revenues on shares and other equity securities mandatorily at fair value" which are included in "Net trading, hedging and fair value income";
- the inclusion among "**Net trading, hedging and fair value income**" (i) of the net gains (losses) on trading, (ii) of the net gains (losses) on hedge accounting, (iii) of the net gains/losses on other financial assets/liabilities at fair value through profit or loss, (iv) of the gains/losses on disposal or repurchase of financial assets at fair value through other comprehensive income and (v) of the interest income and expenses deriving from Trading Book instruments, excluding the economical hedging or funding banking book positions;
- the inclusion in the "**Net other expenses/income**" of "Other operating expenses/income", excluding "Recovery of expenses" which is classified under its own item and the exclusion of the costs for "Net value adjustments/write-backs on leasehold improvements" classified under "Other administrative expenses";
- presentation of "**Net other expenses/income**", "**Payroll costs**", "**Other administrative expenses**", "**Amortisation, depreciation and impairment losses on intangible and tangible assets**" and "**Provisions for risks and charges**" net of any "**Integration/restructuring costs**" relating to the reorganization operations, classified as a separate item;
- the exclusion from "Other administrative expenses" of the contributions to the Single Resolution Fund (SRF), the deposit guarantee scheme (DGS) and the bank levy reclassified to item "**Systemic charges**";
- the exclusion from "**Amortisation, depreciation and impairment losses on intangible and tangible assets**" of impairment/write-backs related to (i) rights of use of land and buildings used in the business (classified in item "Net income from investments") and (ii) tangible in operating lease assets (classified in item "Net other expenses/income");
- in "**Net write-downs on loans and provisions for guarantees and commitments**", the inclusion of net losses/recoveries on financial assets at amortized cost and at fair value through other comprehensive income net of debt securities, the gains (losses) on disposal and repurchase of non-performing financial assets at amortized cost net of debt securities and of the "Net provisions for risks and charges" related to commitments and financial guarantees given;
- the inclusion in "**Net income from investments**" of net losses/recoveries on financial assets at amortized cost and at fair value through other comprehensive income - debt securities, gains (losses) on tangible and intangible assets measured at fair value as well as gains (losses) of equity investments and on disposal on investments, including impacts from revaluation arising from IFRS5 non-current assets and disposal groups related to equity investment consolidated line by line and at net equity method not presented to item "Total profit or loss after tax from discontinued operations".

D – Segment reporting

D.2 – Content of segment reporting

The segment reporting format is based on the internal reporting of business segments, which reflects management responsibility within Bank Austria Group. The business segments (divisions) are presented as independent companies with responsibility for their own results. The definition of business divisions is primarily based on the organizational responsibility for customers.

In order to simplify Bank Austria's organizational structure and to create greater proximity to customers, the **client-facing business segments were reorganized as of January 1, 2022, as follows**: **Retail** (formerly "Privatkundenbank"), **Wealth Management & Private Banking** (WM&PB, was part of former Privatkundenbank and was not reported separately) **and Corporates** (formerly two separate areas: "Corporate & Investment Banking/CIB" and "Unternehmerbank").

For this reason, since January 1, 2022, **segment reporting** has also followed the new, above-mentioned divisional structure:

To ensure comparability of the 2022 data with 2021, adjustments at segment level were necessary in the prior-year periods.
Interest costs for social capital (DBO/Defined Benefit Obligation) and jubilee benefits were shifted from payroll costs to the position net interest.

Retail (formerly Privatkundenbank)

The Retail division includes the Mass Market, Affluent and Microbusiness customer segments (independent professionals and business customers with annual sales of up to €1 million). This division also includes the credit card subsidiaries and Bank Austria Finanzservice.

Wealth Management & Private Banking

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

Corporates (formerly CIB and Unternehmerbank)

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

It also serves financial institutions such as banks, asset managers, institutional customers and insurance companies. Broken down by product areas, this division offers its customers Advisory, Capital Markets & Specialized Lending (traditional and structured lending business as well as capital market advisory), Transactions & Payments (payment transactions, trade finance, cash management) and the services of customer-related trading as well as risk management for our customers in Client Risk Management & Treasury. The product specialists also support the commercial customer business of the bank's other business areas.

Furthermore, the Real Estate customer segment, the Public Sector customer segment, the leasing business including subsidiaries, as well as FactorBank, Bank Austria Wohnbaubank and the Bank Austria Real-Invest Group are included in this division.

Corporate Center

In addition to the ongoing management and administrative expenses of the Bank as a whole, the Corporate Center includes all other equity investments that are not allocated to a corporate division. The Corporate Center also includes the funding costs of the fully consolidated subsidiaries as well as cross-segment consolidation effects and earnings contributions.
As of January 1, 2022, the Treasury unit (a subsegment of the former CIB division) was reclassified to the Corporate Center, which led to shifts in net interest and net trading in 2021 in Corporate Center's restated prior-year results.

D – Segment reporting

D.3 – Segment reporting 1–12 2022 / 1–12 2021

(€ million)

		RETAIL	WM & PB	CORPORATES	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST)[1]	RECASTING DIFFERENCES[2]	BANK AUSTRIA GROUP[3]
Net interest	2022	507	71	694	(151)	1,120	-	1,120
	2021	352	18	541	(72)	839	25	864
Dividends and other income from equity investments	2022	3	0	29	98	130	-	130
	2021	3	0	39	137	179	0	179
Net fees and commissions	2022	308	133	246	(2)	685	-	685
	2021	311	151	233	2	697	(0)	697
Net trading, hedging and fair value income/loss	2022	(4)	3	58	(15)	41	-	41
	2021	9	3	71	21	104	(0)	104
Net other expenses/income	2022	(9)	0	12	12	16	-	16
	2021	5	0	14	16	34	0	35
OPERATING INCOME	**2022**	**805**	**208**	**1,038**	**(57)**	**1,993**	**-**	**1,993**
	2021	**679**	**172**	**898**	**103**	**1,852**	**26**	**1,878**
OPERATING COSTS	**2022**	**(538)**	**(125)**	**(358)**	**(42)**	**(1,062)**	**-**	**(1,062)**
	2021	**(618)**	**(126)**	**(375)**	**(20)**	**(1,139)**	**(25)**	**(1,165)**
OPERATING PROFIT	**2022**	**267**	**83**	**680**	**(99)**	**930**	**-**	**930**
	2021	**61**	**46**	**523**	**83**	**713**	**0**	**713**
Net write-downs of loans and provisions for guarantees and commitments	2022	(32)	(0)	4	5	(24)	-	(24)
	2021	(58)	(4)	(105)	1	(166)	(0)	(166)
NET OPERATING PROFIT	**2022**	**234**	**82**	**684**	**(94)**	**907**	**-**	**907**
	2021	**3**	**43**	**419**	**83**	**547**	**0**	**548**
Provisions for risk and charges	2022	(2)	(0)	(7)	(11)	(20)	-	(20)
	2021	(6)	1	1	8	4	0	4
Systemic charges	2022	(27)	(8)	(46)	(25)	(107)	-	(107)
	2021	(59)	(9)	(30)	(14)	(112)	0	(112)
Integration/restructuring costs	2022	1	9	-	12	22	-	22
	2021	(4)	(14)	0	(337)	(355)	-	(355)
Net income from investments	2022	(3)	(0)	(3)	(111)	(118)	-	(118)
	2021	7	-	7	(5)	9	0	9
PROFIT BEFORE TAX	**2022**	**202**	**83**	**628**	**(230)**	**684**	**-**	**684**
	2021	**(59)**	**20**	**398**	**(266)**	**93**	**0**	**93**
Income tax for the period	2022	(50)	(18)	(150)	357	139	-	139
	2021	-	(9)	(90)	110	11	(0)	11
PROFIT (LOSS) FOR THE PERIOD	**2022**	**153**	**65**	**478**	**127**	**823**	**-**	**823**
	2021	**(59)**	**11**	**308**	**(156)**	**105**	**0**	**105**
Non-controlling interests	2022	1	-	(1)	0	(0)	-	(0)
	2021	12	-	(1)	0	10	0	10
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**2022**	**154**	**65**	**477**	**127**	**823**	**-**	**823**
	2021	**(47)**	**11**	**307**	**(156)**	**115**	**0**	**115**
Risk-weighted assets (RWA) (avg.)	**2022**	**7,638**	**600**	**20,386**	**5,673**	**34,297**	**-**	**34,297**
	2021	**7,083**	**551**	**20,049**	**5,570**	**33,252**	**0**	**33,252**
Loans to customers (eop)	**2022**	**19,778**	**929**	**44,709**	**803**	**66,219**	**0**	**66,219**
	2021	**19,134**	**843**	**46,005**	**985**	**66,968**	**0**	**66,968**
Deposits from customers (eop)	**2022**	**28,254**	**7,280**	**26,267**	**902**	**62,703**	**-**	**62,703**
	2021	**27,805**	**7,766**	**28,648**	**104**	**64,322**	**-**	**64,322**
Cost/income ratio in %	2022	66.9	60.1	34.5	n.m.	53.3	n.m.	53.3
	2021	91.0	73.1	41.7	n.m.	61.5	n.m.	62.0

1) In the segment reporting, the comparative figures for 2021 were adjusted (recast) to the scope of consolidation and the segment structure of the 2022 reporting period.
2) Reconciliation to the published figures for the previous year is shown in the column "recasting differences". Interest costs relating to Defined Benefit Obligations (DBO) and jubilee benefits were shifted from payroll costs to the position net interest.
3) Previous year's figures as published.
n.m. = not meaningful

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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 harmonization 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.

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 organized 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 operative credit risk divisions (Credit Operations). These units are supplemented in risk management by the Strategic, Credit & Integrated Risks and Financial Risk divisions. In order to ensure the independence of the Non-Financial Risk and Internal Validation departments, they also report directly to the CRO. The ALM & Funding division reports to the Chief Financial Officer (CFO) and is responsible for risk-adequate pricing of loans, the Bank's own securitizations and funding (as part of the planning process and under contingency funding arrangements), among other things. The Planning division is responsible for the management of capital.

The Bank's internal control system (ICS) is effective at several levels: (1) in the various business areas, (2) at the Risk & Compliance level and (3) at the Internal Audit level. Internal Audit performs regular audits with regard to the adequacy of risk processes and compliance with them. The Management Board and the Supervisory Board are provided with reports on the results of these audits and recommendations. A comprehensive system of rules ranging from Group Policies to operational instructions governs processes at various levels. The most important policies are adopted directly by the Management Board, managed in a separate system, rolled out and monitored with regard to the degree of implementation.

Cross-divisional management / control and reporting

Bank Austria essentially divides the monitoring and controlling processes associated with risk management into the following categories: credit risk (default risk and migration risk), liquidity and funding risk, market risk (interest rate risk, credit spread risk, currency risk and equity risk), structural FX risk, derivatives-linked risk (counterparty risk, CVA risk), operational risk (including legal), reputational risk, business risk, sustainability 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 operationalizes 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 additionally presented 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. Specialized 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) 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, IFRS 9 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 unfavorable 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 (several 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 buckets, currencies), the escalation hierarchy comprises several 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 analyzed 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”).

E – Risk report

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.
For the purpose of disclosing quantitative information on credit quality, on-balance sheet financial assets include bond issues and loans, off-balance sheet exposures include guarantees given, irrevocable commitments, derivatives regardless of the classification category of each transaction and revocable commitments to disburse funds.
In this context, the term "loan exposure" does not include equity instruments or units in investment funds.

Information on financial and credit derivatives is disclosed under Section E.5 – Financial derivatives.

On the balance sheet, financial assets, i.e., the volumes subject to credit risk, amounted to €79,360 million at the end of 2022 (previous year: €80,968 million), of which €67,729 million (before the deduction of impairment losses of €1,510 million) is attributable to loans and receivables with customers according to the reclassified balance sheet for segment reporting purposes (previous year: €68.476 million).
€11,433 million (previous year: €12,292 million) is attributable to risk assets arising from securities exposures.

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 receivables with customers, approximately two-thirds are attributable to the Corporates segment. The remaining third is attributable to loans and receivables from private customers. Within this Retail segment, it is worth mentioning from a risk perspective that the proportion of CHF loans as risk carriers has been declining steadily for years and is currently around 17% (previous year: 19%).

Details on segment reporting can be found in Part D of the notes. The adjustments made to the segments to reflect the current structure are taken into account in the comparative figures for 2021.

E – Risk report

The tables under "Section 2 – Risks of the prudential consolidation perimeter" presented in this chapter meet the consolidation requirements of Bank of Italy's Circular No. 262 and may differ from the other presentations in the risk report. The prudential group of consolidated companies is subject to different legal provisions in comparison to the accounting-related group of consolidated companies with regard to the inclusion of companies.

In this context, the accounting-related group of consolidated companies includes companies that are fully consolidated in accordance with IFRS 10. Further information can be found in the Notes to the Consolidated Financial Statements, Part A – Accounting methods, A.8 – Group of consolidated companies and changes in the group of consolidated companies of Bank Austria Group in 2022.

The regulatory group of consolidated companies consists of companies that are subject to full consolidation in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on "Prudential requirements for credit institutions and investment firms" (CRR).

The regulatory group differs from the accounting-related group of consolidated companies in that, subsidiaries, that are not institutions, financial institutions or undertakings offering ancillary services and must be fully consolidated under the accounting perimeter, must be included in the prudential perimeter by application of the equity method.

Investments in these companies are shown under Item 70. Equity investments of the regulatory representation.

Reconciliation of balance sheet from accounting perimeter to prudential perimeter - Assets

(€ million)

	AMOUNTS AS AT 31.12.2022		
RECONCILIATION ASSETS	ACCOUNTING PERIMETER	PRUDENTIAL PERIMETER	DELTA
10. Cash and cash balances	938	936	(2)
20. Financial assets at fair value through profit or loss:	3,183	3,183	-
a) financial assets held for trading	2,426	2,426	-
b) financial assets designated at fair value	119	119	-
c) other financial assets mandatorily at fair value	638	638	-
30. Financial assets at fair value through other comprehensive income	12,168	12,168	-
40. Financial assets at amortised cost:	84,649	84,836	187
a) loans and advances to banks	16,864	16,864	-
b) loans and advances to customers	67,785	67,972	187
50. Hedging derivatives	4,093	4,093	-
60. Changes in fair value of portfolio hedged items (+/-)	(2,133)	(2,133)	-
70. Equity investments	2,470	2,478	8
80. Insurance reserves charged to reinsurers	-	-	-
90. Property, plant and equipment	860	534	(326)
100. Intangible assets	5	5	-
of which: goodwill	-	-	-
110. Tax assets:	764	764	-
a) current	54	54	-
b) deferred	710	710	-
120. Non-current assets and disposal groups classified as held for sale	3	2	-
130. Other assets	333	493	161
Total assets	**107,332**	**107,360**	**28**

E – Risk report

Reconciliation of balance sheet from accounting perimeter to prudential perimeter - Liabilities & Shareholders' Equity

(€ million)

RECONCILIATION LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 31.12.2022		
	ACCOUNTING PERIMETER	PRUDENTIAL PERIMETER	DELTA
10. Financial liabilities at amortised cost:	89,119	89,092	(27)
a) deposits from banks	16,603	16,602	(1)
b) deposits from customers	63,007	62,981	(26)
c) debt securities in issue	9,509	9,509	-
20. Financial liabilities held for trading	2,410	2,411	1
30. Financial liabilities designated at fair value	60	60	-
40. Hedging derivatives	3,930	3,930	-
50. Value adjustment of hedged financial liabilities (+/-)	(1,972)	(1,972)	-
60. Tax liabilities:	32	31	(1)
a) current	27	26	(1)
b) deferred	6	5	-
70. Liabilities associated with assets classified as held for sale	-	-	-
80. Other liabilities	966	1,029	63
90. Provision for employee severance pay	-	-	-
100. Provisions for risks and charges:	3,352	3,345	(7)
a) commitments and guarantees given	177	177	-
b) post-retirement benefit obligations	2,956	2,956	-
c) other provisions for risks and charges	220	212	(7)
110. Technical reserves	-	-	-
120. Valuation reserves	(2,105)	(2,105)	(1)
130. Redeemable shares	-	-	-
140. Equity instruments	600	600	-
150. Reserves	4,270	4,271	1
160. Share premium	4,133	4,133	-
170. Share capital	1,681	1,681	-
180. Treasury shares (-)	-	-	-
190. Minority shareholders' equity (+/-)	32	32	-
200. Profit (Loss) of the year (+/-)	823	823	-
Total liabilities and shareholders' equity	**107,332**	**107,360**	**28**

The differences between the two representations can be classified as immaterial.

The comparative figures for 2021 in the tables in “Section 2 – Risks of the prudential consolidation perimeter” have been adjusted in line with the regulatory scope of consolidation.

E – Risk report

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). For the current status of the application of the internal ratings-based approach (IRB approach) to credit risk in Bank Austria, please see the next chapter.

In order to estimate the expected credit loss (ECL) under IFRS 9 regulations, 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 behavior 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 organizations. Retail scoring consists of application scoring, which is based on proven and recognized mathematical-statistical methods, and behavioral scoring, which takes account, among other things, of account deposits and customer payment behavior 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 2022 was on validating the model changes and implementations for the EAD 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 was carried out for a transitional period based on the latest validation reports for the respective model. This was transferred back to current model monitoring when sufficient history was reached after the new models had been deployed in Q3 of this year. All model assumptions are based on long-term statistical averages of historical defaults and losses, taking into account current risk-relevant information. The modelling follows detailed regulatory and Group-wide specifications. 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, Credit & Integrated Risks division, with the relevant methodology and control units and with independent validation units, acts as a credit risk control unit within the meaning of Article 190 of the CRR.

E – Risk report

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 a major part of its loan portfolio (advanced IRB approach). Refining 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 guidelines of the EBA, the changes to all local PD models were put into production in 2021. Ratings were automatically and immediately issued for all retail models for use in July 2021. They were then converted for corporate models using the re-ratings of individual customers. This was the case for the majority of the portfolio.

The application for the local LGD model was also subjected to a material on-site audit by the ECB in 2021. The deficiencies identified in the assessment report included, among other things, comments regarding the adequate calibration of the performing portfolio, which potentially have a significant weighting in relation to the Bank's total equity requirements in the credit sector. In order to explicitly address the concerns in this regard, an ex-ante LGD model change was delivered in March 2022 with the primary objective of overcoming the calibration concerns (the time series used for the calibration was also extended, among other things). In fact, this application for the performing portfolio was at an RWA level that continued to correspond to the size of the material model application from 2021. We expect the ECB to issue its final decision in the first quarter of 2023. Since the impact of the material model change in the LGD model is in the order of magnitude of an additional RWA boost of approx. €4.5 billion, the Bank has decided to present the associated increase in capital adequacy requirements as early as 4Q22 by means of a bulk add-on. As a result, the impact on capital ratios is already shown in the annual financial statements and there is unlikely to be a material leap in the first quarter of 2023, which can already be assumed at the time of the annual financial statements.

The revision and submission of the local EAD model is planned for 2023. With regard to the Group-wide models, the material changes approved by the ECB for the models for multinational companies and sovereign entities, as well as the Group-wide EAD model, were applied in the middle of 2021. The recalibrated model for global project financing and the adapted bank rating model were also implemented in 2021.

Implementation of the advanced IRB approach has been established as a Group-wide programme. Therefore, UniCredit Group is responsible for overall planning, Group-wide issues and decisions, and specifically for the development of Group-wide models, such as for countries, banks and multinational companies. The local IRB models are modelled locally in accordance with Group-wide specifications.

Group standards have for the most part already been prepared and adopted by UniCredit Group in cooperation with the major IRB legal entities and are used as an instrument for uniform Group-wide implementation, with a view to complying with local legal requirements — some of which differ from country to country — and safeguarding Group interests. These Group standards will continue to be gradually extended and supplemented. Group standards are integrated into business areas, both in procedural and organizational terms, where local particularities and legal regulations are considered when ensuring Basel compliance.

All Austrian subsidiaries of UniCredit Bank Austria AG use the standardised approach. From a current perspective and for reasons of materiality, there are no plans to switch to one of the IRB approaches.

E – Risk report

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 constitute Stage 3 (see also "A.5.3.3. – Impairment of financial instruments")

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.
- **"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.
- **"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).

In each case, 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".

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. For distressed restructuring (distressed restructuring in the sense of EBA/GL/2016/07), the period of good conduct is 12 months. Loan exposures with retail scoring are assigned the rating 7 after this period until a behavioural scoring is determined. All other loan exposures are automatically fixed at unrated until a new rating is issued.

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

Section 1 – Risks of the accounting consolidation perimeter

In the following tables, the volume of impaired assets according to the IFRS definition corresponds to the volume of non-performing exposures according to EBA standards.
For the purposes of disclosure of quantitative information on credit quality, the term "loan exposure" does not include equity instruments or units in investment funds.

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	96	1,072	110	1,160	82,211	84,649
2. Financial assets at fair value through other comprehensive income	-	-	-	-	11,999	11,999
3. Financial assets designated at fair value	-	-	-	-	119	119
4. Other financial assets mandatorily at fair value	-	1	-	-	633	636
5. Financial instruments classified as held for sale	-	-	-	-	-	-
Total 31.12.2022	**96**	**1,073**	**110**	**1,161**	**94,963**	**97,403**
Total 31.12.2021	**122**	**903**	**23**	**687**	**109,258**	**110,992**

The decline in volume in the performing portfolio is primarily due to the partial repayment of €10 billion from central bank refinancing taken up in 2020 as part of the TLTRO III programme.

Further details on TLTROs can be found under A.6.8 Targeted Longer-Term Refinancing Operations and E.3 Liquidity risks – Funding.

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	2,228	951	1,277	52	83,943	572	83,371	84,649
2. Financial assets at fair value through other comprehensive income	-	-	-	-	12,000	1	11,999	11,999
3. Financial assets designated at fair value	-	-	-	-	X	X	119	119
4. Other financial assets mandatorily at fair value	2	-	2	-	X	X	634	636
5. Financial instruments classified as held for sale	-	-	-	-	-	-	-	-
Total 31.12.2022	**2,230**	**951**	**1,279**	**52**	**95,943**	**572**	**96,124**	**97,403**
Total 31.12.2021	**2,030**	**982**	**1,048**	**69**	**109,496**	**529**	**109,945**	**110,992**

E – Risk report

Section 2 – Risks of the prudential consolidation perimeter

E.2.3 Regulatory consolidation - Breakdown of financial assets by past-due buckets (carrying value)

(€ million)

	STAGE 1			STAGE 2			STAGE 3			POCI ASSETS		
PORTFOLIOS/RISK STAGES	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	912	-	-	200	47	1	20	7	501	-	-	1
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial instruments classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Total 31.12.2022	**912**	**-**	**-**	**200**	**47**	**1**	**20**	**7**	**501**	**-**	**-**	**1**
Total 31.12.2021	**572**	**-**	**-**	**81**	**33**	**-**	**12**	**13**	**273**	**-**	**-**	**1**

The comparative figures for 2021 have been adjusted to the regulatory scope of consolidation.

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E.2.4 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions 2022

(€ million)

	OVERALL WRITE-DOWNS											
	FINANCIAL ASSETS CLASSIFIED IN STAGE 1						FINANCIAL ASSETS CLASSIFIED IN STAGE 2					
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	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)	**-**	**63**	**1**	**-**	**1**	**63**	**-**	**466**	**1**	**-**	**-**	**468**
Increases in acquired or originated financial assets	-	45	-	-	-	45	-	85	-	-	-	85
Reversals different from write-offs	-	(7)	-	-	-	(7)	-	(31)	-	-	-	(31)
Net losses/recoveries on credit impairment	-	5	(1)	-	-	4	-	(58)	-	-	-	(59)
Contractual changes without cancellation	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	4	-	-	-	4	-	-	-	-	-	(1)
Closing balance (gross amount)	**-**	**110**	**-**	**-**	**1**	**110**	**-**	**463**	**-**	**-**	**-**	**463**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-
Write-off are not recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-

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continued: E.2.4 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions 2022

(€ 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)	**-**	**977**	**-**	**-**	**653**	**324**	**3**	**-**	**-**	**2**	**1**
Increases in acquired or originated financial assets	-	43	-	-	30	13	-	-	-	-	-
Reversals different from write-offs	-	(11)	-	-	(6)	(5)	-	-	-	-	-
Net losses/recoveries on credit impairment	4	8	-	-	(16)	28	(1)	-	-	-	(1)
Contractual changes without cancellation	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-
Write-off	-	(50)	-	-	(2)	(47)	-	-	-	-	-
Other changes	-	(20)	-	-	(17)	(4)	-	-	-	-	-
Closing balance (gross amount)	**5**	**946**	**-**	**-**	**642**	**309**	**2**	**-**	**-**	**2**	**-**
Recoveries from financial assets subject to write-off	-	6	-	-	1	6	-	-	-	-	-
Write-off are not recognised directly in profit or loss	-	(6)	-	-	-	(6)	-	-	-	-	-

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continued: E.2.4 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions 2022

(€ million)

SOURCES/RISK STAGES	OVERALL WRITE-DOWNS - TOTAL PROVISIONS ON LOANS COMMITMENTS AND FINANCIAL GUARANTEES GIVEN - STAGE 1	STAGE 2	STAGE 3	COMMITMENTS FUNDS AND FINANCIAL GUARANTEES PURCHASED OR ORIGINATED CREDIT-IMPAIRED	TOTAL
Opening balance (gross amount)	**10**	**39**	**184**	**-**	**1,744**
Increases in acquired or originated financial assets	9	6	39	-	227
Reversals different from write-offs	(2)	(8)	(74)	-	(134)
Net losses/recoveries on credit impairment	9	(8)	(35)	-	(78)
Contractual changes without cancellation	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-
Write-off	-	-	-	-	(50)
Other changes	-	-	9	-	(7)
Closing balance (gross amount)	**25**	**29**	**123**	**-**	**1,703**
Recoveries from financial assets subject to write-off	-	-	-	-	6
Write-off are not recognised directly in profit or loss	-	-	-	-	(6)

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E.2.4 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions 2021

(€ million)

	OVERALL WRITE-DOWNS											
	FINANCIAL ASSETS CLASSIFIED IN STAGE 1						FINANCIAL ASSETS CLASSIFIED IN STAGE 2					
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	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)	**-**	**66**	**1**	**1**	**6**	**62**	**-**	**349**	**-**	**-**	**8**	**341**
Increases in acquired or originated financial assets	-	27	-	-	-	27	-	86	-	-	-	86
Reversals different from write-offs	-	(8)	-	-	-	(9)	-	(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)	**-**	**63**	**1**	**-**	**1**	**63**	**-**	**466**	**1**	**-**	**-**	**468**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-
Write-off are not recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-

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)	**-**	**1,002**	**-**	**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	-	(7)	-	(17)	(21)	(4)	-	-	-	-	1
Closing balance (gross amount)	**-**	**977**	**-**	**-**	**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)	-	-	-	-	-

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continued: 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				TOTAL
	TOTAL PROVISIONS ON LOANS COMMITMENTS AND FINANCIAL GUARANTEES GIVEN				
	STAGE 1	STAGE 2	STAGE 3	COMMITMENTS FUNDS AND FINANCIAL GUARANTEES PURCHASED OR ORIGINATED CREDIT-IMPAIRED	
Opening balance (gross amount)	**14**	**28**	**185**	**-**	**1,666**
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	-	(16)
Closing balance (gross amount)	**10**	**39**	**184**	**-**	**1,744**
Recoveries from financial assets subject to write-off	-	-	-	-	8
Write-off are not recognised directly in profit or loss	-	-	-	-	(8)

The comparative figures for 2021 have been adjusted to the regulatory scope of consolidation.

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E.2.5 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: transfers between risk stages (gross values and nominal values)

(€ million)

	GROSS VALUES/NOMINAL VALUES					
	TRANSFERS BETWEEN STAGE 1 AND STAGE 2		TRANSFERS BETWEEN STAGE 2 AND STAGE 3		TRANSFERS BETWEEN STAGE 1 AND STAGE 3	
PORTFOLIOS/RISK STAGES	FROM STAGE 1 TO STAGE 2	FROM STAGE 2 TO STAGE 1	FROM STAGE 2 TO STAGE 3	FROM STAGE 3 TO STAGE 2	FROM STAGE 1 TO STAGE 3	FROM STAGE 3 TO STAGE 1
1. Financial assets at amortised cost	2,554	8,341	262	45	209	168
2. Financial assets at fair value through other comprehensive income	-	53	-	-	-	-
3. Financial instruments classified as held for sale	-	-	-	-	-	-
4. Loan commitments and financial guarantees given	1,152	5,936	14	32	3	60
Total 31.12.2022	**3,706**	**14,331**	**276**	**78**	**212**	**229**
Total 31.12.2021	**11,796**	**3,400**	**275**	**46**	**37**	**20**

The comparative figures for 2021 have been adjusted to the regulatory scope of consolidation.

The above table shows the movement between stages at 12-month intervals. The class membership of customers at the beginning and end of the year is compared.

Since the first quarter of 2022, Russian transactions (country of domicile or risk country of the customer) have been included in Stage 2 (see also the section 'Immediate adjustment in the wake of the Russia/Ukraine conflict"). During the fourth quarter, the overlays related to COVID (proactive Stage 2 allocations and the COVID supply chain surcharge) were discontinued, see also the section "Introduction of a new geopolitical overlay while eliminating the previous COVID overlays." Overall, the methodological adjustments specifically aimed at the stage changes in the 2022 fiscal year are of low relevance for the level of impairment; the specific overlays dominate (in particular, the introduction of geopolitical overlays and parameter adjustments of PD and LGD as part of adjustments to the scenario).

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Information on forborne exposures

Forbearance measures are concessions made by a bank to a debtor facing or about to face difficulties in meeting its financial commitments. These may take the form of a modification of the terms and conditions of a contract that would not have been agreed if the debtor had not been in financial difficulties, or the form of total or partial refinancing. The primary objective of granting forbearance measures is that the borrower remains solvent and, if possible, 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) or the EBA Technical Standards (ITS 2013/03 (rev1)) and are subject to backtesting / monitoring.

Before granting a forbearance measure, an assessment of the borrower’s debt service capability must be performed. 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. Any resulting risk provisioning is determined in accordance with point “A.5.3.3 Impairment of financial instruments”.

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 under point “A.5.3.3. – Impairment of financial instruments / Contractual modifications”.

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E.2.7 Regulatory consolidation - On- and off-balance sheet credit exposures with banks: gross and net values

(€ million)

EXPOSURE TYPES/VALUES	AMOUNTS AS AT 31.12.2022											
	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.1 On Demand	**863**	**854**	**5**	**5**	**-**	**5**	**-**	**-**	**5**	**-**	**859**	**-**
a) Non-performing	5	X	-	5	-	5	X	-	5	-	-	-
b) Performing	859	854	5	X	-	-	-	-	X	-	859	-
A.2 Other	**19,752**	**19,594**	**70**	**66**	**-**	**12**	**1**	**7**	**4**	**-**	**19,740**	**-**
a) Bad exposures	-	X	-	-	-	-	X	-	-	-	-	-
of which: forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
b) Unlikely to pay	66	X	-	66	-	4	X	-	4	-	63	-
of which: forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
c) Non-performing past due	-	X	-	-	-	-	X	-	-	-	-	-
of which: forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
d) Performing past due	2	1	2	X	-	-	-	-	X	-	2	-
of which: forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
e) Other performing exposures	19,683	19,594	68	X	-	8	1	7	X	-	19,675	-
of which: forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
Total (A)	**20,615**	**20,448**	**75**	**71**	**-**	**16**	**1**	**7**	**8**	**-**	**20,599**	**-**
B. Off-balance sheet credit exposures												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	6,277	474	52	X	-	1	-	-	X	-	6,277	-
Total (B)	6,277	**474**	**52**	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**6,277**	**-**
Total (A+B)	26,892	**20,922**	**127**	71	**-**	**17**	**1**	**8**	**8**	**-**	**26,876**	**-**

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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 31.12.2021											
		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	**368**	**364**	**4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**368**	**-**
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	368	364	4	X	-	-	-	-	X	-	368	-
A.2 Other	**31,721**	**31,610**	**111**	**-**	**-**	**1**	**1**	**-**	**-**	**-**	**31,719**	**-**
a) Bad exposures	-	X	-	-	-	-	X	-	-	-	-	-
of which: forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
of which: forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
c) Non-performing past due	-	X	-	-	-	-	X	-	-	-	-	-
of which: forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
d) Performing past due	-	-	-	X	-	-	-	-	X	-	-	-
of which: forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
e) Other performing	31,721	31,610	111	X	-	1	1	-	X	-	31,719	-
of which: forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
Total (A)	**32,089**	**31,974**	**115**	**-**	**-**	**2**	**1**	**-**	**-**	**-**	**32,087**	**-**
B. Off-balance sheet credit exposures												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	2,251	574	32	X	-	-	-	-	X	-	2,251	-
Total (B)	2,251	**574**	**32**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,251**	**-**
Total (A+B)	34,340	**32,547**	**148**	**-**	**-**	**2**	**1**	**-**	**-**	**-**	**34,338**	**-**

On-balance sheet credit exposures to banks include all balance-sheet assets, irrespective of their classification by portfolio (financial assets held for trading, assets designated at fair value through profit or loss, financial assets mandatorily at fair value, assets at fair value through other comprehensive income, financial assets at amortised cost, and non-current assets held for sale).
The “Stage 1”, “Stage 2”, “Stage 3” and “acquired or originally impaired financial assets” columns include assets measured at amortised cost, assets measured at fair value through other comprehensive income and non-current assets held for sale; the total gross volume also includes financial assets held for trading, financial assets designated at fair value through profit or loss and other financial assets mandatorily at fair value.
Off-balance-sheet risk exposures to customers include guarantees given and irrevocable commitments, derivatives irrespective of the classification category of the respective transaction and revocable loan commitments.

The structure of the table for 2021 has therefore been adjusted to include credit risk stages.

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E.2.8 Regulatory consolidation - On- and off-balance sheet credit exposures with customers: gross and net values

(€ million)

	AMOUNTS AS AT 31.12.2022											
	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) Bad exposures	501	X	-	499	1	405	X	-	405	-	96	51
of which: forborne exposures	*67*	*X*	*-*	*66*	*1*	*42*	*X*	*-*	*42*	*-*	*25*	*1*
b) Unlikely to pay	1,538	X	-	1,529	8	528	X	-	526	2	1,010	1
of which: forborne exposures	*597*	*X*	*-*	*590*	*7*	*298*	*X*	*-*	*296*	*2*	*299*	*-*
c) Non-performing past due	122	X	-	122	-	12	X	-	12	-	110	-
of which: forborne exposures	*4*	*X*	*-*	*4*	*-*	*2*	*X*	*-*	*2*	*-*	*3*	*-*
d) Performing past due	1,174	914	260	X	-	16	2	14	X	-	1,158	-
of which: forborne exposures	*37*	*29*	*7*	*X*	*-*	*1*	*-*	*1*	*X*	*-*	*35*	*-*
e) Other performing exposures	76,025	59,380	15,912	X	1	549	109	441	X	-	75,476	-
of which: forborne exposures	*705*	*20*	*682*	*X*	*-*	*21*	*1*	*20*	*X*	*-*	*684*	*-*
Total (A)	**79,360**	**60,294**	**16,172**	**2,151**	**10**	**1,510**	**110**	**455**	**943**	**2**	**77,850**	**52**
B. Off-balance sheet credit												
a) Non-performing	339	X	-	339	-	123	X	-	123	-	216	-
b) Performing	40,978	33,232	6,979	X	-	54	25	28	X	-	40,925	-
Total (B)	**41,317**	**33,232**	**6,979**	**339**	**-**	**176**	**25**	**28**	**123**	**-**	**41,141**	**-**
Total (A+B)	**120,677**	**93,525**	**23,151**	**2,489**	**10**	**1,686**	**135**	**484**	**1,065**	**2**	**118,991**	**52**

E.2.8 Regulatory consolidation - On- and off-balance sheet credit exposures with customers: 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) Bad exposures	576	X	-	574	2	455	X	-	454	1	122	68
of which: forborne exposures	*76*	*X*	*-*	*76*	*-*	*39*	*X*	*-*	*39*	*-*	*36*	*-*
b) Unlikely to pay	1,418	X	-	1,402	15	516	X	-	513	2	903	1
of which: forborne exposures	*680*	*X*	*-*	*665*	*14*	*334*	*X*	*-*	*332*	*2*	*345*	*-*
c) Non-performing past due	33	X	-	32	-	10	X	-	10	-	23	-
of which: forborne exposures	*6*	*X*	*-*	*6*	*-*	*2*	*X*	*-*	*2*	*-*	*4*	*-*
d) Performing past due	693	573	121	X	-	7	-	6	X	-	687	-
of which: forborne exposures	*19*	*-*	*19*	*X*	*-*	*1*	*-*	*1*	*X*	*-*	*19*	*-*
e) Other performing	78,247	52,147	25,123	X	-	523	62	461	X	-	77,725	-
of which: forborne exposures	*1,065*	*71*	*991*	*X*	*-*	*31*	*1*	*29*	*X*	*-*	*1,035*	*-*
Total (A)	**80,968**	**52,719**	**25,244**	**2,008**	**16**	**1,509**	**62**	**467**	**977**	**3**	**79,459**	**69**
B. Off-balance sheet credit												
a) Non-performing	383	X	-	383	-	184	X	-	184	-	198	-
b) Performing	38,650	23,156	14,858	X	-	49	10	39	X	-	38,602	-
Total (B)	**39,033**	**23,156**	**14,858**	**383**	**-**	**233**	**10**	**39**	**184**	**-**	**38,800**	**-**
Total (A+B)	**120,001**	**75,875**	**40,101**	**2,391**	**16**	**1,742**	**72**	**506**	**1,161**	**3**	**118,259**	**69**

On-balance sheet credit exposures to customers include all balance-sheet assets, irrespective of their classification by portfolio (financial assets held for trading, assets designated at fair value through profit or loss, financial assets mandatorily at fair value, assets at fair value through other comprehensive income, financial assets at amortised cost, and non-current assets held for sale).

The "Stage 1", "Stage 2", "Stage 3" and "acquired or originally impaired financial assets" columns include assets measured at amortised cost, assets measured at fair value through other comprehensive income and non-current assets held for sale; the total gross volume also includes financial assets held for trading, financial assets designated at fair value through profit or loss and other financial assets mandatorily at fair value.
Off-balance-sheet risk exposures to customers include guarantees given and irrevocable commitments, derivatives irrespective of the classification category of the respective transaction and revocable loan commitments.

The structure of the table for 2021 has therefore been adjusted to include credit risk stages.

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E.2.9a Regulatory consolidation - On-balance sheet credit exposures with customers: changes in gross non-performing exposures

(€ million)

	CHANGES IN 2022		
SOURCES/CATEGORIES	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST DUE
A. Opening balance (gross amount)	**576**	**1,418**	**33**
of which sold non-cancelled exposures	*2*	*1*	*1*
B. Increases	**97**	**523**	**120**
B.1 Transfer from performing loans	43	377	115
B.2 Transfer from acquired or originated impaired financial assets	-	-	-
of which: business combinations	-	-	-
B.3 Transfer from other non-performing exposures	32	58	-
B.4 Contractual changes with no cancellations	-	-	-
B.5 Other increases	21	89	5
of which: business combinations - mergers	-	-	-
C. Decreases	**172**	**404**	**31**
C.1 Transfers to performing loans	2	61	9
C.2 Write-offs	27	29	-
C.3 Collections	77	283	11
C.4 Sale proceeds	-	-	-
C.5 Losses on disposals	-	-	-
C.6 Transfers to other non-performing exposures	51	29	10
C.7 Contractual changes with no cancellations	-	-	-
C.8 Other decreases	15	1	-
of which: business combinations	-	-	-
D. Closing balance (gross amount)	**501**	**1,538**	**122**
of which sold non-cancelled exposures	*2*	*1*	-

E – Risk report

E.2.9a Regulatory consolidation - On-balance sheet credit exposures with customers: changes in gross non-performing exposures

(€ million)

SOURCES/CATEGORIES	CHANGES IN 2021		
	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST DUE
A. Opening balance (gross amount)	**623**	**1,531**	**37**
of which sold non-cancelled exposures	*3*	*2*	*1*
B. Increases	**123**	**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)	**576**	**1,418**	**33**
of which sold non-cancelled exposures	2	*1*	*1*

The comparative figures for 2021 have been adjusted to the regulatory scope of consolidation.

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E.2.9b Regulatory consolidation - On-balance sheet exposures with customers: changes by credit quality in gross forborne exposures

(€ million)

SOURCES/QUALITY	CHANGES IN 2022		CHANGES IN 2021	
	FORBORNE EXPOSURES: NON-PERFORMING	FORBORNE EXPOSURES: PERFORMING	FORBORNE EXPOSURES: NON-PERFORMING	FORBORNE EXPOSURES: PERFORMING
A. Opening balance (gross amount)	**761**	**1,085**	**650**	**741**
of which sold non-cancelled exposures	*1*	-	*1*	-
B. Increases	**84**	**164**	**313**	**750**
B.1 Transfers from performing non-forborne exposures	15	138	49	713
B.2 Transfers from performing forbone exposures	51	X	54	X
B.3 Transfers from non-performing forborne exposures	X	26	X	27
of which: business combinations	*X*	-	*X*	-
B.4 Other increases	18	-	210	10
of which: business combinations - mergers	-	-	-	-
C. Reductions	**177**	**508**	**201**	**406**
C.1 Transfers to performing non-forborne exposures	X	265	X	93
C.2 Transfers to performing forbone exposures	26	X	27	X
C.3 Transfers to non-performing forborne exposures	X	51	X	54
C.4 Write-offs	2	-	8	-
C.5 Collections	111	161	158	254
C.6 Sale proceeds	-	-	-	-
C.7 Losses from disposal	-	-	-	-
C.8 Other reductions	38	30	8	5
of which: business combinations	-	-	-	-
D. Closing balance (gross amount)	**668**	**741**	**761**	**1,085**
of which sold non-cancelled exposures	*1*	-	**1**	**-**

The comparative figures for 2021 have been adjusted to the regulatory scope of consolidation.

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E.2.10 Regulatory consolidation - On-balance sheet non-performing credit exposures with customers: changes in overall write-downs

(€ million)

	CHANGES IN 2022					
	BAD 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)	**455**	**39**	**516**	**334**	**10**	**2**
of which sold non-cancelled exposures	*2*	-	-	-	-	-
B. Increases	**58**	**13**	**231**	**36**	**10**	**1**
B.1 Write-downs of acquired or originated impaired financial assets	-	X	-	X	-	X
of which: business combinations	-	-	-	-	-	-
B.2. Other write-downs	42	7	117	33	9	1
B.3 Losses on disposal	-	-	-	-	-	-
B.4 Transfers from other categories of non-performing exposures	10	6	36	1	-	-
B.5 Contractual changes with no cancellations	-	X	-	X	-	X
B.6 Other increases	6	-	78	2	1	-
of which: business combinations - mergers	-	-	-	-	-	-
C. Reductions	**108**	**10**	**218**	**72**	**7**	**1**
C.1 Write-backs from valuation	7	-	17	-	-	-
C.2. Write-backs from collections	21	2	89	43	3	-
C.3 Gains from disposals	-	-	-	-	-	-
C.4 Write-offs	27	1	29	1	-	-
C.5 Transfers to other categories of non-performing exposures	34	-	8	6	3	1
C.6 Contractual changes with no cancellations	-	X	-	X	-	X
C.7 Other decreases	19	7	75	21	1	-
of which: business combinations	-	-	-	-	-	-
D. Closing balance (gross amount)	**405**	**42**	**528**	**298**	**12**	**2**
of which sold non-cancelled exposures	*1*	-	*1*	*1*	-	-

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E.2.10 Regulatory consolidation - On-balance sheet non-performing credit exposures with customers: changes in overall write-downs

(€ million)

	CHANGES IN 2021					
	BAD 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)	**498**	**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)	**455**	**39**	**516**	**334**	**10**	**2**
of which sold non-cancelled exposures	2	-	-	-	-	-

The comparative figures for 2021 have been adjusted to the regulatory scope of consolidation.

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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 31.12.2022							
	EXTERNAL RATING CLASSES						NO RATING *)	
EXPOSURES	CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6		TOTAL
A. Financial assets at amortised cost								
- Stage 1	2,655	2,476	1,585	489	320	5	60,404	67,936
- Stage 2	5	-	122	14	47	191	15,816	16,195
- Stage 3	-	-	-	-	-	-	2,217	2,217
- POCI Assets	-	-	-	-	-	-	10	10
B. Financial assets at fair value through other comprehensive income								
- Stage 1	7,992	3,277	679	-	-	-	4	11,952
- Stage 2	-	34	14	-	-	-	-	48
- Stage 3	-	-	-	-	-	-	-	-
- POCI Assets	-	-	-	-	-	-	-	-
C. Financial instruments classified as held for sale								
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- POCI Assets	-	-	-	-	-	-	-	-
Total (A+B+C)	**10,652**	**5,787**	**2,401**	**504**	**366**	**196**	**78,450**	**98,357**
D. Loan commitments and financial guarantees given								
- Stage 1	823	1,842	1,976	199	166	139	28,561	33,706
- Stage 2	3	-	13	3	39	1	6,972	7,031
- Stage 3	-	-	-	-	-	-	339	339
- POCI Assets	-	-	-	-	-	-	-	-
Total (D)	**826**	**1,842**	**1,989**	**202**	**205**	**140**	**35,872**	**41,076**
Total (A+B+C+D)	**11,478**	**7,629**	**4,390**	**706**	**571**	**336**	**114,322**	**139,432**

*) 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/B–), 6 (CCC), impaired risk volumes are included in column "without external rating".
93,6% 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 31.12.2021							
	EXTERNAL RATING CLASSES							
EXPOSURES	CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6	NO RATING *)	TOTAL
A. Financial assets at amortised cost								
- Stage 1	5,071	1,957	2,631	437	40	64	61,914	72,114
- 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**	**88,483**	**111,708**
D. Loan commitments and financial guarantees given								
- Stage 1	636	637	1,611	411	16	71	20,347	23,729
- 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**	**35,274**	**39,002**
Total (A+B+C+D)	**14,940**	**4,740**	**5,433**	**938**	**496**	**406**	**123,757**	**150,710**

*) 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/B–), 6 (CCC), 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).

The comparative figures for 2021 have been adjusted to the regulatory scope of consolidation.

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 31.12.2022										
	INTERNAL RATING CLASSES										
EXPOSURES	1	2	3	4	5	6	7	8	9	NO RATING*)	TOTAL
A. Financial assets at amortised cost											
- Stage 1	23,321	10,796	12,213	7,793	5,998	4,114	485	13	-	3,203	67,936
- Stage 2	53	247	2,508	2,983	3,881	3,566	1,212	723	140	882	16,195
- Stage 3	-	-	-	-	-	-	-	-	-	2,217	2,217
- POCI Assets	-	-	-	-	-	-	-	-	-	9	10
B. Financial assets at fair value through other comprehensive income											
- Stage 1	5,729	2,263	3,277	679	-	-	-	-	-	4	11,952
- Stage 2	-	-	34	14	-	-	-	-	-	-	48
- Stage 3	-	-	-	-	-	-	-	-	-	-	-
- POCI Assets	-	-	-	-	-	-	-	-	-	-	-
C. Financial instruments classified as held for sale											
- Stage 1	-	-	-	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-	-	-	-
- POCI Assets	-	-	-	-	-	-	-	-	-	-	-
Total (A+B+C)	**29,103**	**13,305**	**18,031**	**11,469**	**9,879**	**7,680**	**1,697**	**736**	**140**	**6,315**	**98,357**
D. Loan commitments and financial guarantees given											
- Stage 1	8,172	11,337	6,888	2,970	2,398	1,387	89	34	-	430	33,706
- Stage 2	112	896	1,984	1,672	1,261	629	246	138	-	92	7,031
- Stage 3	-	-	-	-	-	-	-	-	-	339	339
- POCI Assets	-	-	-	-	-	-	-	-	-	-	-
Total (D)	**8,284**	**12,233**	**8,872**	**4,642**	**3,659**	**2,016**	**336**	**172**	**-**	**861**	**41,076**
Total (A+B+C+D)	**37,387**	**25,539**	**26,904**	**16,112**	**13,538**	**9,697**	**2,033**	**908**	**141**	**7,175**	**139,432**

*) Includes both, non-performing volume, and assets without rating (volumes treated under the standardized approach).

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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 31.12.2021										
	INTERNAL RATING CLASSES									NO RATING*)	TOTAL
	1	2	3	4	5	6	7	8	9		
A. Financial assets at amortised cost											
- Stage 1	32,849	8,591	13,079	6,701	4,242	2,870	648	24	-	3,108	72,114
- Stage 2	1,674	1,785	3,211	4,964	6,028	4,541	1,333	899	-	846	25,280
- Stage 3	-	-	-	-	-	-	-	-	1,831	177	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)	**41,312**	**12,755**	**18,405**	**12,669**	**10,270**	**7,411**	**1,981**	**924**	**1,847**	**4,134**	**111,708**
D. Loan commitments and financial guarantees given											
- Stage 1	3,639	8,699	5,942	2,758	1,216	853	103	11	-	510	23,729
- Stage 2	1,532	2,158	3,898	3,953	1,717	1,047	344	186	2	54	14,890
- Stage 3	-	-	-	-	-	-	-	-	383	-	383
- POCI Assets	-	-	-	-	-	-	-	-	-	-	-
Total (D)	**5,170**	**10,857**	**9,840**	**6,711**	**2,932**	**1,900**	**447**	**197**	**384**	**564**	**39,002**
Total (A+B+C+D)	**46,483**	**23,612**	**28,244**	**19,380**	**13,203**	**9,311**	**2,428**	**1,121**	**2,232**	**4,697**	**150,710**

*) Includes both, non-performing volume, and assets without rating (volumes treated under the standardized approach).
The comparative figures for 2021 have been adjusted to the regulatory scope of consolidation.

E – Risk report

The **internal rating distribution for 2022** follows the UniCredit master scale below (amended compared to 2021), and takes into account the probability of default (PD) ranges shown below. Classes 1 to 3 correspond to the investment grade classes of the external ratings. The external rating classes can be reconciled to internal rating classes via the PD bands.

E.2.13 UniCredit Masterscale 2022

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%	31.82%
9	31.82%	99.99%

The **internal rating distribution for the year 2021** shown below follows the Group-wide UniCredit rating master scale set out below (amended vs. 2020):

E.2.13 UniCredit Masterscale 2021

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	

E – Risk report

Credit risk mitigation techniques

Bank Austria uses various credit risk mitigation techniques to reduce credit losses in case of debtor 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 realization 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, equities 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, utilization costs etc. in the case of utilization.
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.

E – Risk report

E.2.14 Regulatory consolidation - Secured on-balance and off-balance sheet credit exposures with banks

(€ million)

	AMOUNT AS AT 31.12.2022					
			COLLATERALS			
	GROSS EXPOSURE	NET EXPOSURE	PROPERTY - MORTGAGES	PROPERTY - LEASE LOANS	SECURITIES	OTHER COLLATERALS
1. Secured on-balance sheet credit exposures						
1.1 Totally secured	197	194	-	-	-	-
of which non-performing	*7*	*3*	-	-	-	-
1.2 Partially secured	62	62	-	-	-	-
of which non-performing	*60*	*60*	-	-	-	-
2. Secured off-balance sheet credit exposures						
2.1 Totally secured	9	9	-	-	-	-
of which non-performing	-	-	-	-	-	-
2.2 Partially secured	35	35	-	-	-	-
of which non-performing	-	-	-	-	-	-

continued: E.2.14 Regulatory consolidation - Secured on-balance and off-balance sheet credit exposures with banks

(€ million)

	AMOUNT AS AT 31.12.2022									
	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	-	-	-	-	-	193	-	-	1	**194**
of which non-performing	-	-	-	-	-	*3*	-	-	-	***3***
1.2 Partially secured	-	-	-	-	-	57	-	-	-	**57**
of which non-performing	-	-	-	-	-	*57*	-	-	-	***57***
2. Secured off-balance sheet credit exposures										
2.1 Totally secured	-	-	-	-	-	2	8	-	-	**9**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**
2.2 Partially secured	-	-	-	-	-	8	-	-	-	**8**
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 31.12.2021					
			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 Regulatory consolidation - 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	-	-	-	-	-	-	-	-	-	**-**

The comparative figures for 2021 have been adjusted to the regulatory scope of consolidation.

E – Risk report

E.2.15 Regulatory consolidation - Secured on-balance and off-balance sheet credit exposures with customers

(€ million)

	AMOUNT AS AT 31.12.2022					
			COLLATERALS			
	GROSS EXPOSURE	NET EXPOSURE	PROPERTY - MORTGAGES	PROPERTY - LEASE LOANS	SECURITIES	OTHER COLLATERALS
1. Secured on-balance sheet credit exposures						
1.1 Totally secured	22,492	22,315	17,385	609	184	929
of which non-performing	*714*	*574*	*226*	*34*	*2*	*67*
1.2 Partially secured	27,329	26,345	5,600	113	218	1,055
of which non-performing	*1,020*	*491*	*94*	-	*5*	*33*
2. Secured off-balance sheet credit exposures						
2.1 Totally secured	2,896	2,877	1,065	-	79	397
of which non-performing	*89*	*70*	*44*	-	*2*	*17*
2.2 Partially secured	14,116	14,003	104	-	29	1,057
of which non-performing	*238*	*152*	*3*	-	-	*4*

continued: E.2.15 Regulatory consolidation - Secured on-balance and off-balance sheet credit exposures with customers

(€ million)

	AMOUNT AS AT 31.12.2022									
	GUARANTEES									
	CREDIT DERIVATIVES					SIGNATURE LOANS (LOANS GUARANTEES)				
		OTHER CREDIT DERIVATIVES								
	CLN	GOVERNMENT AND CENTRAL BANKS	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	TOTAL (1)+(2)
1. Secured on-balance sheet credit exposures										
1.1 Totally secured	-	-	-	-	-	1,869	539	-	796	**22,310**
of which non-performing	-	-	-	-	-	*236*	*4*	-	*6*	***574***
1.2 Partially secured	-	-	-	-	-	2,791	123	580	590	**11,070**
of which non-performing	-	-	-	-	-	*142*	*13*	-	*1*	***287***
2. Secured off-balance sheet credit exposures										
2.1 Totally secured	-	-	-	-	-	333	90	-	914	**2,877**
of which non-performing	-	-	-	-	-	*8*	-	-	-	***70***
2.2 Partially secured	-	-	-	-	-	464	20	-	78	**1,752**
of which non-performing	-	-	-	-	-	*11*	-	-	-	***18***

E – Risk report

E.2.15 Regulatory consolidation - 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 Regulatory consolidation - 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***

The comparative figures for 2021 have been adjusted to the regulatory scope of consolidation.

E – Risk report

Assessment of potential loss due to the current environment

Geopolitical threats are replacing the existing threat from COVID

In order to understand the development of impairment losses in the 2022 business year, it is very important to gain an understanding of the components that affect the expected credit loss (ECL) in the performing portfolio. These will therefore be explained below.

The estimates of potential losses in 2020 and 2021 were largely determined by the pandemic. Due to this, the impairment losses in the performing portfolio were substantially increased by COVID-specific overlays. As the pandemic progressed, the focus also broadened to include specific methodological adjustments aimed at preventing these value adjustments from being reduced prematurely. These were also formed in the course of the crisis. This was necessary, for example, to take into account delay effects in the event of defaults brought about by government support measures.

The threats we face have now shifted: The pandemic has now taken a back seat and instead, the geopolitical situation surrounding the Russia/Ukraine war (RU/UA) has come to the fore.

Immediate adjustment in the wake of the Russia/Ukraine conflict

At the beginning of the war, the risk analysis focused directly on the loan volumes in the conflict area, i.e., Russia, Ukraine, and Belarus (RU, UA, BY). The volumes for UA and BY are negligible, with Russia dominating. With regard to impairment losses in the performing portfolio, the probability of default (PD) for Russia in Q1 has already been adjusted from approx. 2% to 48%. As a result, all Group-wide customer ratings that depend on the Russian country rating (customers' country of domicile or country of risk) deteriorated. The associated increase in impairments has since been posted monthly as an overlay, reflecting the PD increase to 48% and the allocation of all these transactions to Stage 2.
At the end of December 2022, UniCredit Bank Austria AG had customer loans amounting to €189 million for the region (RU, UA, BY), most of these (97%) are secured by export credit agencies (ECAs). In addition, the Bank still has approximately €13 million in off-balance-sheet positions in relation to customers in the region. The volumes held in banks in the region (on-balance-sheet and off-balance-sheet) also shows low utilisation (€115 million). More than half of these are secured; the respective financing is primarily allocated to trade financing. The banking volumes already include €18 million with UniCredit Russia.
In view of the low volume of business at UniCredit Bank Austria AG for the above-mentioned scope (approx. 0.2% of the loan volume), as of December 2022, Stage 1 and 2 impairments stand at €11 million, which corresponds to an increase of almost €10 million in 2022. Approx. half of this is considered managerial overlay – the part that reflects the difference between the Russia PD (48%) used for IFRS 9 and the IRB PD used at the end of the year (26%).

In addition to the effects that were already calculated as an overlay in the first quarter as a result of the rating deterioration in Russia, the Bank has also paid great attention to possible spill-over effects into the rest of the portfolio (due to energy prices, uncertainties regarding gas supply, commodity prices, supply chains, etc.). The situation in this regard is being continuously monitored and clarified in ongoing communications with the relevant credit customers (see also later in the section "Credit risk strategy with particular focus on the effects of the Russia/Ukraine conflict").

Further adjustment in the wake of the Russia/Ukraine conflict

The constantly deteriorating macro environment has been taken into account across the entire UniCredit Bank Austria AG portfolio by means of regular macro scenario adjustments. Since the introduction of IFRS 9, this has been the primary instrument in the consideration of forward-looking information – "FLI". The adjusted macroeconomic factors are translated into changes in credit risk parameters by the macro dependency model ("Satellite Model") of the UniCredit Group (see also Part A). The most recent macro adjustment was made in the fourth quarter of 2022, while the cliff effect, which had previously taken into account the pandemic-related delay effect mentioned above, was eliminated. Overall, the macro adjustments and calibrations after deduction of the cliff effects in 2022 led to an increase in impairments of €46 million.

Introduction of a new geopolitical overlay while eliminating the previous COVID overlays

In the course of this most recent macro scenario adjustment, all COVID-specific overlays were also removed (the related reduction in impairments was €14 million). At the same time, a new *geopolitical overlay* was introduced. The latter is intended to take into account value increasing factors that cannot be directly covered by the adjustment of macro scenarios.
This concerns the effects on
- Companies in sectors that are particularly affected by rising energy prices
- Private customers who are suffering the most from rising interest rates and inflation, namely
  - holders of private mortgages that are not based on fixed interest rate agreements
  - the share of the private performing portfolio whose customers are already in default of payment

Based on the most recent default rates in these segments, the method approach derives a stressed default rate and assumes that in future this part of the portfolio will also migrate to the non-performing portfolio and will therefore have to be backed by higher impairment losses. The additional impairment losses posted in this way amounted to €123 million at the end of the year, or in other words about a quarter of Stage 1 and 2 impairment losses.
In any case, the reversal of the COVID cliff effect in the fourth quarter was more than cancelled out due to the new macro scenarios being included in Q2 and Q4 (+€46 million). The introduction of geopolitical overlays led to an increase in impairment losses of €108 million following the cancellation of the COVID overlays (proactive Stage 2 allocations and the COVID supply chain surcharge). The new overlay therefore significantly boosts the impairment losses and ensures compliance with the changed macro environment and the associated updated forward-looking information.

Other materially relevant methodological adjustments to Stage 1 and 2 impairment losses

In addition to the adjustments caused by the macro environment, there are a few more regulatory aspects of significant magnitude that should be mentioned. With Q4 21, the impact of the newly requested LGD model on the impairment losses was taken into account by means of a rough estimate, which had led to a corresponding increase in impairment losses in the performing portfolio in the 2021 fiscal year (+€75 million ECL). This estimate was revised in 2022 on the basis of the IRB recalibration submitted in March and currently indicates a lower uplift (+€8m) compared to the value posted in 2021 and was posted accordingly in December.

A new method for amortising loans was introduced in Q4 22, which reflects the higher risk associated with final repayments. Compared to loans with regular repayments, this results in an ECL increase for Stage 2 transactions for the corporate portfolio of €21 million (with regard to amortising loans in the Retail segment, a corresponding method had already been taken into account prior to 2022).

Consideration of baseline and alternative scenarios

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 Stage 1 and 2, the multiple scenarios are considered by estimating the impact of 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 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 the respective, sometimes differing, regulatory requirements, using internally developed scenarios. The respective macro scenarios 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 December 2022, UniCredit Bank Austria AG selected two macro scenarios based on the economic environment to determine the forward-looking information – a baseline scenario and a downturn scenario. In recent years, there has also been a positive scenario, which was weighted at 5% in Q4 21. The weighting was set to 0% in the first half of 2022. The baseline scenario is considered the most likely and therefore forms a central reference point. The downturn scenario represents a possible alternative development, which is worse than the baseline scenario.

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Probabilities of occurrence:

The UniCredit Group has determined the following probabilities of occurrence for the 2 scenarios:
- 60% for the baseline scenario (“mild recession”)
- 40% for the downturn scenario (“severe recession”)

Baseline scenario:

The baseline scenario assumes that there will be a mild recession, a decline in Russian gas exports and that there will be no substantive gas rationing in most countries. The countermeasures taken by countries (high storage levels and gas economisation) compensate for the lower supply volumes from Russia and a possible short-term temporary suspension of supply. The scenario is characterised by high energy prices, weak world trade and a sustained shortage of supply, all of which also have effect on food and commodity prices. It is expected that the average price of oil in 2022 will remain above $100 per barrel and gradually return to normal over the course of 2023, with an annual average of approx. $100/barrel.
The scenario assumes that there will be subdued global growth in 2022 and even slower growth in 2023. The slowdown reflects the tense financial conditions, rising energy bills in Europe and the spill-over effect of reduced economic momentum in the US, Europe, and China. The manufacturing sector is under pressure, the post-COVID boost to services is slowing and consumer confidence is low. Bottlenecks in supply have decreased but remain higher compared to pre-pandemic levels.

In the US, GDP growth is expected to be close to zero for 2023. Manufacturing and interest-rate-sensitive sectors (housing and consumer goods) are suffering. For the Eurozone, GDP growth is expected to come to a standstill in 2023, with a technical recession by the end of Q1 in 2023. Inflation will continue to grow in the final months of 2022 and then follow a downward trend. After a strong start in 2022, Austria is expected to see a moderate decline in economic activity (stagnation over the summer in manufacturing and construction). The service sector, supported by tourism, is still holding up relatively well. With the loss of the service sector as a growth driver, the Austrian economy is likely to slide into a mild recession towards the end of 2022. Demand is then expected to recover slowly and finally return the Austrian economy to a moderate growth path in the fourth quarter of 2023, as inflation will slow down later in 2023. The baseline scenario envisages an interest rate increase in line with the ECB’s restrictive monetary policy.

Downturn scenario:

This scenario assumes that there will be a severe recession. A complete halt to Russian gas supplies with insufficient substitution from other sources is considered, leading to interruptions in the supply chain. The severity of the scenario is consistent with a further escalation of the Russia/Ukraine conflict. Energy prices will be higher than in the baseline scenario (average oil prices will be approx. 25%–30% higher). Food and other commodity prices will also rise sharply and drive inflation. A high level of uncertainty, erosion of real earnings and further supply interruptions will drive the European economy into recession in 2023.

Eurozone GDP will shrink more severely in 2023 than in the baseline scenario (about 3 percentage points lower) with a recovery in 2024 (+0.4 percentage points). The increasingly uncertain outlook combined with a significant deterioration in risk appetite will keep demand for safe assets high. Credit spreads on government bonds will be under moderate pressure due to lower growth prospects. Corporate credit spreads will also come under expansion pressure, especially at the lower end of the rating scale. The equity markets are expected to reflect the recession.

The further development of the Russia/Ukraine conflict will be a decisive factor in the development of economies between 2023 and 2024.

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The adjusted macroeconomic factors are translated into changes in credit risk parameters by the macro dependency model ("*Satellite Model*") of UniCredit Group. The following table contains an extract of the relevant macroeconomic factors.

E.2.15a Scenarios (Baseline- and Downturn Scenario)

FACTORS	DETAILS	BASELINE SCENARIO				DOWNTURN SCENARIO			
		2022	2023	2024	2025	2022	2023	2024	2025
Real GDP Annual change (%)	**Eurozone**	3.1	0.2	1.3	1.5	3.1	-3.0	1.7	1.7
	Austria	5.3	0.4	1.9	1.9	5.3	-3.3	2.0	1.9
Inflation Annual index change (%)	**Eurozone (HVPI)**	8.4	5.5	2.5	2.0	8.4	7.0	3.0	2.0
	Austria (VPI)	8.3	5.5	2.3	1.9	8.3	7.7	3.6	2.0
Unemployment (%)	**Eurozone**	6.7	6.7	6.7	6.7	6.7	7.8	7.5	7.5
	Austria	4.5	4.5	4.4	4.3	4.5	5.9	5.2	5.0
Financial Indicators	**EURIBOR 3m (end of period)**	2.3	2.5	2.3	2.3	2.3	2.5	2.3	2.3
	Brent raw oil price ($/b)	103.2	99.2	88.8	75.0	103.2	140.1	105.0	87.5
Disposable Income Annual change (%)	**Austria**	-0.4	2.3	1.8	1.8	-0.4	-0.3	0.8	0.8
Public Debt (% of GDP)		78.5	76.3	74.6	74.6	78.5	80.5	80.1	80.1

Sensitivity analysis

As explained above, the consideration of forward-looking information is an important element when calculating impairment losses, with the macro-dependency model of the Group used acting as a multi-factor model and considering the changes in multiple macrofactors as a whole. To be able to interpret sensitivities easily, we therefore present them as sensitivities to the alternative scenario explained above as a whole (this means that the factors are changed simultaneously to the respective overall extent and not just by 1%). Moreover, the impairment losses of Stage 1 and 2 have been calculated individually using the baseline and downturn scenarios. The impact of the downturn scenario is 8.7% of the Stage 1 and 2 impairment losses compared to the baseline scenario.

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 stage allocation used being that of the baseline scenario.

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Overall picture of the development of expected credit losses

The years 2020 and 2021 were largely characterized by the pandemic. After the pandemic receded into the background in 2022, the provisions made for this, particularly on the performing side, were reversed accordingly. 2022 was characterized by the geopolitical situation (Russia/Ukraine war) and the associated macroeconomic upheavals, which were associated with an increase in credit risk provisions for the performing portfolio (see chapter "Assessment of potential loss due to the current environment"). Overall, we see an increase in provisioning for credit risk costs in the performing portfolio during the same period due to the changing macroeconomic environment and successful repayments in the non-performing portfolio, which resulted in a slight increase in the total impairment losses on loans to customers compared to 2021 (€1,509 million) in 2022 to €1,510 million.

At the end of 2021, the impairment losses for Stage 1 and Stage 2 risk costs stood at €529 million and increased to €565 million at the end of 2022. At the end of 2022, provisions for Stage 3 risk volumes (including acquired or originally impaired financial assets) amounted to €945 million. At the end of 2021, the same figure was €980 million.

Measured against receivables from customers, the impairment losses for Stage 1 and Stage 2 risk volumes stood at €525 million and increased to €563 million at the end of 2022. Provisions for Stage 3 risk volumes (including financial assets with credit ratings already impaired) fell from €982 million at the end of 2021 to €947 million at the end of 2022.

Further quantitative details on credit quality can be found in Table E.2.8 Regulatory Consolidation – On- and off-balance sheet credit exposures with customers.

E.2.16 Regulatory consolidation - 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	-	-	39	170	57	233
of which: forborne exposures	*-*	*-*	*-*	*-*	*-*	*-*	*9*	*22*	*16*	*20*
A.2 Unlikely to pay	180	11	-	4	-	-	627	458	203	55
of which: forborne exposures	*-*	*-*	*-*	*4*	*-*	*-*	*255*	*283*	*43*	*11*
A.3 Non-performing past-due	77	-	-	-	-	-	6	1	27	11
of which: forborne exposures	*-*	*-*	*-*	*-*	*-*	*-*	*1*	*-*	*2*	*2*
A.4 Performing exposures	17,825	2	4,578	12	19	-	34,471	193	19,759	359
of which: forborne exposures	*1*	*-*	*-*	*-*	*-*	*-*	*526*	*15*	*192*	*7*
Total (A)	**18,082**	**12**	**4,579**	**17**	**19**	**-**	**35,143**	**822**	**20,046**	**658**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	8	1	-	3	-	-	199	118	9	-
B.2 Performing exsposures	3,057	-	4,834	1	26	-	28,315	36	4,719	17
Total (B)	**3,065**	**1**	**4,834**	**4**	**26**	**-**	**28,514**	**154**	**4,728**	**17**
Total (A + B) 31.12.2022	**21,147**	**13**	**9,413**	**21**	**45**	**-**	**63,657**	**976**	**24,774**	**675**
Total (A + B) 31.12.2021	**22,079**	**15**	**9,335**	**30**	**84**	**-**	**61,712**	**1,009**	**25,133**	**688**

The comparative figures for 2021 have been adjusted to the regulatory scope of consolidation.

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E.2.17 Regulatory consolidation - 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	-	-	96	400	-	4	-	-	-	-
A.2 Unlikely to pay	12	3	796	495	11	28	97	1	95	2
A.3 Non-performing past-due	-	-	33	12	-	-	-	-	77	-
A.4 Performing exposures	1,884	1	69,649	556	647	1	2,876	1	1,577	7
Total (A)	**1,896**	**4**	**70,574**	**1,463**	**658**	**34**	**2,973**	**2**	**1,749**	**8**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	-	-	204	117	5	4	6	1	1	-
B.2 Performing exposures	249	-	39,887	51	227	-	371	-	191	1
Total (B)	**249**	**-**	**40,091**	**169**	**232**	**5**	**377**	**1**	**192**	**1**
Total (A+B) 31.12.2022	**2,145**	**5**	**110,665**	**1,631**	**891**	**38**	**3,350**	**3**	**1,941**	**9**
Total (A+B) 31.12.2021	**2,272**	**4**	**111,431**	**1,695**	**705**	**39**	**2,290**	**1**	**1,560**	**3**

The comparative figures for 2021 have been adjusted to the regulatory scope of consolidation.

E.2.18 Regulatory consolidation - 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	-	-	63	8	-	-	-	-	-	-
A.3 Non-performing past-due	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	94	-	19,751	8	123	-	266	-	303	-
Total (A)	**94**	**-**	**19,813**	**16**	**123**	**-**	**266**	**-**	**303**	**-**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	79	-	5,922	-	15	-	138	-	123	-
Total (B)	**79**	**-**	**5,922**	**-**	**15**	**-**	**138**	**-**	**123**	**-**
Total (A+B) 31.12.2022	**174**	**-**	**25,735**	**17**	**137**	**-**	**404**	**-**	**425**	**-**
Total (A+B) 31.12.2021	**896**	**-**	**32,328**	**2**	**20**	**-**	**727**	**-**	**367**	**-**

The comparative figures for 2021 have been adjusted to the regulatory scope of consolidation.

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Development of credit risk costs

2022 showed a significant reduction in credit risk costs to €23.6 million (2021: €165.8 million). The performing portfolio was influenced by the geopolitical situation, in particular the effects of the Russia/Ukraine crisis, the dissolution of COVID-specific provisions as well as parameter adjustments due to regulatory requirements. The non-performing portfolio was characterized by a greater degree of repayments and economic recoveries, partly offset by new defaults and parameter adjustments to the loss rates for bad-debt allowance.

Of the cost of risk described in detail in Section D - Segment reporting, Stage 1 and Stage 2 accounted for €77.5 million (2021: €135.0 million). The majority of this was attributable to the Corporates segment. In comparison with the Stage 3 cost of risk in 2021 (€30.8 million), a higher level of reversals was posted as allowances in 2022 in the amount of €53.9 million. The Corporate segment also made a significant contribution here.

The adjustments made to the segments to reflect the current structure are taken into account in the comparative figures for 2021.

Further details on the segments:

Cost of risk in the Retail segment fell to €32.2 million (2021: €58.3 million), €11.1 million of which was allocated to non-performing loans (2021: €4.0 million). Risk provisioning for the Corporates segment achieved a surplus of €4.1 million (2021: costs of €104.8 million) with a share of €60.3 million being released for non-performing loans. In the Retail Banking segment, the cost of risk reached €0.4 million (2021: €3.8 million), of which €0.2 million was attributable to reversals of non-performing loans.

Non-performing loans

On-balance-sheet financial assets with customers subject to credit risk decreased in the 2022 fiscal year from €80,968 million (end of 2021) to €79,360 million (before deduction of risk provisions of €1,510 million). The non-performing volume increased from €2,027 million to €2,161 million in the same period, mainly due to the default of a small number of commitments secured with export credit guarantees.

The on-balance-sheet non-performing risk volume is therefore 2.7% (2.5% at the end of 2021), and the share of non-performing loans in total loans and receivables with customers is 3.2% (3.0% in 2021).

In the non-performing portfolio, the level of impairment losses equated to around 43.8% of the defaulted volume at the end of 2022 (2021: 48.4%). The decline in the impairment coverage ratio is primarily due to the fact that, due to the high level of collateral (export credit guarantees – see above) in the most recent loans, only minor credit risk provisions were required for these investments. The Retail segment has the highest coverage at 52.9%.

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.

EBA-compliant moratoria expired in the first quarter of 2021, and since 1 July 2022, no more loans secured by COVID-19 guarantee schemes have been granted. Bilaterally agreed, individual COVID-19-induced deferments and other relief measures are occasionally extended if economically necessary.

However, the COVID-19-induced measures have no significant influence on the risk profile of the Bank Austria Group due to the low volumes and – at present – no more are expected.

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Credit risk strategy with particular focus on the effects of the Russia/Ukraine conflict

With the outbreak of the Russia/Ukraine conflict, pro-active and forward-looking screening of local credit portfolios is of particular importance. Screening focuses on identifying and containing the direct and indirect effects of the crisis on credit customers. The correct determination of spill-over effects on our customers by means of macroeconomic development is of particular importance. To map the spill-over effects, new tools were added to the credit processes; in the case of automatic credit decisions, this aspect was taken into account through special calibration in the credit decision engines (CDEs). In the course of this, the industry-specific credit strategies were reassessed during the year and adjusted as necessary. Customers in identified high-risk industries are monitored with particular care during the regular credit review.

These specific adjustments were complemented by measures generally aimed at limiting the increase in the non-performing portfolio, such as the ongoing evaluation of the sale of non-performing loans and the timely write-off of non-recoverable receivables. At the same time, there was a continuous development of the general risk culture in sales, monitoring, and control mechanisms (through the implementation of specific KPIs and optimised management reporting) and risk processes (e.g., lending, monitoring processes including an annual verification of the value of real-estate guarantees). In addition, the processes for providing viable forbearance measures and credit restructuring were continuously being improved and standardised.

Realisation of mortgage collateral

Mortgages are the main type of collateral accepted by UniCredit Bank Austria AG for real estate finance. If the mortgage needs to be realised, Bank Austria will first try to sell the property in the market by mutual agreement with the customer and to use the proceeds for loan repayment. Where this is not possible, the property will be sold in accordance with the rules of the Austrian Enforcement Code or the Austrian Bankruptcy Code. As there are orderly market conditions in Austria, mortgaged real estate is normally not acquired by Bank Austria (debt asset swap).

Credit risk stress testing

Credit risk stress tests are an essential component of Pillar 1 and Pillar 2 stress tests (which analyse the impact on regulatory capital and economic capital) and are therefore also presented at meetings of 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 analysed with regard to the respective loan portfolio.

As a minimum, the relevant multi-year ICAAP scenarios are used as stress scenarios (typically, a base scenario and three different stress scenarios for a reference date) complemented by additional scenarios on an ad-hoc basis.

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ALM & Funding

The ALM & Funding department performs 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.

Securitisation 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 carried out a traditional securitization transaction with receivables from motor vehicles and mobile capital goods for refinancing purposes ("*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 €	11,123,205 €
Security subscribers	European Investment Bank	UniCredit Leasing (Austria) GmbH

Securitizations by third parties

Bank Austria does not hold any positions in third-party securitizations.

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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 115% in 2022. In the medium-term and long-term range, compliance with the Net Stable Funding Ratio (NSFR 100%) is mandatory, requiring full funding of the assets side. By optimizing the structure of assets and liabilities 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 of 31 December 2022 stands at around 164% (2021: 171%).

Despite a greater decrease in customer deposits compared with loans, UniCredit Bank Austria AG and its individual institutions had a comfortable liquidity position throughout 2022.

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, IT, and management model
In line with Group standards, Bank Austria deals with liquidity risk as a central risk in banking business by introducing and monitoring short- term and long-term liquidity requirements. In this context the liquidity situation for the next few days and months and also for longer periods is analysed against a standard scenario and stress scenarios. Methods and procedures of liquidity analysis, analyses of the degree of liquidity of customer positions, management responsibilities and reporting lines in this area have been summarised in the Liquidity Policy. The Contingency Liquidity Management in the event of a liquidity crisis is described in a specific Contingency Liquidity Policy.

As part of UniCredit Bank Austria AG's strategic IT plan, the infrastructure was further harmonised with the Group's data models in terms of liquidity reporting, the aim of which was to further improve and standardise data quality, data consistency and presentation of key liquidity figures.

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 the mortgage bond and benchmark format.

Liquidity management methods and control
In medium and long-term liquidity management, assets with a residual term of more than one year must be covered by liabilities at a minimum of 104.2% in this period. The Net Stable Funding Ratio (NSFR) based on CRR2 must be held above this limit at the individual bank level. At the end of 2022, UniCredit Bank Austria AG a NSFR of 121% for the > 1-year segment (2021: 128%). In addition, there are the structural liquidity ratios for different time horizons that replaced the adjusted NSFR at the beginning of 2022, in which the time horizon is further differentiated. In the >1-year segment, the share of UniCredit Bank Austria AG was 118% (2021: 126%) and 147% for the > 3-year segment (2021: 138%).

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 are 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.

E – Risk report

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 standardised Group-wide instrument and standardised Group-wide scenarios. These scenarios describe the effects of market-driven or name-driven crisis signals on liquidity inflows and outflows, with assumptions also being made about the behavior of non-banks.

The liquidity outflows expected to occur in stress situations are compared with available liquidity reserves (essentially, securities – government bonds – and credit instruments eligible as collateral at the central bank) to examine the banks' risk-taking capacity in the maturity range of up to one year. The composition of the liquidity reserve is largely influenced by Bank Austria's participation in the ECB's TLTRO programme; the composition between central bank reserves and Level 1 and Level 2 HQLA is significantly different to the end of the previous year due to the partial repayment of €10 billion in December 2022 from the fourth tranche of TLTRO III, which was originally set to run until June 2023.

E.3.1 Composition of Liquidity Reserve

(€ million)

COMPOSITION OF LIQUIDITY RESERVE 1)	31.12.2022	31.12.2021
Cash and balances with central banks	12,770	21,183
Level 1 assets	11,997	4,084
Level 2 assets	1,481	450
Other assets eligible as collateral for central bank borrowings	108	191
Liquidity reserve	**26,356**	**25,908**

1) The liquidity reserve contains only freely available assets; the minimum reserve obligation is not included; amounts are shown at fair value. The market values as of 31 December 2021 reported in the previous year were adjusted by not taking haircuts into account.

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.

E – Risk report

Quantitative Informationen

The following tables comprise the companies included in the regulatory group of consolidated companies, with comparative figures for 2021 adjusted to include those companies. For more details on the prudential consolidation perimeter, see E.2. Credit risks.

E.3.2 Time breakdown by contractual residual maturity of financial assets and liabilities

(€ million)

	AMOUNT AS AT 31.12.2022									
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	**19,152**	**254**	**1,801**	**1,069**	**2,909**	**1,618**	**5,023**	**24,967**	**40,798**	**2**
A.1 Government securities	-	-	-	83	143	245	1,081	4,627	4,696	-
A.2 Other debt securities	13	105	-	87	342	250	265	2,395	1,787	-
A.3 Units in investment funds	-	-	-	-	-	-	-	-	-	2
A.4 Loans	19,139	149	1,801	899	2,424	1,123	3,677	17,946	34,316	-
- Banks	13,324	1	576	25	486	9	43	147	444	-
- Customers	5,815	149	1,225	874	1,938	1,114	3,634	17,799	33,872	-
B. On-balance sheet liabilities	**59,764**	**171**	**2,228**	**599**	**1,995**	**7,055**	**855**	**10,746**	**5,713**	**-**
B.1. Deposits and current accounts	58,808	171	2,204	599	1,962	6,996	738	4,367	2,477	-
- Banks	2,302	25	1,841	20	116	5,484	80	3,634	2,154	-
- Customers	56,507	145	364	579	1,846	1,513	658	732	323	-
B.2 Debt securities	-	-	23	-	33	59	116	6,325	3,011	-
B.3 Other liabilities	956	-	-	-	-	-	-	55	225	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with capital swap										
- Long positions	50	29	21	46	152	186	128	121	-	-
- Short positions	50	29	21	46	152	186	128	121	-	-
C.2 Financial derivatives without capital swap										
- Long positions	43	9	-	43	376	870	1,098	3,006	5,394	-
- Short positions	43	9	-	43	376	870	1,098	3,006	5,394	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- Long positions	17,837	1	14	178	286	661	2,371	8,132	2,780	-
- Short positions	17,837	1	14	178	286	661	2,371	8,132	2,780	-
C.5 Financial guarantees given	35	-	-	-	8	16	30	89	192	-
C.6 Financial guarantees received	3,665	8,646	9	18	246	188	327	2,516	4,031	-
C.7 Credit derivatives with capital swap										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital swap										
- Long positions	-	-	-	-	-	-	-	50	10	-
- Short positions	-	-	-	-	-	-	-	50	10	-

E – Risk report

E.3.2 Time breakdown by contractual residual maturity of financial assets and liabilities

(€ million)

	AMOUNT AS AT 31.12.2021									
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	**29,772**	**384**	**1,848**	**2,468**	**5,374**	**2,660**	**5,225**	**24,177**	**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	29,772	384	1,848	2,468	5,254	2,520	3,482	16,107	33,880	-
- Banks	22,588	131	883	612	2,555	1,068	36	137	537	-
- Customers	7,184	253	965	1,857	2,699	1,452	3,446	15,970	33,344	-
B. On-balance sheet liabilities	**63,608**	**62**	**376**	**1,305**	**1,937**	**2,946**	**1,493**	**22,703**	**7,078**	**-**
B.1. Deposits and current accounts	63,232	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	60,561	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	17,489	6	8	90	294	678	1,114	8,382	2,320	-
- Short positions	17,489	6	8	90	294	678	1,114	8,382	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	-

The comparative figures for 2021 were adjusted to the regulatory scope of consolidation.

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 significantly strengthened in 2022. In addition to a conventional covered bond issue in the amount of €500 million in September, Bank Austria very successfully placed its first green covered bond in May, also in the amount of €500 million. In addition, the Bank placed a senior non-preferred issue with UniCredit S.p.A. in the amount of €1.0 billion in 2022 in order to comply with the “internal MREL requirements”.

Central bank refinancing, which was taken up in 2020 under the ECB’s TLTRO III programme, was partially repaid before maturity in December 2022. Specifically, €10 billion of the fourth tranche of the TLTRO III, which originally ran until June 2023, was repaid. As at the end of 2022, central bank refinancing under the TLTRO III programme amounted to €6.95 billion.

E – Risk report

E.4 – Market risk

Market risk management at Bank Austria encompasses all activities in connection with our Markets and Corporate Treasury Sales operations and management of the balance sheet structure. Risk positions are aggregated at least daily, analysed by the independent risk management unit, and compared with the risk limits set by the Management Board and the committees (such as 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 regulatorily-relevant dimensions of trading book and banking book, internal management focuses on accounting categories and makes a distinction between P&L (profit and loss) and OCI (other comprehensive income).
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 P&L strips (i.e., P&L 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. Additional elements of the limit system are the loss-warning level (applied to accumulated results for a specific period), the stressed VaR (SVaR) limit (determined for the trading book with a separate observation period), incremental risk charge (IRC)[7] limits, the stress test warning limit (limiting losses when a pre-defined stress event is applied) and granular market risk limits (GML)[8]. There is a separate GML framework for XVA hedging activities.

Bank Austria uses a standard measurement procedure which is also applied in UniCredit Group. The model, approved by supervisory authorities, is used for internal risk management and for determining regulatory capital requirements for market risk. Bank Austria is embedded in the market risk governance framework of UniCredit Group and leverages on the Group-wide risk management platform UGRM. The Group-wide Front-to-Back Office platform "Murex" and UGRM form an integrated risk system.

It is applied by Financial 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 Financial & Credit Risk Committee ("FCRC"), 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 Financial Risk department whereby 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[9] is subject to an annual review by Group Internal Validation (GIV) and internal audit. The risk report presented at the Financial & Credit Risk Committee "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 FCRC and the Management Board.

[7] IRC (Incremental Risk Change) depicts the migration and default risks for a specified period and confidence interval (1 year, 99.9%). The scope includes CDS and bond positions in the trading book
[8] e.g. BPV or CPV limits, which describe the sensitivity to changes in interest rates or credit spreads
[9] Internal Model for Market Risk in accordance with Regulation (EU) No 575/2013 (CRR)

E – Risk report

Stress tests

Bank Austria executes a comprehensive stress test programme for market risk. The results are reviewed and reported in the 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 analyses the effect of such fluctuations and a liquidity disruption in specific products and risk factors on the Bank's results. The assumed fluctuations are dependent on currency, region, liquidity, and credit rating, and are set in the Open Market Risk Forum (OMRF) with the relevant experts from other bank areas (such as UniCredit research, trade, and market risk). Bank Austria takes part in the UniCredit Group-wide Open Market Risk Forum (OMRF), which is the platform for CRO units to discuss stress test results and agree on further common Group-wide scenario definitions. The "ICAAP scenarios" are updated at least once per year and used for stress test analyses, monitoring stress test limits and the regulatory stress report in the entire UniCredit Group.

Fair value measurement

The principles established in IFRS 13 to determine fair value have been implemented. In this context the presentation of results also reflects CVAs/DVAs (Credit/Debit Valuation Adjustments) and FundVA (Funding Valuation Adjustment) for OTC derivatives. Reporting covers the components reflected in IFRS-based profit and the marking to market of all investment positions regardless of their recognition in the IFRS-based financial statements ("total return"). The daily explanation of results is organised by the Accounting and Regulatory Reporting department and is supported by the Intranet application "ERCONIS"; results are available to Bank Austria's trading and risk management units broken down by portfolio, income statement item and currency.

Prudent valuation

The regulatory approach to prudent valuation in the trading book is implemented primarily by Market Risk and further developed on an ongoing basis through cooperation within UniCredit Group. A Group-wide Independent Price Verification (IPV) process ensures the independence and reliability of valuation and risk measurement. The front-end system "MUREX" is supplied with the "golden copy" market data of UniCredit Group for daily valuation purposes. The Group-wide "golden copy" is drawn up by competence centres which are structured by asset class and independent of trading operations. Moreover, UniCredit Bank Austria AG takes part in meetings of the asset-class committees, which address and resolve valuation and market-data issues. The regulatory principle of prudence is met by determining all relevant Additional Valuation Adjustments (AVA).

Market risk

The VaR and SVaR key figures from the regulatory trading book at the end of 2022 have increased compared with the previous year (VaR to €1.5 million in comparison with €0.5 million at the end of 2021; SVaR to €2.2 million compared with €1.5 million) and reflect the higher volatility of interest rates in the EUR interest rate environment and increased XVA hedge activities driven by the underlying customer business in 2022. 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.

E – Risk report

As of 31 December 2022, 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, 2022 [1)]

(in €) Granular Market Limits Warning Level

		31.12.2022						ANNUAL AVERAGE 2022, 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 AVERAGE2)**
Europe	**EUR**	(268,216)	(617,044)	(487,088)	(738,583)	979,273	(1,131,658)	687,665	(1,772,356)	664,085
	CHF	(17,201)	(2,934)	8,709	(129,716)	(73,077)	(214,220)	(214,220)	(466,865)	295,582
	GBP	1,547	(4,872)	(705)	(12,661)	(20,967)	(37,657)	(2,545)	(46,964)	20,835
New EU countries	**BGN**	(96)	4	-	-	-	(92)	(10)	(185)	85
	HUF	(1)	24	-	-	-	23	79	(63)	39
	PLN	34	(129)	128	(12)	-	21	21	(4,787)	1,658
	RON	(28)	(31)	(7)	-	-	(66)	(66)	(457)	211
Central and Eastern Europe, incl. Turkey	**RUB**	-	-	-	-	-	-	-	(22)	3
	TRY	(1)	-	-	-	-	(1)	-	(11)	2
Overseas – developed	**USD**	(19,062)	(7,430)	(18,507)	21,138	32,071	8,209	59,884	(6,986)	26,216
	JPY	(325)	(150)	369	4,745	(12)	4,628	13,275	(6,885)	5,816
Other countries	**CNH**	8	(1)	(13)	-	-	(7)	123	(43)	28
	BPV < 500	(1,479)	(610)	804	(9,097)	-	(10,382)	10,208	(10,382)	2,460
TOTAL		**(304,820)**	**(633,174)**	**(496,311)**	**(864,186)**	**917,287**	**(1,381,204)**	**259,591**	**(2,002,639)**	**786,729**

1) Basis-point value indicates the sensitivity in relation to interest rate movements to the extent of +1 basis point.
2) Average of the monthly absolute values.

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 AVERAGE2)**
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	**CNH**	-	(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) Basis-point value indicates the sensitivity in relation to interest rate movements to the extent of +1 basis point.
2) Average of the monthly absolute values.

E – Risk report

As part of UniCredit Bank Austria AG's strategic IT plan, the infrastructure was further harmonised with the Group's data models in terms of interest rate reporting, thus further improving and standardising data quality and data consistency, while at the same time the Group-wide product catalogue is also now being used, which, in addition to dynamic changes in the interest rate environment and in the balance sheet structure, has an impact on the presentation of the interest rate risk position as of December 2022.

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 2022 1)

(in €)

CPVs	SECTOR	31.12.2021	31.12.2022	MAXIMUM	MINIMUM	AVERAGE
Main sectors	ABSs	(5,884)	(3,948)	(3,948)	(5,706)	(4,719)
	Financial sector	(1,029,996)	(1,323,265)	(1,103,283)	(1,405,335)	(1,305,521)
Corporates	Industrial sector	-	-	-	-	-
	Consumer non-cyclical	(803)	-	-	(735)	(352)
	Other sectors	(40,729)	(48,021)	-	(68,766)	(52,916)
Government	Europe	(4,582,504)	(3,652,277)	(3,374,708)	(4,946,001)	(3,910,340)
	Other	(1,336,760)	(2,299,817)	(1,382,505)	(2,299,817)	(1,800,720)
TOTAL		**(6,996,676)**	**(7,327,328)**	**(6,545,933)**	**(7,527,748)**	**(7,074,569)**

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

Bank Austria's credit spread position in 2022 was between €-6.5 million and -€-7.5 million as measured by the total basis point value.

Overall, Treasury-near instruments continue to account for the largest part of the credit spread positions. The financials and corporates exposures are very low by comparison.

E – Risk report

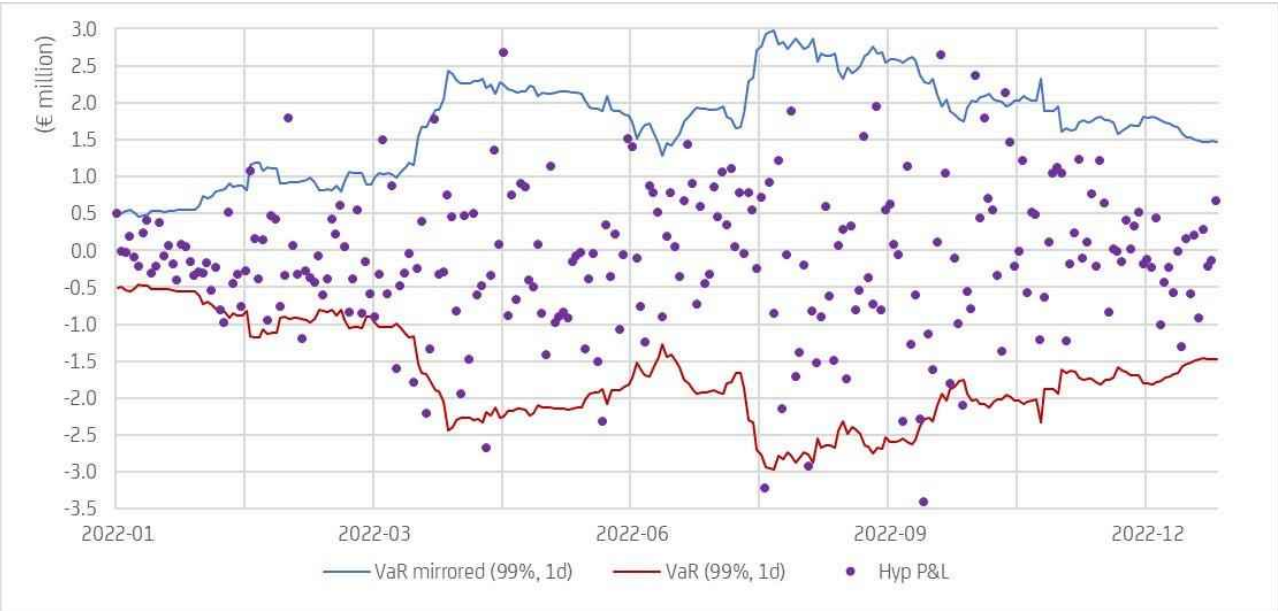
Backtesting

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 of 31 December 2022, the number of backtesting excesses (negative change in value larger than model result) for Bank Austria in hypothetical and actual P/L dimensions was equal to 11 and 8, respectively, whereby the add-on factor for the VaR multiplier for the number of excesses is equal to 1. The backtesting excesses in 2022 resulted mainly from the EUR interest rate hedging positions of XVA hedges and the gradual increase in volatility of interest rates in the EUR interest rate environment over the year.

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

Backtesting time series for the regulatory trading book of Bank Austria, 2022

E.4.3 Chart



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 4 (base is 3 and the current add-on is 1) in respect of the Value-at-Risk figures, which is used in determining the capital requirement for market risk.

As of 31/12/2022, the following capital requirements resulted for Bank Austria in connection with Value at Risk (VaR), stressed VaR (SVaR) and incremental risk charge (IRC):
- VaR: €22.7 million (€5.4 million year-end 2021)
- SVaR: €31.2 million (€12.3 million year-end 2021)
- IRC: €0.03 million (€0.5 million year-end 2021)

The increase in capital requirements compared with the previous year resulted from the higher VaR and SVaR figures mentioned above and from the increase in the multiplier.

E – Risk report

Management of balance sheet structure

An allocation to the Bank's business divisions according to the costs-by-cause principle is possible as a result of the reference interest rate system applied across UniCredit Group. The banks' risk committees ensure that the Bank's overall liquidity and interest rate gap structure is optimised.

Products for which the material interest-rate and capital maturity is not defined, such as variable-rate sight deposits, are modelled in respect of maturity and interest rate sensitivity by means of analyses of historical time series and taken into account in the banks' overall risk position. In addition, for fixed loans in the private customer segment, past maturities are also taken into account using historical time series analyses.

The Risk division is responsible for modelling customer deposits.

To assess the Bank's balance-sheet and profit structure, scenario analyses concerning the simulation of future net interest income under different interest rate scenarios are used ("*earnings perspective*").

The increase in interest rates in the Group's main currencies over the year had a positive impact on the interest margin. Taking into account the expected balance sheet structure during 2023 and the current structure of the terms and conditions for loans, simulation calculations once again show a burden on net interest income when interest rates return to lower values.

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 eligible capital. In the event that such an interest rate shock absorbs more than 20% of a bank's eligible capital, 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 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. As part of UniCredit Bank Austria AG's strategic IT plan, the infrastructure was further harmonised with the Group's data models in terms of interest rate reporting, thus further improving and standardising data quality and data consistency, while at the same time the Group-wide product catalogue is also now being used, which, in addition to dynamic changes in the interest rate environment and in the balance sheet structure, has an impact on the presentation of the interest rate risk position as of December 2022.

A positive 2% interest rate shock absorbs about 8.67% (2021: 6.01% with a negative 2% interest rate shock) of the Group's eligible capital as at the end of 2022. This means that the figure for Bank Austria is far below the outlier level of 20%. In addition, as part of the risk appetite, the result is limited in a significantly more restrictive manner based on the worst of the 6 prescribed EBA interest rate shocks (15% in relation to Tier 1 capital, as at the end of 2022: 9.36%, as at the end of 2021: 6.52%).

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.

The tables in this section comprise the companies included in the regulatory group of consolidated companies, with comparative figures for 2021 adjusted to include those companies. Further details can be found in section E.2. Credit risks.

E.5.1 Hedging derivatives: end-of-period notional amounts

(€ million)

UNDERLYING ACTIVITIES/TYPE OF DERIVATIVES	AMOUNTS AS AT 31.12.2022				AMOUNTS AS AT 31.12.2021			
	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	**35,622**	**90,919**	**457**	**-**	**6,530**	**81,944**	**-**	**-**
a) Options	-	1,654	-	-	-	1,111	-	-
b) Swap	35,622	89,265	457	-	6,530	80,833	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and stock indexes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Gold and currencies	**-**	**3,654**	**2**	**-**	**489**	**5,296**	**3**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	3,654	2	-	489	5,296	3	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**35,622**	**94,573**	**459**	**-**	**7,019**	**87,240**	**3**	**-**

The increase in nominal volume is mainly due to hedges for TLTRO transactions and an increase in business volume with customers.
The list also includes nominal amounts of derivatives in the amount of €1.4 billion, the present value of which is zero.

E.5.2 Hedging derivatives: positive and negative gross fair value - breakdown by product

(€ million)

	AMOUNT AS AT 31.12.2022				AMOUNT AS AT 31.12.2021				AMOUNT AS AT	AMOUNT AS AT
	POSITIVE AND NEGATIVE FAIR VALUE				POSITIVE AND NEGATIVE FAIR VALUE					
	OVER THE COUNTER				OVER THE COUNTER				31.12.2022	31.12.2021
		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	CHANGES IN VALUE USED TO CALCULATE HEDGE INEFFECTIVENESS	
1. Positive fair value										
a) Options	-	-	-	-	-	4	-	-	-	-
b) Interest rate swap	198	3,611	3	-	2	1,210	-	-	-	-
c) Cross currency swap	-	271	-	-	-	76	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	10	-	-	-	14	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**198**	**3,893**	**3**	**-**	**2**	**1,304**	**-**	**-**	**-**	**-**
2. Negative fair value										
a) Options	-	14	-	-	-	24	-	-	-	-
b) Interest rate swap	270	3,570	33	-	3	1,213	-	-	-	-
c) Cross currency swap	-	37	-	-	-	78	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	6	-	-	1	80	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**270**	**3,627**	**33**	**-**	**5**	**1,396**	**-**	**-**	**-**	**-**

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E.5.3 OTC hedging derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

	AMOUNTS AS AT 31.12.2022			
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	-	-	457
- Positive fair value	X	-	-	3
- Negative fair value	X	-	-	33
2) Equity instruments and stock indexes				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
3) Gold and currencies				
- Notional amount	X	2	-	-
- 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	35,622	90,909	-	10
- Positive fair value	198	3,883	-	-
- Negative fair value	270	3,619	-	2
2) Equity instruments and stock indexes				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
3) Gold and currencies				
- Notional amount	-	3,654	-	-
- Positive fair value	-	10	-	-
- Negative fair value	-	6	-	-
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)

	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.5.4 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	45,355	43,555	38,088	126,998
A.2 Financial derivative contracts on equity securities and stock indexes	-	-	-	-
A.3 Financial derivative contracts on exchange rates and gold	3,656	-	-	3,656
A.4 Financial derivative contracts on other values	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31.12.2022	**49,011**	**43,555**	**38,088**	**130,654**
Total 31.12.2021	**27,397**	**28,753**	**38,112**	**94,262**

E.5.5 Micro hedging and macro hedging: breakdown by hedged item and risk type

(€ million)

	AMOUNT AS AT 31.12.2022	
	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	**330**	**-**
2.1.1 Interest rate	330	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**	**(2,133)**
E) Portfolio - Liabilities	**X**	**(1,972)**

Micro-hedges relate exclusively to deposits.
For information on the presentation of hedging transactions see section A.5.3.4 Hedge accounting and sections 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 31.12.2021	
	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**

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E.5.6 Trading financial derivatives: end-of-period notional amounts

(€ million)

UNDERLYING ACTIVITIES/TYPE OF DERIVATIVES	AMOUNTS AS AT 31.12.2022				AMOUNTS AS AT 31.12.2021			
	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	**506**	**47,562**	**3,897**	**-**	**115**	**34,563**	**3,842**	**-**
a) Options	-	6,424	522	-	-	3,896	460	-
b) Swap	506	41,139	3,375	-	115	30,668	3,383	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and stock indexes	**-**	**567**	**567**	**-**	**-**	**677**	**677**	**-**
a) Options	-	567	567	-	-	677	677	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Gold and currencies	**-**	**10,724**	**779**	**-**	**-**	**9,689**	**331**	**-**
a) Options	-	1,575	63	-	-	1,671	77	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	9,149	716	-	-	8,019	254	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**1,936**	**72**	**-**	**-**	**624**	**12**	**-**
5. Other	**-**	**48**	**50**	**-**	**-**	**79**	**81**	**-**
Total	**506**	**60,837**	**5,364**	**-**	**115**	**45,633**	**4,944**	**-**

The comparative figures for 2021 were adjusted to the regulatory scope of consolidation.

Regular way contracts with nominal values of around €300 million are not included in the list.

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E.5.7 Trading financial derivatives: positive and negative gross fair value - breakdown by product

(€ million)

TYPE OF DERIVATIVES	AMOUNTS AS AT 31.12.2022				AMOUNTS AS AT 31.12.2021			
	OVER THE COUNTER				OVER THE COUNTER			
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES		
	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	ORGANISED MARKETS	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	ORGANISED MARKETS
1. Positive fair value								
a) Options	-	111	7	-	-	145	8	-
b) Interest rate swap	15	1,531	90	-	1	407	58	-
c) Cross currency swap	-	189	-	-	-	109	3	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	455	27	-	-	244	1	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**15**	**2,286**	**124**	**-**	**1**	**905**	**70**	**-**
2. Negative fair value								
a) Options	-	78	39	-	-	48	103	-
b) Interest rate swap	14	1,400	217	-	-	498	18	-
c) Cross currency swap	-	180	5	-	-	116	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	456	22	-	-	237	7	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**14**	**2,114**	**283**	**-**	**-**	**899**	**129**	**-**

The comparative figures for 2021 were adjusted to the regulatory scope of consolidation.

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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 31.12.2022			
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	-	193	3,704
- Positive fair value	X	-	-	90
- Negative fair value	X	-	12	216
2) Equity instruments and stock indexes				
- Notional amount	X	-	56	511
- Positive fair value	X	-	-	6
- Negative fair value	X	-	-	30
3) Gold and currencies				
- Notional amount	X	52	88	639
- Positive fair value	X	1	1	14
- Negative fair value	X	1	1	18
4) Commodities				
- Notional amount	X	-	-	72
- Positive fair value	X	-	-	12
- Negative fair value	X	-	-	3
5) Other				
- Notional amount	X	1	-	49
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	3
Contracts included in netting agreement				
1) Debt securities and interest rate indexes				
- Notional amount	506	31,022	451	16,089
- Positive fair value	15	1,603	4	164
- Negative fair value	14	645	29	949
2) Equity instruments and stock indexes				
- Notional amount	-	567	-	-
- Positive fair value	-	30	-	-
- Negative fair value	-	6	-	-
3) Gold and currencies				
- Notional amount	-	5,735	661	4,328
- Positive fair value	-	117	11	78
- Negative fair value	-	104	16	79
4) Commodities				
- Notional amount	-	1,006	-	929
- Positive fair value	-	104	-	172
- Negative fair value	-	185	-	99
5) Other				
- Notional amount	-	48	-	-
- Positive fair value	-	3	-	-
- 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 31.12.2021			
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	-	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	13,662
- 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	-	-	-	-

The comparative figures for 2021 were adjusted to the regulatory scope of consolidation.

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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	5,157	24,314	22,494	51,965
A.2 Financial derivative contracts on equity securities and stock indexes	727	324	83	1,133
A.3 Financial derivative contracts on exchange rates and hold	9,506	1,909	88	11,503
A.4 Financial derivative contracts on other values	1,744	264	-	2,008
A.5 Other financial derivatives	-	62	36	98
Total 31.12.2022	**17,133**	**26,872**	**22,701**	**66,706**
Total 31.12.2021	**12,897**	**19,941**	**17,855**	**50,693**

The comparative figures for 2021 were adjusted to the regulatory scope of consolidation.

E.5.10 Trading credit derivatives: end of period notional amounts

(€ million)

	TRADING DERIVATIVES	
CATEGORY OF TRANSACTIONS	WITH A SINGLE UNDERLYING	WITH MORE THAN ONE UNDERLYING (BASKET)
1. Protection buyer's contracts		
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total 31.12.2022	**-**	**-**
Total 31.12.2021	**-**	**-**
2. Protection seller's contracts		
a) Credit default products	60	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total 31.12.2022	**60**	**-**
Total 31.12.2021	**60**	**-**

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E.5.11 OTC trading credit derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

	AMOUNTS AS AT 31.12.2022			
	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	-	-	-	-

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	-	-	-	-

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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 31.12.2022	**-**	**50**	**10**	**60**
Total 31.12.2021	**-**	**50**	**10**	**60**

E.6 – Currency risk

E.6.1 Assets and liabilities in foreign currency 2022

(€ million)

	31.12.2022					
ITEMS	USD	GBP	YEN	CAD	CHF	OTHER
A. Financial assets	**3,848**	**303**	**1,468**	**92**	**4,015**	**945**
A.1 Debt securities	1,463	-	1,393	-	95	672
A.2 Equity securities	-	-	-	-	-	-
A.3 Loans to banks	215	2	5	-	219	124
A.4 Loans to customers	2,169	301	70	91	3,700	149
A.5 Other financial assets	1	-	-	-	-	-
B. Other assets	**-**	**-**	**-**	**-**	**-**	**-**
C. Financial liabilities	**2,642**	**191**	**25**	**53**	**114**	**446**
C.1 Deposits from banks	434	34	1	27	22	68
C.2 Deposits from customers	2,165	157	24	26	92	378
C.3 Debt securities in issue	42	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**

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E.6.1 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	**-**	**-**	**-**	**-**	**-**	**-**

CHF risk

As in previous years, the reduction in CHF loans continued in 2022. Loans and receivables with customers reduced by around a further €0.4 billion in consideration of the net volume (after impairments) and reduced from €4.1 billion to €3.7 billion. Approximately 3.6% thereof was classified as non-performing. The majority of the loans and receivables come from the Retail segment, to which 90% of the CHF volume is allocated.

Other currency risks

Customer loans in other currencies (net volume, exclusively CHF) amounted to €2.8 billion as of 31 December 2022 (2021: €3.0 billion), a large part of which were loans in USD (primarily to customers in the Corporate segment).

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E.7 – Counterparty risk

Trading in derivatives at Bank Austria is primarily related to the hedging of positions entered into vis-à-vis customers.

Contracts are valued at current prices using recognised and tested models. Market values show the contract values as at the balance sheet date, positive current market values and estimated future market values indicate the potential default risk arising from the relevant activity.

For the purposes of portfolio management and risk limitation in connection with derivatives, securities lending transactions and repurchase agreements, UniCredit Bank Austria AG uses an internal counterparty risk model (IMM). The model is based on a Monte Carlo path simulation for risk management in derivatives and securities financing business with banks and customers to estimate the potential future exposure at portfolio level for each counterparty.

The UniCredit Group-wide counterparty risk model applies an expected shortfall of 87.5% (equals a 95% quantile) and 3,000 scenarios with 52 grid points for the purpose of internal risk control. Furthermore, the model is based on a standardised margin period of risk and on the use of default conditional metrics.
The calculations are based on market volatility, correlations between specific risk factors, future cash flows and stress considerations. Netting agreements and collateral agreements are also taken into account for simulation purposes.

The simulation calculations are performed for all major types of transactions, e.g., forward foreign exchange transactions, commodity futures transactions, interest rate instruments, securities lending transactions and repurchase agreements, equity-related, commodity-related or inflation-related instruments and credit derivatives. Other 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 general 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 significant model change resulting from this regarding the calculation of the capital requirements has been applied for with the ECB and has also been used for regulatory purposes since the end of Q1 2021.

In June 2021, the implementation of the new legal requirements of CRR 2 for the new standard approach for counterparty credit risk (SA-CCR) was implemented in the Bank's internal risk systems. In the SA-CCR, transactions that are not recorded in the internal counterparty risk model using Monte Carlo simulation (e.g., stock exchange derivatives or securities transactions) are shown for calculating the equity capital requirements for regulatory purposes.

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).
In 2022, the settlement risk calculation method was revised and technically implemented as part of a Group-wide project. The main methodological changes represent a more precise distinction between "principal and replacement cost risk", as well as the distinction between "irrevocable risk and uncertain risk".

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In addition, mitigating effects such as the consideration of FX payment netting and “delivery versus payment”-settlement are also taken into account to reduce risk.

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. Despite the very good average creditworthiness of our business partners, management is paying increased attention to 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, ensuring, 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 has also been 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 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.

At the end of the year, UniCredit Bank Austria AG had total exposure of €3,281 million (previous year: €2,497 million) from the use of the counterparty credit risk calculation method of the Group-wide risk systems for the exposures from derivative transactions, repurchase agreements and securities lending transactions.

The total exposure at the end of 2022 can also be split into the following sectors:

E.7.1a Exposure by sector

(€ million)

SECTOR	2022	2021
Industry and trade	859	676
Financial services sector	931	621
Real estate	284	452
Energy and Commodity	364	284
Public sector	31	43
Central Clearing Counterparts (CCP)	813	420
TOTAL	**3,281**	**2,497**

E.7.1b Exposure by rating class

(€ million)

RATING CLASS	2022	2021
1	992	449
2	472	476
3	1,318	829
4	278	420
5	152	126
6	45	126
7	16	49
8	4	8
9	5	13

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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)

	31.12.2022			31.12.2021		
COUNTRY/PORTFOLIO	NOMINAL VALUE	BOOK VALUE	FAIR VALUE	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
Austria	**2,023**	**1,834**	**1,802**	**3,612**	**3,824**	**3,820**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	60	59	59	60	78	78
Fair value through other comprehensive income	1,859	1,663	1,663	3,464	3,648	3,648
Financial assets at amortised cost	95	105	74	89	97	93
Designated at fair value through profit or loss	9	6	6	-	-	-
Spain	**2,711**	**2,509**	**2,450**	**2,527**	**2,634**	**2,638**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	1,931	1,710	1,710	1,739	1,820	1,820
Financial assets at amortised cost	780	799	740	788	815	819
Designated at fair value through profit or loss	-	-	-	-	-	-
Italy	**1,310**	**1,260**	**1,211**	**1,070**	**1,125**	**1,118**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	860	801	801	620	664	664
Financial assets at amortised cost	450	459	410	450	461	454
Designated at fair value through profit or loss	-	-	-	-	-	-

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COUNTRY/PORTFOLIO	31.12.2022 NOMINAL VALUE	31.12.2022 BOOK VALUE	31.12.2022 FAIR VALUE	31.12.2021 NOMINAL VALUE	31.12.2021 BOOK VALUE	31.12.2021 FAIR VALUE
Japan	**1,398**	**1,393**	**1,393**	**1,012**	**1,032**	**1,032**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	1,398	1,393	1,393	1,012	1,032	1,032
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Poland	**500**	**506**	**505**	**271**	**297**	**297**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	464	470	470	235	261	261
Financial assets at amortised cost	36	36	36	36	36	36
Designated at fair value through profit or loss	-	-	-	-	-	-
France	**450**	**388**	**339**	**752**	**756**	**749**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	276	210	210	444	434	434
Financial assets at amortised cost	174	178	129	173	176	169
Designated at fair value through profit or loss	-	-	-	135	146	146

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COUNTRY/PORTFOLIO	31.12.2022 NOMINAL VALUE	31.12.2022 BOOK VALUE	31.12.2022 FAIR VALUE	31.12.2021 NOMINAL VALUE	31.12.2021 BOOK VALUE	31.12.2021 FAIR VALUE
Romania	**277**	**261**	**261**	**270**	**293**	**293**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	277	261	261	270	293	293
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Belgium	**105**	**100**	**100**	**73**	**76**	**76**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	105	100	100	73	76	76
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Other Countries	**2,948**	**2,625**	**2,579**	**1,741**	**1,695**	**1,691**
Held for trading (Net exposures)	115	-	-	115	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	2,491	2,329	2,329	1,467	1,534	1,534
Financial assets at amortised cost	204	203	158	147	148	143
Designated at fair value through profit or loss	138	92	92	12	14	14
TOTAL	**11,723**	**10,875**	**10,641**	**11,329**	**11,733**	**11,714**

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E.8.2 Breakdown of sovereign debt securities by portfolio

(€ million)

	31.12.2022					
	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	-	59	8,937	1,781	98	10,875
Total portfolio of debt securities	-	72	11,999	3,927	119	16,118
% Portfolio	91.01%	82.88%	74.48%	45.34%	82.40%	67.47%
	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%

The volumes vis-à-vis government entities comprise bonds issued by central banks, sovereigns and other public-sector entities, and loans to government and public sector borrowers.

The table below shows the **10 largest sovereign loans by country**:

E.8.3 Breakdown of sovereign loans by country

(€ million)

COUNTRY	31.12.2022	31.12.2021
Austria	5,590	7,144
Czech Republic	503	-
Indonesia	166	157
Trinidad and Tobago	131	133
Sri Lanka	97	97
Laos	79	82
Ghana	77	81
Mongolia	73	64
Gabon	68	81
Angola	65	75
Others	357	395
TOTAL SOVEREIGN LOANS	**7,207**	**8,308**

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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 is collected, and processes are optimized, in close coordination and cooperation across departments and units including the business areas, Internal Audit, Compliance, Legal Affairs, Digital & Information and the insurance sector. Over the years, UniCredit Bank Austria AG has taken numerous measures in the various divisions to manage and reduce operational risk. Thus, data security measures, measures to ensure the confidentiality and integrity of stored data, access authorisation systems, the two-signatures principle, and a large number of monitoring and control processes as well as staff training programmes have been implemented among other measures. 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 Non-Financial Risks function. The central OpRisk & RepRisk function of UniCredit Bank Austria AG was assigned directly to the Chief Risk Officer as a staff unit in 2018. As in UniCredit Bank Austria AG, there are also OpRisk managers or contact persons in all relevant subsidiaries of the UniCredit Bank Austria Group.

While the main task of central risk management is to define the methods used and to perform risk measurement and analysis, decentralized risk management is 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 2022 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 Non-Financial Risk Committee
- Monitoring of OpRisk exposures using key indicators that are part of the risk appetite framework
- Carrying out OpRisk assessments for relevant outsourcings and third-party contracts
- 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 through online training that is 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
- Carrying out focal point analyses on various OpRisk-relevant subject areas, also triggered by relevant external OpRisk incidents
- Carrying out a Risk & Control Self-Assessment (RCSA) for relevant business processes, including the ICT risk assessment for the UCBA
- Increased focus on a uniform approach by the subsidiary company
- Implementation of ICT project risk assessments for all relevant ICT projects
- ICT 2nd level controls and monitoring of ICT security KPIs for UCBA AG and all relevant subsidiaries

A network of independent functions and teams are involved in managing and controlling risks, providing the Management Board with sufficient information on the risk situation and enabling the Management Board to manage risk.

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The operational risk agendas are dealt with on the Non-Financial Risk Committee. The Committee is a central component in integrating operational risk into the Bank's processes; its main tasks are to report on current operational risk issues and developments, to approve operational risk-relevant documents, to report losses and to serve as a body to which unresolved issues are referred. 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 significant subsidiary pursuant to Article 13 of the CRR and, for the 2022 fiscal 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 on its website (www.bankaustria.at/en/about-us-investor-relations) according to Basel 2 and 3 (CRR).

E.10 – Reputational risk

Bank Austria and the UniCredit Group have identified reputational risk as the current or future risk of a decline in profits as 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, now Non-Financial Risks, was directly assigned to the CRO as a staff unit. Together with other departments such as Identity & Communications, Compliance, Legal, Customer Experience & Complaints Management, etc., the central risk unit is responsible for managing the reputation of UniCredit Bank Austria AG.

Reputational risk-related topics are reported quarterly in the Non-Financial Risk Committee, such as:
- Business decisions, which were made in the Reputational Risk / Credit Committee
- Report on RepRisk assessments that were analyzed as part of the new product process and subsequent acceptance of new products
- Information on accepting new RepRisk policies
- Relevant reporting about UniCredit Bank Austria AG
- RepRisk status of AMA subsidiaries
- Other issues affecting the reputation of the bank

In 2022, 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.

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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.

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E.13 – Legal risk

UniCredit Bank Austria AG is also referred to hereinafter as "UCBA".

The method for recognition of provisions is described under "A.6.7.2 - Other provisions for risks and charges and contingent liabilities".

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, eight of which are still open, with a claimed amount of €4.8 million plus interest. The claims asserted in these proceedings are that the UCBA committed certain breaches of duty in its capacity as prospectus controller. 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, 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, UCBA has established provisions for risks and charges to the extent that it considers appropriate for the current risks.

Proceedings in the United States

Actions by the SIPA trustee
In December 2010, the insolvency administrator (the "SIPA Trustee") brought an action for the liquidation of BLMIS as well as other actions against dozens of defendants, including HSBC, UniCredit S.p.A., UCBA and certain affiliates, to a United States Federal Court (the "HSBC Proceedings"). In the HSBC Proceedings, the SIPA Trustee filed civil claims and avoidance claims (also known as "clawback claims") worth several billion US dollars. The civil claims were dismissed in 2011 and no further appeals are pending against this decision. In 2015, the SIPA Trustee dropped the avoidance claims against UniCredit S.p.A and the Alternative Investments Division of Pioneer ("PAI") in the HSBC proceedings, waiving the claims, as well as the avoidance claims against UCBA, without waiving the claims; this was done following claim adjustments that did not concern UniCredit S.p.A., PAI or UCBA and were considered by the SIPA trustee to satisfy the relevant claims. A judgement was issued by the Bankruptcy Court on 22 November 2016 which ordered the avoidance claims against BA Worldwide Fund Management Ltd ("BAWFM") to be rejected. On 9 March 2017, the SIPA Trustee commented on the rejection of the avoidance claims against BAWFM in writing. On 16 March 2017, the SIPA Trustee appealed against the dismissal of the claims. In February 2019, the Court of Appeal annulled the decision of the Bankruptcy Court of 22 November 2016 and ruled that the SIPA trustee could recover the transfers of funds by BLMIS to BAWFM and other similar parties before their insolvency. BAWFM and other defendants requested a new hearing before the Court of Appeals by an "en banc" committee (then by all judges). The Court of Appeal rejected that request in April 2019. At the 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.

E – Risk report

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 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. With regard to the pending Austrian civil proceedings, UCBA has made provisions for risks and charges to the extent that is considered appropriate for the current risks. No new provisions for risks and charges were made in 2022 and 2021. 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.

C) 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.

VKI (*Verein für Konsumenteninformation*, the Austrian Association for Consumer Information) filed a class action suit against UCBA, which was assessed by UCBA with a financial risk of €34.5 million. The action 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 their view 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 Austrian Consumer Credit Directive could be transferred to the Austrian Mortgage Credit Directive (Wohnimmobilienkredit-Richtlinie – WIKrRL) at all, an issue which is relevant for proceedings between the VKI and the UCBA. The decision is currently still pending. In his submissions dated 29 September 2022, however, the Advocate General denied the transferability of the Lexitor decision to Article 25 WIKrRL. However, if the ECJ – contrary to the Advocate General – were to approve such a transfer, the Austrian Supreme Court would then have to answer the question of whether and in what way Section 20 (2) of the old version of the Austrian Mortgage and Real Estate Loan Act (in accordance with national law) could be interpreted in compliance with the Directive.

E – Risk report

Only if an interpretation in compliance with the Directive were permissible could the VKI's action be successful in the opinion of UCBA. However, this appears unlikely, as the prevailing legal doctrine rejects an interpretation of Section 16 of the old version of the German Mortgage and Real Estate Loan Act that is compliant with the Directive and The Austrian Supreme Court shared this view in its decisions 3 Ob 216/21t and 5 Ob 197/21p. The UCBA therefore expects that the Austrian Supreme Court will also consider any interpretation of Section 20 of the old version of the German Mortgage and Real Estate Loan Act that is compliant with the Directive to be inadmissible, as it essentially concerns the same (methodological) questions.

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

D) VKI list of fees (17 fees)

The VKI filed a class action suit against UCBA, asserting the inadmissibility or contractual invalidity of seventeen different fees in consumer transactions due to an immoral contract or because of non-transparent wording or because of another violation of statutory provisions. The fees in dispute relate to the savings account business, the private loan business, the payment account business, and the credit card business. If one of these seventeen contested fees is ineffective, UCBA may no longer assert these fees in business transactions with consumers in the future and must refund consumers who were charged such an invalid fee in the past.

Together with the mandated legal representative, UCBA reviewed the current clauses in relation to the fees at the beginning of the procedure and evaluated the risk of a loss in the legal proceedings. In cases where the risk of a loss was judged to be higher than 50%, a loss provision was created, which corresponds to the impending financial risk in the amount of €4.2 million.

E.14 – Climate-related and environmental risks

UniCredit has developed a long-term sustainability strategy for environmental, social & governance (ESG) risks and takes ESG factors into account in its risk framework. UniCredit Bank Austria's strategy follows this framework. The aim is to achieve three goals:

- Fulfilment of regulatory requirements for the business strategy and risk management processes
- Management of climate and environmental risks
- Identifying financing potential for customers on their way to a sustainable, low-carbon economy

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).

The implementation of the sustainability strategy in the Group companies is carried out on a project-specific basis through the UniCredit Group, whereby the individual aspects, which include the product range, the handling of environmental issues within the bank and the ongoing monitoring of the achievement of the targets, are pursued and rolled out.

The development of an environmentally and/or socially acceptable product portfolio for private and corporate customers and internal industry and sector-specific requirements that support the transformation into a CO_2-free economy serve to achieve the strategic objectives.

Both internally and by taking part in industry-wide initiatives, such as the Net Zero Banking Alliance (NZBA), 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 first greenhouse gas reduction targets for three sectors at Group level will be published in April 2023, with targets for other sectors to follow within a further 18 months.

For 2023, Bank Austria defined measurable ESG targets in its Risk Appetite Framework for the first time (new environmentally friendly loans and restrictions on received collateral that are subject to physical risks), which also reflects the growing importance of ESG objectives in this instrument.

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[10] and/or transitory[11] 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.

In 2022, the UniCredit Group focused on the further development of instruments, methods, and measures to integrate climate-related risks into the risk appetite and the corresponding processes (credit application, reporting, credit risk strategy, stress tests, operational risk / reputational risks). In doing so, climate risks related to the Group's combined balance sheet and business processes are identified, assessed, and monitored, and quantitative limits for risk tolerance are defined to take potential risks into account appropriately.

[10] 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).
[11] 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).

Transition risks in the bank's internal credit process

The regulatory requirements (ECB, EBA, FMA) and the UniCredit Group's commitment to sustainable development require that climate risks are taken into account in the credit process in an appropriate way. This is associated with an analysis of the influence of environmental risks on the counterparty risk of our borrowers, the results of which must be taken into account in the credit decision.
The underlying method comprises
- the assessment of the customer's exposure to transition risks (e.g. greenhouse gas (GHG) emissions, water and energy consumption, waste management)
- the assessment of the customer's vulnerability to transition risks (e.g. level of maturity of the environmental management,
- greenhouse gas reduction targets, sustainability investments) and
- assessing the economic impact on our corporate customers (e.g. lost investments, decline in market share, increased investment costs, supply chain impacts).

The scope of application has included all corporate clients (including Real Estate) for which GTCC[12]/GCC[13] is responsible and all positions for which TCC[14] is responsible (local Bank Austria credit committee), with the exception of financial institutions, banks, central governments, 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.

Physical risks in the bank's internal processes

As part of a Group initiative, UniCredit Bank Austria conducted an analysis of the potential damage to the collateral in the mortgage portfolio due to extreme and acute climate-related events. An initial, forward-looking, and summary assessment of how physical risk may affect the overall fair value was carried out and the impact on the market value of the relevant mortgages was estimated.

The calculation of physical risks (flood, hail, storm) is based on the method of an external provider and is based on data on the real estate collateral in our credit portfolio.

Finally, it should be noted that some of the above-mentioned measurements were included in the Risk Appetite Framework (RAF) and credit strategy processes in order to further strengthen the integration of climate and environmental factors into the risk management framework and the underwriting processes and to improve portfolio monitoring.

Other **focal points in connection with climate risks** include:
- implementation of the Taxonomy Regulation[15] through the integration of customer and product-specific information in support of the shift towards a CO_2-neutral economy in our processes and IT systems, which will go into operation in Q1 2023.
- further development of our portfolios' emissions measurements in line with NZBA industry standards and coverage of a further six industries by October 2024
- embedding of sustainability factors in our 2023 credit risk strategy

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.

12 GTCC: Group Transactional Credit Committee
13 GCC: Group Credit Committee
14 TCC: Transactional Credit Committee
15 Regulation = VO/Verordnung (in German)

E – Risk report

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 minimizing 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 accounting area. The Head of Internal Audit reports directly to the Management Board and provides the Chairman of the Supervisory Board and the Audit Committee with quarterly reports.

Control environment

UniCredit S.p.A., the parent company of UniCredit Bank Austria AG, works to maintain effective communication and convey the corporate values defined in the Integrity Charter.

The Integrity Charter embodies the UniCredit Group's identity and is based on the following shared values: fairness, transparency, respect, reciprocity, freedom to act and trust.
The implementation of the internal control system in relation to the financial reporting process is also set out in the internal rules and regulations.

All accounting entries are made within the guidelines established in the Accounting Policy, and release follows defined instruction and control criteria. Appropriate processes have been implemented and are reviewed by Internal Audit on an ongoing basis.

Risk assessment

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

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

E – Risk report

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 in such a way that an activity and the monitoring of that activity is not performed by the same person (four-eyes principle). In the course of the preparation of financial reports, the general ledger accounts are reconciled with business and front-end systems.

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.

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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, Philipp GAMAUF (since 1 March 2022), Dieter HENGL (since 10 March 2022), Gregor HOFSTÄTTER-POBST (until 28 February 2022), Georgiana LAZAR, Emilio MANCA (since 1 September 2022), Marion MORALES ALBIÑANA-ROSNER (since 1 April 2022), Wolfgang SCHILK, Günter SCHUBERT (until 31 August 2022)

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

Chairman: Gianfranco BISAGNI
Deputy Chairman: Aurelio MACCARIO (since 11 July 2022), Ranieri DE MARCHIS, MBA (until 31 May 2022)
Members: Livia ALIBERTI AMIDANI, Richard BURTON, Herbert PICHLER, Eveline STEINBERGER, Doris TOMANEK (since 18 July 2022), Adolf LEHNER, Christoph BURES (since 19 July 2022), Judith MARO (since 1 January 2022), Mario PRAMENDORFER (until 30 June 2022), Roman ZELLER

As at 31 December 2022, there were the following **interlocking relationships** with UniCredit S.p.A.:
Two 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

The following table sets out the assets, liabilities, guarantees and commitments, for each group of related parties, pursuant to IAS24.

F.2.1a Related party disclosures as at 31 December 2022

(€ million)

	PARENT COMPANY	UNCONSO-LIDATED SUBSIDIARIES	ASSOCIATES	JOINT VENTURES	KEY MANAGEMENT OF ENTITY OR ITS PARENT	OTHER RELATED PARTIES	TOTAL
Loans and advances	2	1,212	179	16	1	3	1,413
Other financial assets *)	-	5,741	101	-	-	-	5,843
Other assets	-	1	36	-	-	-	37
TOTAL ASSETS	**2**	**6,954**	**316**	**16**	**1**	**3**	**7,293**
Deposits	233	2,229	6,619	1	1	2	9,086
Other financial liabilities	2,506	4,605	-	-	-	-	7,111
Other liabilities	11	9	-	-	-	-	20
Issued equity instruments	600	-	-	-	-	-	600
TOTAL LIABILITIES	**3,350**	**6,843**	**6,619**	**1**	**1**	**3**	**16,817**
Guarantees issued by the group	271	544	1,171	-	-	-	1,986
Guarantees received by the group	50	71	17	-	-	-	138

*) Other financial assets include debt securities and hedging derivatives

F – Additional disclosures

F.2.1b 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

Bank Austria Group received the following **subsidies from public sector entities**:

UniCredit Bank Austria AG, Austria:
The City of Vienna serves as deficiency guarantor for the following items in the statement of financial position under a guarantee totalling €3.6 billion (2021: €4.4 billion):

F.2.2 Items in the statement of financial position

(€ million)

	31.12.2022	31.12.2021
Deposits from banks	82	103
Deposits from customers	301	320
Debt securities in issue	592	588
of which: subordinated	*592*	*588*
Other liabilities	22	84
Provisions for post-retirement benefit obligations	2,576	3,318
TOTAL	**3,573**	**4,413**

In the item provisions post-retirement benefit obligations, costs for anniversary bonus obligations were taken into account in the year 2022. The prior-year figures have been adjusted accordingly.

In addition, the City of Vienna guarantees for contingent liabilities, credit risks with an amount of €15 million (2021: €18 million).

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 €1,779,543 (comparable emoluments of €1,692 thousand in the previous year). of which €1,250,223 was fixed fees (2021: €1,283 thousand) and €529,320 of which was variable fees (2021: €409 thousand). In addition, variable remuneration was accrued in 2021 in the amount of €1,677,000 (subject to a malus) (2021: €516 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 2022 financial year amounted to €2,709,781 (2021: €2,662 thousand) and will be partly (2022: €1,649,254; 2021: €2,428 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 €7,977,395. (Of this total, €4,101,715 was paid to former Management Board members of Creditanstalt AG, which merged with Bank Austria in 2002, and their surviving dependants; €1,845,721 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 €7,891 thousand. Emoluments paid to this group of persons for activities in subsidiaries amounted to € 285,131 (2021: €848 thousand).

Emoluments of members of the Supervisory Board members in the 2022 financial year amounted to € 292,952 (2021: €297 thousand).

F.2.1.2 – Loans to members of the Management Board and of the Supervisory Board

Loans to members of the Management Board were recorded at €1,007,365 (2021: €895 thousand) and used credit lines which amounted to €29.311 (2021: €38 thousand). During the financial year, €41,763 (2021: €59 thousand) was repaid.

Loans to members of the Supervisory Board amounted to €290,649 (2021: €309 thousand) and used credit lines were recorded at €19,014 (2021: €35 thousand) were reported. During the financial year, €33,569 (2021: €43 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 2022, 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 2022, 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 "AVZ 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 (Central & Eastern Europe) business in 2016, 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, "AVZ 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 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" (e.g. severance payment).

F 3.1.2. – Valuation model

Group Executive Incentive System (Bonus Pool)

The economic value of performance-based share remuneration is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period. Economic and net equity effects will be accrued on the basis of instruments' vesting period.

Group Executive Incentive System „Bonus Pool 2021" – Shares

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

F – Additional disclosures

F.3.1.2 Group Executive Incentive System

	SHARES GRANTED - GROUP EXECUTIVE INCENTIVE SYSTEM – BONUS POOL 2021					
	INSTALLMENT 2023	INSTALLMENT 2024	INSTALLMENT 2025	INSTALLMENT 2026	INSTALLMENT 2027	INSTALLMENT 2028
Date of bonus opportunity economic value granting	10.02.2021	10.02.2021	10.02.2021	10.02.2021	10.02.2021	10.02.2021
Date of board resolution (to determine number of shares)	08.03.2022	08.03.2022	08.03.2022	08.03.2022	08.03.2022	08.03.2022
Vesting period start-date	01.01.2021	01.01.2021	01.01.2021	01.01.2021	01.01.2021	01.01.2021
Vesting period end-date	31.12.2021	31.12.2022	31.12.2023	31.12.2024	31.12.2025	31.12.2026
UniCredit share market price (€)	13.039	13.039	13.039	13.039	13.039	13.039
Economic value of vesting conditions (€)	(0.541)	(1.082)	(1.771)	(2.744)	(3.710)	(4.668)
Performance shares' fair value per unit at the grant date (€) *)	**12.498**	**11.957**	**11.268**	**10.295**	**9.329**	**8.371**

*) The same fair value per unit is used to quantify the costs associated with share-based payments to settle potential settlements.

Group Executive Incentive System "Bonus Pool 2022" – Shares

The new Group Incentive System 2022 is based on a bonus pool approach, aligned with regulatory requirements and market practices, which defines:

- sustainability, through direct link with entity results and alignment with relevant risk categories, using specific indicators linked to risk-appetite framework;
- link between bonuses and organization structure, defining the pool at country/division level with further review at Group level;
- bonuses allocated to executives and other relevant employee, identified on a basis of European Bank Authority (EBA) rules, according to local regulations;
- payment structure has been defined in accordance with regulatory provisions qualified by Directive 2013/36/EU (CRD IV) and will be distributed in a period of maximum seven years by using a mix of shares and cash.

All profit and loss and net equity effects related to the plan will be booked during the vesting period.

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.3.1.3 Group Executive Incentive System

	SHARES GRANTED - GROUP EXECUTIVE INCENTIVE SYSTEM – BONUS POOL 2022					
	INSTALLMENT 2024	INSTALLMENT 2025	INSTALLMENT 2026	INSTALLMENT 2027	INSTALLMENT 2028	INSTALLMENT 2029
Date of bonus opportunity economic value granting	15.02.2022	15.02.2022	15.02.2022	15.02.2022	15.02.2022	15.02.2022
Date of board resolution (to determine number of shares)	08.04.2022	08.04.2022	08.04.2022	08.04.2022	08.04.2022	08.04.2022
Vesting period start-date	01.01.2022	01.01.2022	01.01.2022	01.01.2022	01.01.2022	01.01.2022
Vesting period end-date	31.12.2022	31.12.2023	31.12.2024	31.12.2025	31.12.2026	31.12.2027
UniCredit share market price (€)	9.686	9.686	9.686	9.686	9.686	9.686
Economic value of vesting conditions (€)	(1.080)	(1.760)	(2.711)	(3.648)	(4.573)	(5.485)
Performance shares' fair value per unit at the grant date (€) *)	**8.606**	**7.926**	**6.975**	**6.038**	**5.113**	**4.201**

Long-Term Incentive Plan 2017-2019

The economic value of performance-based share remuneration is measured in consideration the share market price at the grant date less the present value of the future dividends during the vesting period.
The plan is divided into blocks, based on the beneficiary position, each of which may comprise one to four installments of share-based remuneration spread over a period defined according to plan rules.

F – Additional disclosures

Long Term Incentive Plan 2020-2023

The economic value of performance-based share remuneration is measured in consideration the share market price at the grant date less the present value of the future dividends during the vesting period.
The plan is divided into blocks, based on the beneficiary position, each of which may comprise one to five installments of share-based remuneration spread over a period defined according to plan rules.

F 3.2. – Further information

Effects on the profit and loss account

All share-based remuneration granted after 7 November 2002 and whose vesting period ends 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 2022	YEAR 2021
Revenues (costs)	**(2,604)**	**(3,099)**
connected to equity-settled plans	(2,592)	(3,026)
connected to cash-settled plans	(12)	(73)
Debts for cash-settled plans	**-**	**-**

F.4 – Employees

In 2022 and 2021, the Bank Austria Group employed the following average numbers of staff (full-time equivalents):

F.4.1 Employees 1)

	2022	2021
Salaried staff	4,815	5,174
Other employees	-	-
TOTAL	**4,815**	**5,174**
of which: in Austria	*4,601*	*5,138*
of which: abroad	*213*	*36*

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

F – Additional disclosures

F.5 – Auditors‘ fees

(pursuant to section 245a (1) in combination with section 238 (1) 18 of the Austrian Business Code)

The following table shows the fees charged by the auditors of the consolidated financial statements for the 2022 financial year in the following categories:

F.5.1 Auditors’ fees

(€ thousand)

	YEAR 2022	YEAR 2021
Fees for the audit of the financial statements and the consolidated financial statements	**4,326**	**4,253**
Deloitte Network	-	2,755
KPMG	2,446	-
Austrian Savings Bank Auditing Association	1,880	1,498
Other services involving the issuance of a report	**1,048**	**1,129**
Deloitte Network	-	1,125
KPMG	978	-
Austrian Savings Bank Auditing Association	69	5
Tax consulting services	**-**	**-**
Deloitte Network	-	-
KPMG	-	-
Austrian Savings Bank Auditing Association	-	-
Other services	**1,026**	**872**
Deloitte Network	-	-
KPMG	-	-
Austrian Savings Bank Auditing Association	1,026	872
TOTAL	**6,399**	**6,255**

Amounts are net of VAT. To ensure comparability with 2022, the published prior-year figures have been adjusted.

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	1,078	1,888	684	139	4,872
TOTAL	**1,078**	**1,888**	**684**	**139**	**4,872**

There are no significant permanent establishments abroad as defined by the CRR. In July 2022, the permanent establishments previously held by UniCredit Services in Poland and Romania, which mainly perform back-office activities for the bank's business units, were transferred to UniCredit Bank Austria AG.

F – Additional disclosures

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)

				RELATED AMOUNTS NOT SUBJECT TO ACCOUNTING OFFSETTING			
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)	FINANCIAL INSTRUMENTS (D)	CASH COLLATERAL RECEIVED (E)	NET AMOUNT 31.12.2022 (F=C-D-E)	NET AMOUNT 31.12.2021
1. Derivatives	6,392	-	6,392	4,416	1,863	113	388
2. Reverse repos	-	-	-	-	-	-	2,100
3. Securities lending	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
Total 31.12.2022	**6,392**	**-**	**6,392**	**4,416**	**1,863**	**113**	**X**
Total 31.12.2021	**4,312**	**-**	**4,312**	**1,684**	**140**	**X**	**2,488**

F.7.2 Financial liabilities subject to accounting offsetting or under master netting agreements and similar agreements

(€ million)

				RELATED AMOUNTS NOT SUBJECT TO ACCOUNTING OFFSETTING			
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)	FINANCIAL INSTRUMENTS (D)	CASH COLLATERAL RECEIVED (E)	NET AMOUNT 31.12.2022 (F=C-D-E)	NET AMOUNT 31.12.2021
1. Derivatives	6,026	-	6,026	4,416	622	988	146
2. Reverse repos	244	-	244	-	-	244	1,832
3. Securities lending	-	-	-	-	-	-	-
4. Others	9,684	-	9,684	-	-	9,684	9,939
Total 31.12.2022	**15,953**	**-**	**15,953**	**4,416**	**622**	**10,915**	**X**
Total 31.12.2021	**14,071**	**-**	**14,071**	**1,684**	**469**	**X**	**11,918**

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)

	AMOUNTS AS AT	
PORTFOLIOS	31.12.2022	31.12.2021
1. Financial assets at fair value through profit or loss	428	716
2. Financial assets at fair value through other comprehensive income	4,430	7,589
3. Financial assets at amortised cost	32,285	33,643
4. Property, plant and equipment	-	-
of which: inventories of property, plant and equipment	-	-

F – Additional disclosures

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

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.9.1 Transferred, but not derecognised financial assets (fair value) and corresponding financial liabilities

(€ million)

	FINANCIAL ASSETS SOLD AND FULLY RECOGNISED				ASSOCIATED FINANCIAL LIABILITIES		
	BOOK VALUE	OF WHICH: SUBJECT TO SECURITISATION TRANSACTION	OF WHICH: SUBJECT TO SALE AGREEMENT WITH REPURCHASE OBLIGATION	OF WHICH NON-PERFORMING	BOOK VALUE	OF WHICH: SUBJECT TO SECURITISATION TRANSACTION	OF WHICH: SUBJECT TO SALE AGREEMENT WITH REPURCHASE OBLIGATION
A. Financial assets held for trading	**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities	-	-	-	X	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivative instruments	-	-	-	X	-	-	-
B. Other financial assets mandatorily at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets at fair value through other comprehensive income	**221**	**-**	**221**	**-**	**214**	**-**	**214**
1. Debt securities	221	-	221	-	214	-	214
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets at amortised cost	**43**	**10**	**33**	**-**	**30**	**-**	**30**
1. Debt securities	33	-	33	-	30	-	30
2. Loans	10	10	-	-	-	-	-
Total 31.12.2022	**264**	**10**	**254**	**-**	**244**	**-**	**244**
Total 31.12.2021	**1,112**	**32**	**1,081**	**4**	**993**	**-**	**993**

F – Additional disclosures

F.10 – Subordinated assets/liabilities

F.10.1 Subordinated assets and liabilities

(€ million)

	31.12.2022	31.12.2021
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	229	228
Financial assets at amortised cost with customers	21	24
Non-current assets and disposal groups classified as held for sale	-	-
Subordinated assets	**262**	**264**
Deposits from banks	-	-
Deposits from customers	34	43
Debt securities in issue	573	582
Liabilities included in disposal groups classified as held for sale	-	-
Subordinated liabilities	**607**	**625**

F.11 – Trust assets

F.11.1 Trust assets and trust liabilities

(€ million)

	31.12.2022	31.12.2021
Loans and receivables with banks	-	-
Loans and receivables with customers	107	113
Equity securities and other variable-yield securities	-	-
Debt securities	-	-
Other assets	-	-
TRUST ASSETS	**107**	**113**
Deposits from banks	54	50
Deposits from customers	53	62
Debt securities in issue	-	-
Other liabilities	-	-
TRUST LIABILITIES	**107**	**113**

F.12 – Return on assets

F.12.1 Disclosure pursuant to Section 64 (1) 19 of the Austrian Banking Act

	YEAR 2022	YEAR 2021
Net profit (in € million)	823	105
Total assets (in € million)	107,332	118,404
Return on assets	0.77%	0.09%

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 (SyRB) 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.

The outlook for UniCredit Bank Austria Group is that starting with 1st of January 2023 the O-SII Buffer will be 1.75% and the SyRB 0,50%. This is based on an FMSG recommendation from September 2022 which is expected to be transposed in the legislation by FMA by end 2022. Considering this modification the combined O-SII and SyRB Buffer for UniCredit Bank Austria Group will increase by 25bps vs 2022.

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 is binding since January 1, 2022.

F.13.4 – Development of equity at Bank Austria Group

In 2022, the total capital ratio increased from 20.5% to 21.1% compared to the previous year. Regulatory capital increased by €78 million year-on-year to €7,499 million and risk-weighted assets decreased by €613 million to €35,607 million.

Bank Austria continues to have a sound capital base to meet the capital requirements pursuant to Art. 92 of the CRR in conjunction with Art. 129 et seqq. of CRD IV (capital requirements, Pillar I).

F.13.4a Consolidated capital resources

(€ million)

	31.12.2022	31.12.2021
Paid-in capital instruments (excl. own instruments of Common Equity Tier 1)	1.681	1.681
Reserves (incl. profit) and minority interests	6,899	6,582
Adjustments to Common Equity Tier 1	(2,565)	(2,360)
Transitional adjustments to Common Equity Tier 11)	173	193
Common Equity Tier 1 (CET1)	**6,188**	**6,096**
Additional Tier 1 capital and qualifying Additional Tier 1 instruments issued by subsidiaries	602	603
Additional Tier 1 (AT1)	**602**	**603**
Tier 1 capital (T1=CET1+AT1)	**6,791**	**6,700**
Tier 2 capital (T2)	**708**	**721**
Total regulatory capital (TC=T1+T2)	**7,499**	**7,421**

1) since 3Q22 Debit Value Adjustment, net of tax is considered (Corporate Tax Rate 25%)
2) in accordance with the CRR accompanying regulation of December 11, 2013 and Regulation (EU) 2020/873 of June 24, 2020, thereof transitional adjustments to common equity tier 1 capital resulting from the application of the provisions of Regulation (EU) 2020/873 to mitigate the effects of the implementation of IFRS 9 on the regulatory own funds (€ 173 million)

F.13.4b Total risk exposure amount

(€ million)

	31.12.2022	31.12.2021
a) Credit risk pursuant to standardised approach	5,351	6,092
b) Credit risk pursuant to internal ratings-based (IRB) approach 1)	26,435	26,676
c) Other (securitisation and contribution to default fund of a central counterparty [CCP])	17	7
Credit risk	31,802	32,775
Settlement risk	-	-
Position. foreign exchange and commodity risk	674	230
Operational risk	3,062	3,176
Risk positions for credit value adjustments (CVA)	68	39
TOTAL RWAs	**35,607**	**36,220**

1) including RWA add-ons in the amount of € 4,464 million in anticipation of new local LGD model and € 500 million for changes to the EAD model

F – Additional disclosures

F.13.4c Key performance indicators

	31.12.2022	31.12.2021
Common Equity Tier 1 ratio [1)]	17.4%	16.8%
Tier 1 ratio [1)]	19.1%	18.5%
Total capital ratio [1)]	21.1%	20.5%

1) Based on all risks.

The calculation of consolidated regulatory capital and consolidated regulatory capital requirements as at 31 December 2022 is based, in conformity with the CRR, on International Financial Reporting Standards (IFRS).

F.14 – Trading book

In the financial year 2022, UniCredit Bank Austria AG maintained a trading book pursuant to Section 64 (1) no. 15 BWG. The volume of the trading book consists of securities in the amount of € 0.4 billion (31.12.2021: € 0.2 billion) and derivatives with a nominal value of € 64.3 billion (31.12.2021: € 48.4 billion).

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, 21 February 2023

Robert Zadrazil
CEO – Chief Executive Officer
(Chairperson)

Daniela Barco
Retail

Philipp Gamauf
CFO – Chief Financial Officer

Dieter Hengl
Corporates

Georgiana Lazar
People & Culture

Emilio Manca
COO – Chief Operating Officer

Marion Morales Albiñana-Rosner
Wealth Management & Private Banking

Wolfgang Schilk
CRO – Chief Risk Officer

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 2022, 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 2022, 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 and under section 59a BWG.

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 ISAs. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our auditors' report. We are independent of the Group in accordance with the Austrian Commercial Code and banking and professional 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.

- **Recoverability of loans and advances to customers at amortized cost**

Risk for the consolidated financial statements

Loans and advances to customers are disclosed net of allowances for expected credit losses, with a total amount of EUR 67.8 bn. The loan loss allowances amount to EUR 1.5 bn.

In the notes to the consolidated financial statements, the management describes the approach for deter-mining loan loss allowances in section "A.5.3.3 – Measurement of expected credit losses".

As part of its credit monitoring activities, the Bank determines whether impairment losses need to be recognized for defaulted loans. This also includes an assessment of whether customers are able to meet contractual obligations in full.

For defaults of individually significant loans and advances to customers, the expected credit loss ("ECL - Level 3") is calculated per customer. This involves estimating probability-weighted scenarios, expected cash flows and expected returns from the realization of collateral, in order to determine the need for impairment.

For non-performing loans and advances to customers that are not individually significant, the expected credit losses are determined collectively, based on a statistical valuation model. The need for impairment is determined automatically, dependent on the customer segment, the amount of the loan receivable, the collateral available, the rating and the duration of the default.

Report of the Auditors

A portfolio allowance is recognized for the expected credit loss of performing loans and advances to customers, using the 12-month ECL. In the event of a significant increase in credit risk, the ECL is calculated based on the total duration. Estimates and assumptions are required in determining the expected credit loss for these levels. These estimates and assumptions include, among other things, default probabilities as well as loss rates that consider present and future-oriented information.

These models have been adapted for performing foreign currency loan receivables and repayment vehicle loan receivables, with final maturity in the retail segment, in order to adequately reflect the specific risk characteristics of these portfolios. A significant increase in credit risk has been identified for these portfolios, which is why these portfolios have been, on an aggregate basis, assigned to Level 2.

So that the ECL model appropriately reflects the current geopolitical risks (characterized by high inflation as well as increased energy costs and higher interest rates etc.), it was supplemented by a management overlay. This accounts for associated expected credit defaults that cannot be modeled.

The risk to the consolidated financial statements arises from the fact that the determination of the impairment losses is largely based on assumptions and estimates, for which there is significant judgement and estimation uncertainty.

Our Audit Response

In auditing the recoverability of loans and advances to customers, we performed the following significant audit procedures:

- We have analyzed the existing documentation relating to the processes for monitoring and provisioning of loans and advances to customers. We then assessed whether the procedures described therein are appropriate for identifying defaults and adequately determining impairment losses for loans and advances to customers.
- We identified relevant key controls in the process and assessed their design and implementation. We also tested the effectiveness of these controls on a sample basis.
- For a sample of receivables from customers, we examined whether there were objective indicators of default. The sample selection was both random and risk-oriented, with particular consideration of rating grades and industries with an increased risk of default.
- For defaults of individually significant loans and advances to customers, the Bank’s assumptions were tested on a sample basis for appropriateness, which considers reasonableness, consistency and the amount of future returns.
- For performing as well as individually non-significant non-performing loans and advances to customers, with the assistance of specialists, we analyzed the bank’s applied method and its compliance with the requirements of IFRS 9. Furthermore, in considering the Bank’s internal validations, we tested the models, their mathematical functions as well as the parameters used therein, to determine whether they are appropriate for calculating impairment losses.
- With the support of specialists, we specifically assessed the impact of the current volatile economic situation on customer default probabilities. We also inspected the selection and measurement of forward-looking estimates and scenarios as well as their impact in the parameter estimations. Furthermore, we assessed the determination and rational of model adjustments made, the management overlay for geopolitical risks and underlying assumptions with regard to their appropriateness.

- **Valuation of the "3-Banken-Gruppe" shares in associates**

Risk for the consolidated financial statements

The shares in Bank für Tirol und Vorarlberg AG, BKS Bank AG and Oberbank AG are reported under the balance sheet item "Investments in associates and joint ventures" and are accounted for using the at equity method. Together, these shares make up the associated companies of the "3-Banken Gruppe" and have a total carrying amount of EUR 2,006 mn.

In the notes to the consolidated financial statements (section "A.5.4 - Impairment test of investments in subsidiaries, associates and other companies"), the management describes the approach for determining the value of shares in associated companies.

For investments accounted for using the at equity method, the bank assesses whether there is any indications of an impairment and whether any impairment losses recognized in prior periods still exist. If a triggering event is identified, the Bank determines the recoverable amount of the asset. For this purpose, the value in use is determined by using approved planning figures and planning information, submitted by the respective banks, and takes various scenarios into account.

The value in use calculation is primarily based on assumptions and estimates regarding the business’ future planned developments as well as any distributions to owners. It also considers statutory and regulatory restrictions on owner distributions as well as the cost of capital.

Report of the Auditors

The risk to the consolidated financial statements derives from the fact that the calculation is dependent on management's assessment of future cash flows as well as the discount rate used. As such, it is subject to an estimation uncertainty.

Our audit response

In auditing the recoverability of the shares in the associated companies of the 3-Banken Gruppe, we have performed the following significant audit procedures:

- We analyzed the processes for impairment testing of associated companies and its implemented controls, to determine whether they are appropriate for identifying impairments or reversals of impairments.
- With the assistance of our valuation specialists, we reviewed the bank's computational model as well as the assumptions and valuation parameters used therein (especially the discount rate used). Above all, we assessed the appropriateness of the assumptions used in determining the discount rate, by comparing them with market and industry-specific benchmarks.
- We inspected whether the effects of the current economic situation and market expectations were taken into account in the future cash inflows (used in the computation from planning calculations of the 3-Banken Gruppe) as well as in alternative scenarios. The accuracy with which planning amounts were determined was verified by a retrospective review.
- Furthermore, we validated the calculated values in use for plausibility, by considering market multiples.

- **Recognition of deferred tax assets for tax losses carried forward**

Risk for the consolidated financial statements

In the consolidated financial statements, net deferred tax assets of EUR 710 mn has been recognized. Of those deferred tax assets, an amount of EUR 372 mn results from tax losses carried forward.

In the notes to the consolidated financial statements, the management discloses the approach for determining the deferred tax assets arising from tax losses carried forward, in section "A.6.5 – Current and deferred taxes" and "C.10 – Tax claims".

A deferred tax asset for the carryforward of unused tax losses is recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. The assessment of the recoverability of deferred tax assets is based on a forecast of taxable income during the planning period. The assessment of the recognition of deferred tax assets is based on a forecast of taxable income in the planning period. This is dependent on the future earnings development of the company and on the assessment of future macro-economic conditions. As such, it is subject to considerable uncertainty. The assessment of whether deferred tax assets can be recognized is based on management's judgment as to whether it is probable that the recognized deferred tax assets can be utilized on the basis of the current business planning, despite the existing uncertainties.

The recognition of deferred tax assets for losses carried forward is therefore dependent on the Management Board's assessment of whether sufficient future taxable profits will be available. The assessment of the recoverability of tax losses carried forward is therefore a risk for the consolidated financial statements.

Our Audit Response

In our audit of deferred tax assets for tax losses carried forward, we performed the following significant audit procedures:

- We analyzed the process of determining deferred tax assets for tax losses carried forward and reviewed whether the controls in place are appropriate.
- We inspected the underlying assumptions for the multi-year planning amounts and assessed the accuracy with which planning amounts were determined, via a retrospective review.
- We have reviewed the macro-economic assumptions and parameters made for the period of the multi-year plan.
- With the assistance of specialists, we reviewed the reconciliation of the multi-year plan to financial results.
- We inspected the initial data, used by the tax department of the bank to calculate tax deferrals and the tax rates used in the process.
- We have reviewed the Bank's documentation for the calculation of deferred tax on losses carried forward and verified the accuracy of the calculation applied.

Report of the Auditors

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 as soon as it is available 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 and for them to give a true and fair view of the assets, financial position and the financial performance in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the additional requirements under section 245a UGB and section 59a BWG. 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) No. 537/2014 and in accordance with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Report of the Auditors

- 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 management's 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 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.
- We also 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.
- 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.

Opinion

In our opinion, the consolidated management report is prepared in accordance with the applicable legal requirements, contains appropriate disclosures pursuant to section 243a UGB, 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.

Report of the Auditors

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), Sparkassen-Prüfungsverband (auditing board) acts as statutory auditor of Austrian savings banks and therefore also of UniCredit Bank Austria AG, Vienna.

Under section 23 para 3 SpG in conjunction with sections 60 and 61 BWG, the audit requirement also includes the consolidated financial statements.

By resolution of the annual general shareholders' meeting on 12 April 2021, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, was appointed as additional auditor for the financial year ending on 31 December 2022. In accordance with the above, the Supervisory Board engaged KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, as additional auditor on 15 June 2021.

On 7 April 2022, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna was appointed as additional auditor for the financial year ending on 31 December 2023. On 22 April 2022, it was engaged by the Supervisory Board as additional auditor.

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, has been the additional auditor since the financial year ending 31 December 2022.

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 para 1 of the EU regulation) were provided by us and that we remained independent of the audited group in conducting the audit.

Report of the Auditors

Engagement Partner

The engagement partner responsible for the audit is Gerhard Margetich on behalf of Sparkassen-Prüfungsverband (auditing board) and Bernhard Mechtler on behalf of KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna.

Consolidated Financial Statements 2022
UniCredit Bank Austria AG, Vienna

Vienna, 21 February 2023

Sparkassen-Prüfungsverband
Auditing Board

Gerhard Margetich
Certified Public Accountant

Stephan Lugitsch
Certified Public Accountant

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna

Bernhard Mechtler
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 consolidated financial statements and the consolidated management report are identical with the audited version. This audit opinion is only applicable to the German and complete consolidated financial statements with the consolidated management report. Section 281 para 2 UGB applies to alternated versions.

Report of the Supervisory Board

In the year under review, the Supervisory Board performed the duties incumbent upon it by law, the Articles of Association and the Rules of Procedure without restriction, periodically advising the Management Board and monitoring its activities. To perform its duties efficiently, the Supervisory Board has formed four Committees.

In response to the Covid-19 pandemic, six virtual meetings of the Supervisory Board were held in 2022 in accordance with the Covid-19 regulation under company law.

The Supervisory Board passed resolutions on matters within its remit following in-depth analysis and discussion and was involved in all decisions of fundamental importance. Resolutions were passed nine times by circular resolution. In addition, there was a continuous exchange between the chairpersons of the Supervisory Board and the Management Board on significant developments.

Focus of the Supervisory Board‘s activities

In the 2022 financial year, the Management Board provided the Supervisory Board with regular, timely and comprehensive information in both written and verbal form on business policy, financial development, the earnings situation, as well as risk, liquidity and capital management. In doing so, the Supervisory Board performed its monitoring and advisory activities after thorough analysis and consideration of all the facts.

One of its focus areas related to all measures in connection with the unconsolidated and consolidated financial statements for 2021, including the audit reports, the proposal concerning the election of the auditors and the group auditors for the fiscal year 2023. The annex to the audit report pursuant to § 63 paras. 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 Internal Audit reports and the issuance of procurations. The Supervisory Board also dealt with adjustments to the Austrian corporate income tax group and shareholdings. The Supervisory Board was presented with the Risk Strategy 2022, the Capital Adequacy Statement, the structure of the loan portfolio and principles of risk policy, as well as large exposures pursuant to section 28b of the Austrian Banking Act.

Updates on the MYP initiatives were presented. The legal updates continuously covered the court proceedings regarding 3-Banken and reported on the FX and ASVG court proceedings.

Furthermore, reintegration of Operations Services into UniCredit Bank Austria AG was reported on.

As part of the OFAC compliance program, the Supervisory Board received training on financial sanctions.

The Supervisory Board appointed four new members to the Management Board. The Supervisory Board passed resolutions on the allocation of responsibilities and the rules governing representation on the Management Board. The Supervisory Board's work also included information on the utilization of the pre-approval of loans to governing bodies for 2021 pursuant to Section 28 para. (1) and (4) of the Austrian Banking Act (BWG) and the advance approval for 2023.

The Board dealt in detail with the budgets for 2022 and 2023, the capital plan and forecasts for 2023 to 2025, the risk appetite for 2023 and the funding plafond for 2023.

The Supervisory Board was regularly informed about the relevant content and results of the Committee meetings. The Fit & Proper training of the Supervisory Board members included the supervisory focus areas of EBA / FMA / ECB and an update on Sustainable Finance - Green Asset Ratio.

Committee activities

Outside of the four meetings, the **Credit/Risk Committee** passed 54 resolutions in the form of written circular vote.

Within the scope of its activities, the Committee decided on loan applications within its authority. The subject of discussions were the emerging risks in relation to the loan portfolio (Russia-Ukraine war, energy crisis, Covid-19 crisis) and the associated moratoria, processes and loan provisions.

In addition, a report was submitted on the market and liquidity risk, operational risk, reputational risk and ICAAP. Resolutions were passed on the Risk Strategy 2022 and the Capital Adequacy Statement. In addition, detailed reports were given on the new methodology regarding the leverage ratio and the related monitoring of the portfolio.

Report of the Supervisory Board

Furthermore, in addition to reports on individual risk exposures, the Committee was regularly informed about regulatory capital and funding and liquidity management, including the status of the minimum requirement for own funds and eligible liabilities (MREL). Loans to political organizations were reported to the Committee. The Committee's work was rounded off by its involvement with the Recovery Plan 2022 and large exposures pursuant to Section 28b of the Austrian Banking Act (BWG).

Representatives of the auditors regularly attended the four meetings of the **Audit Committee**. The committee worked intensively on the unconsolidated and consolidated financial statements 2021 and the audit reports and reported to the Supervisory Board accordingly. The Committee was informed by the audit firms about the audit planning and the focus of the 2022 annual audit.

The Compliance department informed the Committee periodically about their main areas of activity. In addition, the activity report for the full year 2021 and the annual reports 2021 from Securities Compliance and Anti Financial Crime were presented. The Committee also dealt with the Compliance Plan 2022. In addition to the Annual Report 2021, Internal Audit submitted detailed quarterly reports to the Committee. Furthermore, the Audit Plan 2022, including reviews, was approved and Internal Audit reported on the self-assessment and the external quality assessment 2022. The Committee's work also included the Governance Monitoring Report and the Complaints Management Annual Report 2021. The Committee also dealt with the monitoring of the accounting process in accordance with Savings Law 262 and the report on risk management. As part of the comprehensive reports on supervisory matters, findings of the supervisory authorities were addressed on an ongoing basis and detailed information was provided on the audits and action plans focusing on internal models. The Committee received reports on the SREP operational letter 2021 and the action and optimization plan.

The activities of the Committee were rounded off with the recommendation to the Supervisory Board regarding the appointment of the auditor of the unconsolidated financial statements and consolidated financial statements for the financial year 2023, the handling of the management letter from the auditors and the approvals of the engagement letters for limited reviews of the quarterly results Q1, Q2 and Q3 2022 and the engagement letter 2023. In addition, UniCredit Leasing Austria submitted nonaudit services in connection with the preparation of balance sheets as of the reporting date to the Committee for approval.

The **Strategic and Nomination Committee** met three times and, outside of these meetings, passed two resolutions in the form of written surveys in connection with the Fit & Proper evaluation on the occasion of the reappointment of a Supervisory Board member and the reappointment of a Management Board member. The Committee also dealt with the Fit & Proper Re-evaluation 2022 of the Management Board and Supervisory Board, the gender balance in the bank, and it reviewed the course of the Management Board with regard to the selection of senior management. Furthermore, the Committee passed resolutions on succession planning for the chairpersons of the Supervisory Board and its Committees. In addition, the Committee dealt with the reorganization of the Management Board and proposed to the Supervisory Board the appointment of new members of the Management Board following an appropriate Fit & Proper evaluation.

At its meeting, the **Remuneration Committee** received the report of the Risk Committee. The Committee dealt with an update on the regulatory framework regarding compensation, the bonus pool framework 2021, severance payments and the outlook for activities in 2022. The Committee also discussed the Group Incentive System 2022 and the Remuneration Policy 2022.

Staff Changes within the Supervisory Board and the Management Board

As of May 31, 2022, Mr. Ranieri De Marchis resigned from the Supervisory Board and as of July 18, 2022, Ms. Doris Tomanek was elected as a member of the Supervisory Board. On the part of the Employees' Council, Mr. Christoph Bures was delegated to the Supervisory Board on July 19, 2022. Mr. Mario Pramendorfer resigned his seat as of June 30, 2022.

By circular resolution of the Supervisory Board, Mr. Philipp Gamauf was appointed to the Management Board as of March 1, 2022. Philipp Gamauf was appointed to the Management Board and will be responsible for the Finance Division. Mr. Hofstätter-Pobst resigned from this function on February 28, 2022.

As of March 10, 2022, Mr. Dieter Hengl was appointed to the Management Board, and will be responsible for the Corporates division by resolution of the Supervisory Board. Ms. Marion Morales Albinana-Rosner was appointed to the Management Board as of April 1, 2022 and will be responsible for Wealth Management & Private Banking. Mr. Emilio Manca was appointed as a new member of the Management Board as of September 1, 2022 and will be responsible for the COO division. The appointment as a member of the Management Board for Mr. Günter Schubert expired on August 31, 2022.

A detailed organizational chart of the Supervisory Board and its Committees as well as of the Management Board in the financial year 2022 is included in the Annual Report under the heading "Boards of the Company".

Report of the Supervisory Board

Audit of the unconsolidated financial statements and the consolidated financial statements

The accounting records, the 2022 unconsolidated financial statements and the management report were audited by the Auditing Board of the Austrian Savings Bank Auditing Association and by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. 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 the distribution of profits as presented by the Management Board, and it approves the 2022 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 2022 consolidated financial statements were audited by the Auditing Board of the Austrian Savings Bank Auditing Association and by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, 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 2022, and of the results of the Group’s operations and its cash flows for the financial year beginning on 1 January 2022 and ending on 31 December 2022, 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 (BWG).

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.

Thank you

The Supervisory Board would like to thank the Management Board, all employees, and the employee representative body for their valuable contributions, which made the success of the company possible again in the past year.

Vienna, February 27, 2023

The Supervisory Board
Gianfranco Bisagni
Chairman 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, 21 February 2023

The Management Board

Robert Zadrazil
CEO – Chief Executive Officer
(Chairperson)

Daniela Barco
Retail

Philipp Gamauf
CFO – Chief Financial Officer

Dieter Hengl
Corporates

Georgiana Lazar
People & Culture

Emilio Manca
COO – Chief Operating Officer

Marion Morales Albiñana-Rosner
Wealth Management & Private Banking

Wolfgang Schilk
CRO – Chief Risk Officer

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
Retail
From 01 November 2021, end of the current term of office: 31 October 2024

Philipp Gamauf, born 1982
Chief Financial Officer (CFO)
From 01 March 2022, end of the current term of office: 28 February 2025

Dieter Hengl, born 1964
Corporates
From 10 March 2022, end of the current term of office: 31 March 2025

Gregor Hofstätter-Pobst, born 1972
CFO Finance
From 01 October 2016 until 28 February 2022

Georgiana Lazar, born 1980
People & Culture
From 01 November 2021, end of the current term of office: 31 October 2024

Emilio Manca, born 1973
Chief Operating Officer (COO)
From 01 September 2022, end of the current term of office: 31 August 2025

Marion Morales Albinana-Rosner, born 1972
Wealth Management & Private Banking
From 01 April 2022, end of the current term of office: 31 March 2025

Wolfgang Schilk, born 1967
Chief Risk Officer (CRO)
From 01 November 2020, end of the current term of office: 31 October 2023

Günter Schubert, born 1968
From 01 September 2019 until 31 August 2022

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
Aurelio Maccario, born 1972
Group Credit Risk
UniCredit S.p.A.
(Member from 08 April 2019 and Deputy Chairperson since 11 July 2022)

Ranieri De Marchis, born 1961
(Member and Deputy Chairperson from 07 November 2016 until 31 May 2022)

Members
Livia Aliberti Amidani, born 1961
(since 11 April 2018)

Richard Burton, born 1968
Head of Client Solutions
UniCredit S.p.A
(since 20 July 2021)

Herbert Pichler, born 1961
Member of the Management Board
Privatstiftung zur Verwaltung von Anteilsrechten
(since 12 April 2021)

Eveline Steinberger, born 1972
Managing Director
The Blue Minds Company GmbH
(since 04 May 2015)

Doris Tomanek, born 1956
(since 18 July 2022)

Delegated by the Employees' Council

Adolf Lehner, born 1961
Chairperson of the Central Employees' Council
(since 04 December 2000)

Christoph Bures, geb. 1979
Member of the Employees' Council, Vienna Region and Central Representative for Disabled Employees
(since 19 July 2022)

Supervisory Board and Management Board

Judith Maro, born 1967
Chairperson of the Employees' Council, Carinthia
(since 01 January 2022)

Mario Pramendorfer, born 1973
Member of the Central Employees‘ Council
(from 23 September 2016 until 30 June 2022)

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 appointed pursuant to the Austrian Mortgage Bank Act
Peter Part (until 31 December 2022)

Deputy Trustee appointed pursuant to the Austrian Mortgage Bank Act
Thomas Schimetschek (until 31 December 2022)

Trustee appointed pursuant to the Pfandbrief Act (Pfandbriefgesetz)
Law firm BINDER GRÖSSWANG Rechtsanwälte GmbH (since 01 January 2023)
The new Pfandbrief Act came into force on 08 July 2022 and replaces, among others, the Mortgage Bank Act.

Supervisory Board and Management Board

The Supervisory Board formed the following permanent committees:

Credit-/Risk Committee:

Chairperson:
Eveline Steinberger (Member since 08 May 2015, Chairperson since 16 April 2018)

Deputy Chairperson:
Richard Burton (Member and Deputy Chairperson since 22 July 2021)

Members:
Aurelio Maccario (since 09 April 2019)

Delegated by the Employees' Council:
Christoph Bures (since 19 July 2022)
Mario Pramendorfer (from 16 April 2018 until 30 June 2022)
Roman Zeller (since 01 January 2022)

Audit Committee:

Chairperson:
Aurelio Maccario (Member and Chairperson since 22 July 2021)

Deputy Chairperson:
Ranieri De Marchis (Member since 16 April 2018, Deputy Chairperson since 23 January 2019; both until 31 May 2022)
Doris Tomanek (Member and Deputy Chairperson since 18 July 2022)

Members:
Herbert Pichler (since 04 May 2021)

Delegated by the Employees' Council:
Adolf Lehner (since 02 May 2006)
Roman Zeller (since 09 April 2021)

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:
Gianfranco Bisagni (since 11July2022)
Ranieri De Marchis (from 16 April 2018 until 31 May 2022)

Delegated by the Employees' Council:
Adolf Lehner (since 06 November 2011)
Judith Maro (since 01 January 2022)

Supervisory Board and Management Board

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)

Members:
Gianfranco Bisagni (since 01 January 2020)

Delegated by the Employees' Council:
Adolf Lehner (since 02 May 2006)
Judith Maro (since 01 January 2022)

Consolidated Financial Statements 2022

Vienna, 21 February 2023

The Management Board

Robert Zadrazil
CEO – Chief Executive Officer
(Chairperson)

Daniela Barco
Retail

Philipp Gamauf
CFO – Chief Financial Officer

Dieter Hengl
Corporates

Georgiana Lazar
People & Culture

Emilio Manca
COO – Chief Operating Officer

Marion Morales Albiñana-Rosner
Wealth Management & Private Banking

Wolfgang Schilk
CRO – Chief Risk Officer

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Office Network

Office Network Austria

Head Office

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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 Judenburg, Kitzbühel, Klagenfurt, Klosterneuburg, Krems, Leibnitz, Leoben, Lienz, Linz (2), Mödling (2), Neunkirchen, Neusiedl/See, Oberpullendorf, Oberwart, Perchtoldsdorf, Purkersdorf, Salzburg (2), Schladming, Schwechat, Spittal/Drau, St. Pölten, Stegersbach, Steyr, Stockerau, Traun, Tulln, Villach (3), Vöcklabruck, Weiz, Wels, Vienna (46), Wiener Neustadt, Wolfsberg, Wörgl, Zell/See.

Retail Banking - Regional Offices

Vienna City Center
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 & Burgenland
3100 St. Pölten, Rathausplatz 2
Tel.: 05 05 05-55066

Styria
8010 Graz, Herrengasse 15
Tel.: 05 05 05-37661

Office Network

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

Contact Centers
1020 Vienna, Rothschildplatz 1
Tel.: 05 05 05-50330

Private Banking – Locations

Bregenz, Graz, Innsbruck, Klagenfurt, Linz, Mödling, Salzburg, St. Pölten, Wiener Neustadt, Vienna (4)

Private Banking – Regional Offices

Private Banking Vienna 1
1010 Wien, Stephansplatz 2
Tel.: 05 05 05-46161

Private Banking Vienna 2
1020 Wien, Am Tabor 46
Tel.: 05 05 05-46200

Private Banking Federal States
8010 Graz, Herrengasse 15
Tel.: 05 05 05-63100

Small & Medium Corporates - Regional Offices

Small & Medium Corporates Vienna
1020 Vienna, Rothschildplatz 1
Tel.: 05 05 05-56022

Small & Medium Corporates Austria East
3100 St. Pölten, Rathausplatz 3
Tel.: 05 05 05-58005
2340 Mödling, Enzersdorfer Straße 4
Tel.: 05 05 05-28501

Office Network

Small & Medium Corporates Austria West
6020 Innsbruck,
Maria-Theresien-Straße 36
Tel.: 05 05 05-95182
6900 Bregenz, Kornmarktplatz 2
Tel.: 05 05 05-65125

Small & Medium Corporates Austria South
8010 Graz, Herrengasse 15
Tel.: 05 05 05-63436
9020 Klagenfurt, Karfreitstraße 13
Tel.: 05 05 05-64401

Small & Medium Corporates Austria North
5020 Salzburg, Rainerstraße 2
Tel.: 05 05 05-96161
4020 Linz, Hauptplatz 27
Tel.: 05 05 05-67501

Corporates Direct
1020 Wien, Rothschildplatz 1
Tel.: 05 05 05-47400

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 1
Tel.: +43 (0) 5 05 05-53000
www.baf.at

Bank Austria Real Invest Immobilien-Management GmbH
1020 Vienna, Rothschildplatz 1
Tel.: +43 (0)1 331 71-0
www.realinvest.at

Bank Austria Wohnbaubank AG
1020 Vienna, Rothschildplatz 1
Tel.: +43 (0) 5 05 05-40304
www.bankaustria.at/wohnbaubank.jsp

card complete Service Bank AG
1020 Vienna, Lassallestraße 3
Tel.: +43 (0)1 711 11-0
www.cardcomplete.com

Office Network

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 1
Tel.: + 43 (0) 5 05 88-0
www.unicreditleasing.at

FactorBank Aktiengesellschaft
1020 Vienna, Rothschildplatz 1
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

Glossary of alternative performance measures

Glossary of alternative performance measures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ROAC (return on allocated capital): net profit measured against allocated capital (allocated capital being calculated based on risk-weighted assets and the CET1 target ratio as defined by UniCredit for the different parts of the group: 13% of Risk-Weighted Assets (2022 and 2021; in the 2021 annual financial statements, a value of 11.75% was applied for 2021). If the return on allocated capital is calculated for a period of less than a full year, net profit is annualized.

Glossary of alternative performance measures

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

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

XVA: collective term for valuation adjustments on derivative contracts. The most important of these are CVA (Credit Value Adjustment), DVA (Debit Value Adjustment) and FuVA (Funding Value Adjustment).

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 Financial Report was produced by UniCredit Bank Austria AG, Rothschildplatz 1, 1020 Vienna (publisher and media owner).

Editor:
Accounting & Regulatory Reporting

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 (Chairperson), Daniela Barco, Philipp Gamauf, Dieter Hengl, Georgiana Lazar, Emilio Manca, Marion Morales Albiñana-Rosner, Wolfgang Schilk.

Supervisory Board of media owner:
Gianfranco Bisagni (Chairperson of the Supervisory Board), Aurelio Maccario (Deputy Chairperson), Livia Aliberti Amidani, Christoph Bures, Richard Burton, Adolf Lehner, Judith Maro, Herbert Pichler, Eveline Steinberger, Doris Tomanek, Roman Zeller.

Interests held in the media owner pursuant to Section 25 of the Austrian Media Act:
UniCredit S.p.A. holds 99.996 % of the shares in the media owner (information on the shareholder structure of UniCredit S.p.A. is available at https://www.unicreditgroup.eu/en/governance/shareholders/shareholders-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 "AVZ *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.

UniCredit Bank Austria AG

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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 2022 and its profit and loss account for the year ended 31 December 2022, 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 2022 and ending on 31 December 2022 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

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Management Report of UniCredit Bank Austria AG

1. Report on business development and the financial situation

1.1 Economic environment – market developments

Global economy in 2022 marked by economic slowdown and high inflation

Following the recovery of the global economy from the pandemic in 2021, economic momentum slowed in the course of 2022. From the outset, the development of the global economy was impacted by pandemic-related disruptions to supply chains, exacerbated by renewed quarantine measures in parts of China in the wake of the zero COVID policy and, from March, by the start of the war in Ukraine. The upward pressure on commodity prices increased inflation, which weighed on consumer demand via a dampening of real incomes and reduced willingness to invest. In response, central banks in many countries initiated a tightening process of monetary policy.

While the beginning of 2022 was still characterized by quite different regional economic trends, the country-specific fluctuations smoothed out under a weakening economic trend due to the large number of adverse factors. Global economic growth halved from 6% in 2021 to around 3% in 2022. In the USA, economic growth in 2022 of 2.1% fell behind the increase in GDP in the euro zone of just over 3%, with both economic areas close to a possible recession at the end of the year. Key to the slowdown in the global economy was the rise in inflation, initially triggered by the economic recovery from the pandemic and supply chain issues. However, with the outbreak of the war in Ukraine, the upward trend in raw material prices accelerated significantly. At $99 per barrel, the average price of crude oil in 2022 was a good 40% higher than the year before. Concerns about supply bottlenecks and attempts to reduce dependence on Russia for supplies boosted prices for natural gas, particularly in Europe, to many times the level of 2021. Due to the subsequent sharp rise in electricity prices, inflation in the euro zone even climbed to double digits, as inflationary pressure widened in the second half of the year due to ever stronger cost pass-throughs, for example in the food sector, so that core inflation also rose significantly. Whereas in the USA inflation averaged 8% in 2022, driven more strongly by demand-related influences as a result of loose fiscal policy, and began to ease from the fall onward, in the euro area it was mainly the strong supply shocks that drove up inflation, which did not reach its likely peak until the turn of the year. On average for the year, inflation in the euro zone was higher than in the USA at 8.4%. The Fed responded more quickly and more strongly to the inflation trend than the ECB by tightening monetary policy. Within 2022, the Fed Funds Target Rate was increased from 0 to 0.25% to as high as 4.25 to 4.50%. In contrast, the ECB only took interest rate steps in the second half of the year, raising the refinancing rate from 0.00 to 2.50% and the deposit rate to 2.00%. The interest rate differential between the USA and the euro zone played a major role in strengthening the US dollar against the euro to noticeably below parity by mid-October. By the end of the year the US dollar had weakened again to 1.07 for 1 euro. On average over the year, the US dollar rose by over 10% from 1.18 to 1.05 for one euro.

The tightening of monetary policy led to a noticeable increase in long-term interest rates in 2022. At the end of the year, 10-year US Treasuries stood at 3.8%, compared with 1.5% at the beginning of the year. In Europe, too, long-term yields moved up and out of negative territory. The yield on the ten-year Austrian federal bond was over 3% at the end of 2022. The rise in inflation and interest rates and heightened economic concerns weighed on developments on stock markets worldwide. Amid high volatility, the Dow Jones index fell by up to 20% at times to end the year down 9%. The performance of most European stock exchanges was even less favorable, with the Vienna Stock Exchange index ATX losing 19% from the beginning of the year to the end of 2022.

Economic situation and market development in Austria

After a strong first half of 2022, the global economic slowdown and the consequences of the high energy price increases on purchasing power and willingness to invest brought the economic recovery in Austria to a standstill. At the turn of 2022/23, the Austrian economy was even on the verge of recession. Starting with industry, momentum also cooled in construction and the service sector. After 4.6% in 2021, however, economic growth in 2022 actually rose to an estimated 4.8% on average due to the good start to the year supported by catch-up effects from the pandemic. At an average of 8.6%, inflation was roughly on a par with that in the euro zone at highs of over 11%, but showed somewhat stronger momentum toward the end of the year due to stronger second-round effects. In view of the high economic growth, the improvement on the labor market continued. The unemployment rate fell from 8.0% in 2021 to just 6.3% on average in 2022. Due to a series of support measures to compensate for inflation, the reduction in new borrowing slowed. The general government budget deficit fell to an expected 3.3%, down from 5.9% in 2021. Nevertheless, total public debt decreased to below 80% of GDP.

Management Report of UniCredit Bank Austria AG

Following high momentum in the first few months, credit growth in Austria, especially for housing loans, began to slow down in the further course of the year. On average for the year, however, there was still a high growth rate of almost 7%, driven above all by a very dynamic development in corporate loans with an increase of 10%. Growth in loans to households amounted to 5.5%, supported by the dynamism of housing loans and also by the positive development of consumer loans for the first time in years. Despite rising interest rates, the growth of deposits from households and companies has slowed down not only during the year, but also in comparison with 2021, on average, in 2022.

1.2. Business development in 2022

Balance sheet development in 2022

A comparison of the most important balance sheet items

The balance sheet as of December 31, 2022, reflects UniCredit Bank Austria AG's target structure of an **Austrian universal bank** with traditional corporate customer business. **Loans and receivables with customers** are by far the largest item on the assets side, accounting for more than 50% of total assets. Roughly two-thirds of the lending volume is accounted for by the Corporates division, underlining Bank Austria's leading position as an important lender to the Austrian economy. Moreover, the bank holds a significant position in lending to Austrian retail customers.
Deposits from customers represent more than half of total liabilities. They consist of nearly 60% of deposits in the Retail and Wealth Management & Private Banking (WM&PB) business segments and represent a solid funding base UniCredit Bank Austria AG.

2022 balance sheet – structure and changes (overview of combined balance sheet items)

(€ million)

	31.12.2022	31.12.2021	CHANGE OVER 2021 +/- € MILLION	+/- %
Assets				
Cash in hand, balances with central banks	13,358	21,683	(8,325)	-38.4%
Treasury bills and other bills eligible for refinancing at central	8,558	9,933	(1,375)	-13.8%
Loans and advances to credit institutions	2,918	7,620	(4,702)	-61.7%
Loans and advances to customers	66,686	67,431	(746)	-1.1%
Bonds and other fixed-income securities; shares and other	6,826	4,324	2,502	57.9%
Equity interests and shares in group companies	1,898	1,830	68	3.7%
Fixed assets, other assets, deferred tax assets (incl. intangible assets and accruals)	3,411	2,140	1,271	59.4%
Total assets	**103,653**	**114,961**	**(11,308)**	**-9.8%**
Liabilities and shareholders' equity				
Amounts owed to credit institutions	19,113	29,651	(10,538)	-35.5%
Amounts owed to customers	60,588	62,223	(1,634)	-2.6%
Debts evidenced by certificates	9,658	9,510	148	1.6%
Provisions	3,482	4,512	(1,030)	-22.8%
Other liabilities items	2,920	1,789	1,131	63.2%
Tier 2 capital	593	588	4	0.8%
Additional Tier 1 capital	602	602	1	0.1%
Capital and reserves	6,697	6,086	611	10.0%
of which: Net profit of the year	*671*	*207*	*464*	*>100%*
Total liabilities and shareholders' equity	**103,653**	**114,961**	**(11,308)**	**-9.8%**

n.a. = nicht aussagekräftig

As of December 31, 2022, **total assets of** UniCredit Bank Austria AG amounted to €103.7 billion, representing a decrease in total assets of €11.3 billion or -9.8%. This is mainly related to the repayment of refinancing raised under the TLTRO.

Cash in hand, balances with central banks decreased by 38.49% or €8.3 billion to €13.4 billion in the reporting period, mainly due to the early repayment of the TLTRO.

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Loans and advances to credit institutions decreased by €4.7 billion to €2.9 billion. This is mainly related to the repayment of refinancing borrowed under the TLTRO and its partial investment reported in this item.

Loans and advances to customers decreased slightly by €0.7 billion to €66.7 billion, with Retail achieving volume increases, while the decline in Corporates compared with the highs at year-end 2021 was due to the increased liquidity requirements of companies at that time.

The increase in **property, plant and equipment, other assets, deferred tax assets** to €3.4 billion (2021: €2.1 billion) mainly relates to the trading assets combined under **other assets,** which increased as a result of the development of reference interest rates.

Amounts owed to credit institutions showed a significant decrease of €10.5 billion compared with year-end 2021 to €19.1 billion. This is due to the partial repayment of €10 billion of the refinancing raised under the TLTRO.

Amounts owed to customers decreased by €1.6 billion compared with the reporting date 2021 to €60.6 billion. The decrease mainly relates to deposits in the Corporates business area, while retail deposits increased.

Debts evidenced by certificates increased slightly (€+0.1 billion) to €9.7 billion; maturities were offset, among other things, by the first-time issue of a green mortgage covered bond in benchmark format (€500 million) and another Pfandbrief in this volume.

Other liabilities increased by €1.1 billion from €1.8 billion in 2021 to €2.9 billion in 2022. This item also includes trading book liabilities, which increased sharply as a result of the development of reference interest rates.

The excellent refinancing base provided by non-banks is documented overall in the combined item "**primary funds**" (amounts owed to customers + debts evidenced by certificates), which amount to €70.2 billion as of December 31, 2022. As a result, loans and advances to customers are covered by amounts owed to customers and debts evidenced by certificates to the extent of around 105%.

Provisions of €3 ,5 billion (2021: €4.5 billion) include provisions for pensions and similar obligations, which amounted to €2.9 billion (Dec. 31, 2020: €3.7 billion). The sharp decrease was mainly triggered by the significant increase in interest rates in 2022. At Dec. 31, 2022 the discount rate for social capital was 3.8%, an increase of 2.8 percentage points from the 2021 year-end rate of 1.0%.

At December 31, 2022, reported **capital and reserves** amount to €6.7 billion, an increase of €671 million due to the net profit of the year.

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Major items in the profit and loss account for 2022

(€ million)

	2022	2021	+/- € MILLION	+/- %
Operating income	**2,476**	**1,665**	**811**	**48.7%**
Net interest income	1,060	798	262	32.8%
Income from securities and equity interests	134	167	(33)	-19.9%
Net fee and commission income	498	504	(6)	-1.2%
Net profit/loss on trading activities	116	84	31	37.0%
Other operating income	668	110	557	>100%
of which: release of pension provision	*594*	*35*	*559*	*>100%*
Operating expenses	**(1,073)**	**(1,469)**	**396**	**-27.0%**
Staff costs	(478)	(766)	288	-37.6%
of which: provisions for wages and salaries	*9*	*(266)*	*275*	*n.a.*
Other administrative expenses	(437)	(506)	69	-13.6%
Depreciation and amortisation	(22)	(46)	24	-52.0%
Other operating expenses	(136)	(152)	16	-10.5%
Operating results	**1,403**	**195**	**1,207**	**>100%**
Charge for loan loss provisions	(14)	(144)	130	-90.3%
Operating results less charge for loan loss provisions	**1,389**	**51**	**1,338**	**>100%**
Net income/expenses from disposal and valuation of securities / current assets	(447)	(1)	(446)	>100%
Net income/expenses from disposal and valuation of securities / financial fixed assets	(38)	145	(182)	n.m.
Net income/expenses from the disposal and valuation of shares in group companies and equity interests	23	13	10	75.9%
Results from ordinary business activities	**927**	**208**	**719**	**>100%**
Income taxes	(236)	0	(236)	n.m.
Other taxes	(20)	(1)	(19)	>100%
Profit/loss for the year	**671**	**207**	**464**	**>100%**

n.m. = not meaningful

Operating income reached €2,476 million in 2022 (+48.7% compared with the prior-year figure of €1,665 million).
Net interest income and net profit/loss on trading activities increased significantly, while net fee and commission income remained virtually stable.

Net interest income, the largest item among the operating income of UniCredit Bank Austria AG, recorded an increase of 32.8% and thus amounted to €1,060 million, clearly above the previous year's figure of €798 million. This resulted from an improvement in margins, especially in the deposit area, supported by the significant increase in market interest rates in the second half of the year due to the interest rate increases by the ECB, as well as positive effects from funds raised under the TLTRO program, including a positive one-off effect of €79 million from the retroactive change in terms and conditions, due to the ECB decision of October 27, 2022.

Income from securities and equity interests amounted to €134 million, down from €167 million a year earlier. This item mainly includes pro-rata income from major equity investments such as the 3-Banken Group and Oesterreichische Kontrollbank.

At €498 million, **net fee and commission income** was only slightly below the prior-year figure of €504 million. In particular, payment-related transaction business (especially card business) and commissions from lending business increased, while commission income from securities business came under pressure due to the volatile market environment.

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The income statement item **other operating income** includes items that cannot be allocated to the above-mentioned income items. In 2022 this resulted in income of €668 million (compared with €110 million in the prior-year period).
The main driver in 2022 is the change in the discount rate as well as the adjustment of the underlying parameters for the calculation of defined benefit pension obligations and employee severance payments.
In accordance with the provisions of the Austrian Banking Act (*BWG/Bankwesengesetz*), an overall positive effect of the changes in the provisions for pensions and severance payments is to be reported in this item of the income statement.

UniCredit Bank Austria AG continues to focus on very restrictive cost management. **Operating expenses** were reduced by 27% to €1,073 million in 2022 (previous year: €1,469 million). This relates to lower expenses in all major cost items.

Staff costs amounted to €478 million, down €288 million or 37.6% from the prior-year figure.
In 2021, this item also included the restructuring provisions recognized in the personnel area in connection with the strategic plan 2022-2024 "**UniCredit Unlocked**".

Other administrative expenses decreased by 13.6% to €437 million (2021: €506 million), with one-time expenses in connection with the "**UniCredit Unlocked"** strategic plan 2022-2024 also reported here in 2021.

The decrease in **depreciation and amortisation** from €46 million to €22 million relates to extraordinary depreciation of property, plant and equipment recognized in 2021 as a result of the "**UniCredit Unlocked**" plan.

Other operating expenses amounted to €136 million (2021: €152 million). This item also includes contributions to the deposit guarantee scheme and the single resolution fund of €84 million (2021: €108 million), of which €16 million (2021: €58 million) relates to deposit guarantee scheme and €68 million (2021: €50 million) to the single resolution fund.

The **charge for loan loss provisions** for non-performing loans decreased significantly compared with the previous year. In 2022, total loan loss expense amounted to €14 million (2021: €144 million). Reductions in non-performing loans were recorded in particular in the Corporates unit.

In the **net income/expenses from disposal and valuation of securities/current assets**, due to the increase in interest rates, there was an increased write-down of €447 million (2021: €1 million) on bonds held as current assets in the current reporting year.

Net income/expenses from disposal and valuation of securities/fixed assets shows an expense of €38 million, while income of €145 million was realized in 2021 from the repurchase of two subordinated bonds from affiliated companies.

In total, the above items resulted in **results from ordinary business activities** of €927 million (prior year: €208 million).

Taxes included an expense of €236 million (prior year: €+0.4 million), mainly resulting from a deferred tax expense due to the change in the reference interest rate for social capital.

Expenses for **other taxes** amounted to €20 million (previous year: €1 million), including the bank levy of €21 million (PY: €2 million; as a result of the 2021 earnings situation, the reduced amount of the reasonableness limit was due).

Profit/loss for the year 2022 was €671 million (2021: €207 million). There was no change in reserves in the reporting year, resulting in a **net profit** of €671 million (in 2021: €207 million).

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1.3. Permanent establishments

Branch network

	2022	2021	2020
Domestic retail branches	106	117	122

There are no significant permanent establishments.
In July 2022, the administrative units previously held by UniCredit Services in Poland and Romania, which mainly perform back-office activities for the bank's business units, were transferred to UniCredit Bank Austria AG.

1.4. Financial and non-financial performance indicators

Finanzielle Leistungsindikatoren

	2022	2021	2020
Gesamtkapitalquote	20.6%	18.9%	20.0%
Return on Equity vor Steuern	14.3%	3,4% [1]	-0.5%
Return on Equity nach Steuern	10.4%	3,3% [1]	-0.9%
Cost/Income Ratio	43.3%	88,3% [2]	76,3% [3]
Risk/Earnings Ratio	1.2%	14.9%	34.6%
Risk/Earnings Ratio (ohne Dividenden)	1.3%	18.1%	43.1%

[1] Change due to inclusion of additional tier 1 capital (AT1) into the calculation
[2] 2021 incl. DBO adjustment (strategic plan "UniCredit Unlocked") of €338.3m: Cost/income ratio 67.9%
[3] 2020 incl. DBO adjustment (social capital) of €184.5m: Cost/income ratio 64.8%

Definitions of 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

Employees

	31.12.2022	AVERAGE FOR 2022	31.12.2021	AVERAGE FOR 2021
Headcount [1]	4,433	4,376	4,574	4,667
Full-time equivalents (FTE) [1]	3,991	3,902	4,052	4,131

1) excluding unpaid employees but including workers and delegates according to the "operation site principle"

According to the operation site principle, which applies to UniCredit Bank Austria AG and its subsidiaries, headcounts and staff costs are reported in those companies in which the employees are working.

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Non-financial performance indicators

*As a member of UniCredit Group, Bank Austria does not prepare its own non-financial declaration in accordance with Section 243b of the Austrian Commercial Code (UGB), since it is included in UniCredit S.p.A's non-financial report pursuant to Section 243b par. 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. In this context, Bank Austria applies the principle of meeting the needs of the various customer groups with products that are as simple as possible. Furthermore, new regulatory requirements necessitate new developments and adjustments on an ongoing basis.

In the area of information and communication technology (ICT), investment at UniCredit level focuses on further developing digitisation and optimising processes, while maintaining stringent cost management and aligning itself with the Group's ICT strategy as well as the ICT security strategy. The clear objective here is to improve customer satisfaction and extend it to digital channels, as well as to automate internal processes. Since 2019, the main focus (in addition to the necessary regulatory and system maintenance measures) has been placed on digitization and further development of online channels (mobile banking, online sales, self-service devices), which has shortened processing times on the banking and customer side, as well as additionally strengthening environmental protection (e.g. paperless processes). Expenses and investments for information and communication technology (investment budgets) are capitalized at the group-wide internal IT service provider and charged to Bank Austria. This serves to benefit from group-wide developments and common IT platforms and to generate significant synergies in the IT area.

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

Sustainability at UniCredit
"Sustainability is an essential part of the DNA of UniCredit Group". All corporate activities of the Group - and thus also of Bank Austria - are co-determined by the following fundamental ideas: Taking responsibility towards society and the environment, as well as the careful and conscious use of resources, in order to make a significant contribution to the transformation of the economy into a key driver of a sustainable and climate-friendly society. UniCredit therefore pursues a strategy that covers the areas E (Environment), S (Social) and G (Governance).

Specifically, UniCredit Group's ESG strategy is based on four fundamental principles:
- **lead by example** and strive for the same high standards that the Group expects from its business partners, i.e. we aim to maintain our leadership position in the ESG landscape, based on the principle that we should be at the forefront of the sustainable transformation of business as an organization.
- **set ambitious ESG targets for change to** support the needs of their customers. Our success as a leader in sustainability is the result of our strong commitment and requires us to set ambitious targets against which we must continuously review our performance.
- **Equipping the Group with tools to help clients and communities** manage environmental and social change
- **Provide and invest the resources necessary** to meet medium- and long-term commitments (net zero, equal pay for equal work, financial health, and inclusion) to enable a more equal and sustainable society.

The ESG strategy is rooted in Uni Credit Group's principles and beliefs, encompassing environmental, social and governance issues in all dimensions, based on clear business objectives and strategic
strategic key activities in the four core areas:
- Partnering with our customers for a just and fair transition
- Support for communities and society
- Steering our activities with clear commitments
- Enriching our approach to risk and financing

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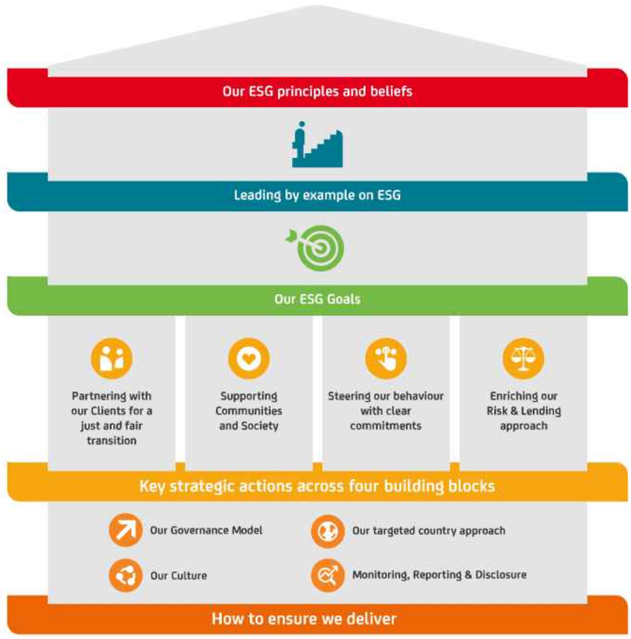
ESG-Strategy of UniCredit:



Source: UniCredit S.p.A.

As climate change is the key environmental challenge of our time, UniCredit has developed a climate strategy that focuses on reducing both its own and its financed emissions. The objective is clear: **net zero for our own emissions by 2030 and net zero for our portfolio by 2050 at the latest**. This objective is expressed through membership in the *Net Zero Banking Alliance*. The *Net Zero Banking Alliance* is a voluntary, global alliance of banks under the auspices of the *United Nations Environment Programme Finance Initiative (UNEP FI)* with the goal of achieving net zero emissions on total financing and investment volume by 2050 or earlier. The targets are accompanied by annual target achievement reporting. In 2022, UniCredit has therefore analyzed its portfolio in detail and performed baseline calculations based on various recognized scenarios.

As a next important step, in spring 2023 UniCredit will announce the reduction targets for the first three particularly emissions-intensive sectors, with targets for further sectors to follow within a further 18 months.

Sustainability Governance
In order to achieve the goal of further embedding ESG criteria in the Group strategy, UniCredit's sustainability governance has undergone a profound development in recent years. The changes affect both the Board of Directors and the Group management level. The UniCredit Board of Directors sets the bank's overall strategy, which includes the Group's ESG strategy, and monitors its implementation. The Internal Controls and Risks Committee (ICRC) supports the Management Board in risk management and controlling issues. The ESG Committee supports the Board of Directors in fulfilling its responsibilities with regard to the integral ESG components of the Group's business strategy and sustainability.

Sustainability at Bank Austria
At Bank Austria, too, the issue of sustainability is anchored as part of the business strategy - as part of the ESG strategy of the UniCredit Group outlined above - and thus also in the core business. ESG already significantly determines Bank Austria's daily business operations. Be it through the development of environmentally and/or socially responsible products in the retail and corporate customer segments or through internal industry and sector-specific guidelines that support the transformation to a carbon-free economy. See also UniCredit's Integrated Report, which outlines UniCredit's sustainability goals (for example, withdrawing from financing environmentally harmful industries such as coal mining and increasing loans that serve energy efficiency). These goals are also relevant for Bank Austria as a major part of the Group.

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However, as Bank Austria we also consciously set priorities ourselves - among other things by seeking exchange with external experts. This is also the background to our three-year partnership with the WWF, which is all about raising awareness - both internally and externally. We are convinced that only together can we move toward a sustainable future: With our customers, but also with our committed employees. Mandatory sustainability and sustainable finance training for all colleagues, the training of sustainability ambassadors and the targeted approach to children and young people are some important cornerstones here. Particularly worthy of mention in this context are the so-called "Deep Dive" meetings at board level, which have been taking place since 2022 and in which current topics such as "energy," "mobility of the future," or "biodiversity" are discussed together with WWF experts. On the other hand, the focus continues to be on sustainability in the lending business: WWF Austria supports Bank Austria in defining sustainability targets for the loan portfolio, which are then anchored by Bank Austria in the lending process. For example, criteria for "green" mortgage loans have already been developed together with WWF experts and are to be anchored in the lending process.

In the medium and long term, the transformation of the economy together with our customers - as described above - can only succeed by aligning our financing and investment portfolio with the Paris 1.5° Celsius targets. In addition to UniCredit Group joining the Net Zero Banking Alliance, Bank Austria 2022 has therefore also reaffirmed its ambitions at the national level by joining the Green Finance Alliance, which pursues comparable objectives. The Green Finance Alliance is the initiative of the Austrian Ministry of Climate Protection, whose aim is to steer the activities of the core business of the financial sector in a sustainable direction.

Social commitment continues to be an essential part of our sustainability strategy. In line with our corporate values of "Integrity," "Ownership" and "Caring," we will continue to make an active contribution to improving social conditions and, through our environmental management, help ensure that future generations have an environment worth living in. To this end, we will continue to enter into cooperative ventures and seek exchanges with other companies and experts.

That's why we launched what we call "***Social Impact Banking***" (SIB) in 2019. With its 3 pillars "*Impact Financing*", "*Microfinance*" and "*Financial Education*" it supports our goal to contribute to the positive development of society:

With **Impact Financing**, we promote and finance companies and nonprofit organizations that achieve social improvements for society. In addition to grants and low-interest loans, these companies and organizations can benefit additionally - among other things through financial training.

In total, projects have been funded to date that have benefited people in the following areas:
- Products for mobility facilitation and for facilitating social reintegration for people with disabilities
- A residential home for people with impairments
- A residential home for people with neurological care needs
- Reintegration of people with disabilities into the labor market
- Expansion of a bilingual kindergarten group
- Completion of a church of a religious group
- Digitization of schools
- A residential facility to allow relatives of seriously ill children to be close to their children

We promote the establishment and development of small businesses through microfinance. In doing so, we not only provide access to finance, but also make our financial expertise available through a network of mentors.

We are particularly proud of our ***MikroKredit* initiative**: In the course of the last two years (2021 and 2022), more than 150 smaller companies from various industries were supported in their investments with a total amount of more than €4 million. Microloans are supported by a guarantee from Austria Wirtschaftsservice Gesellschaft mbH or a liability from Wiener Kreditbürgschafts- und Beteiligungs AG.

Our comprehensive financial education program is aimed primarily at teenagers and young adults. With the blended learning program "*MoneyMatters,*" we aim to teach students aged 14 and older how to handle money and financial instruments sensibly. Following a successful pilot operation in cooperation with the Burgenland Education Directorate, we rolled out the program, which consists of workshops and an innovative online learning platform, in the Vienna Education Directorate from fall 2021. In 2022, the program became part of the national financial education strategy and more than 4,300 young people across Austria have already benefited from *MoneyMatters.*

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Every year, numerous teams of school students can put their entrepreneurial knowledge to the test in the *Bank Austria Business Plan Competition - next generation*; in the 2021/22 school year alone, there were around 2,500 teams. In addition, in cooperation with our partners in the social sector, we bring low-threshold financial education to vulnerable groups, especially young people and people at risk of exclusion. Our web app "*Geldwissen2go*" offers low-threshold, interesting information about money, background knowledge and a money diary.

Community

Bank Austria's initiatives, projects and cooperation in the social sphere also reflect the challenges facing society as a whole. It is therefore not surprising that the topics of "War in Ukraine," "Energy Crisis and Inflation" and, as before, "COVID-19" played a major role in determining the focus of activities in 2022.
The example of Ukraine Aid showed once again that a focus on the common good is extremely important not only in cooperation with our customers, but also in the interaction between Bank Austria and its employees. For example, in a total of three appeals for donations, the generous donations of employees were partially doubled by the company, and a charity soccer tournament for the benefit of *Caritas-Ukrainehilfe* was organized and held at the Am Kaiserwasser training center with the active help of employees. Proceeds from this event alone: more than €20,000. Also at Am Kaiserwasser, 50 Ukrainian children had the very important opportunity to spend carefree days among other children and young people at the so-called KidsCamps in the summer. In addition, temporary housing was provided for displaced persons and not to forget the rapid help at the beginning of the war with the provision of meals for the arrivals at Vienna Central Station, also in cooperation with Caritas.

It is almost a matter of course that Bank Austria has also been actively involved in the second major challenge, namely high inflation and the resulting economic hardship of an increasingly large section of the population. The initiative "*Ein Funken Wärme*" (A Spark of Warmth) by Caritas and "Kronen Zeitung", which has been extremely successful for many years, was supported not only with a donation totaling €100,000, but also with numerous communication measures (such as special notices in Bank Austria's mobile and online banking).

Apart from this, however, Bank Austria also continued previous initiatives in 2022: With the *Bank Austria Sozialpreis* (Social Award), outstanding social activities throughout Austria were again supported this year with a total of €90,000. And *Volkshilfe*, with its major campaign against child poverty, and the "*Mut.Schaffen*" (Create.*Courage)* initiative also continued to receive support from Bank Austria.

Long-term, established partnerships with renowned charitable organizations continue to play an important role in our social commitment. This strategy of continuity is underscored, for example, by the cooperation with SOS Kinderdorf. The bank sponsors homes in children's villages throughout Austria. Caritas has also been a close cooperation partner throughout Austria for over 25 years. In addition to tried-and-tested projects such as the "*Käfig League*" sports integration project, the Bank Austria Volunteer Day or cooperation in the context of disaster relief, we have already helped almost 1,000 Austrian families in need through no fault of their own with the Caritas Family Fund of Bank Austria, which was founded in 1994. In the future, the focus of these long-standing cooperations will be even more on the topic of education/training for children and young people. Detailed planning for this is already underway.

With the "*Gift Matching Program*" of the UniCredit Foundation, which is probably unique in Austria, Bank Austria has launched an annual initiative since 2007 that additionally promotes the social commitment of its employees. The idea is simple: private donations are increased from funds of the UniCredit Foundation, the corporate foundation of the UniCredit Group. This not only supports charitable organizations, but also strengthens mutual exchange about social commitment and social awareness among employees.

The promotion of art and culture continues to be a central element of our social commitment. Bank Austria has been one of the most important private supporters in Austria for many years. On the one hand, our main focus is on long-standing cooperations with renowned partners such as the *Bank Austria Kunstforum*, the *Albertina* and the *Wiener Musikverein*. On the other hand, we have been promoting young talent for just as long, and we regard their support as a sustainable investment in the future. In 2021, we launched a new, exciting program here with the Bank Austria Studios. The studios will be available rent-free for two years to selected young graduates of Austrian art colleges, giving them the opportunity to gain a foothold in the art market. Workshops on topics that are important for an independent artist's life are also intended to help with this. Thus, the cultural commitment not only fits perfectly into the bank's extensive sustainability program, but also adds a multi-layered perspective to it.

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In order to reach as many projects as possible and at the same time keep its finger on the pulse of the times with its support, Bank Austria has been pursuing an innovative approach for eight years now, which remains unique in Austria in the field of cultural sponsorship: every year, we provide €100,000 for crowdfunding campaigns in cooperation with the "*wemakeit"* platform. Since the projects each receive a third of their campaign sum as sponsorship from the bank, a total project volume three times the amount of the money invested is supported. In the past two years, the bank has helped to realize a total of more than 270 exciting projects and initiatives in this way. Together with more than 21,000 supporters, we have helped the Austrian arts and cultural scene to receive around €2.7 million.
In the area of sports, we focus on people with disabilities in addition to classic sponsoring activities. We are proud to have been a partner of the Austrian Paralympic Committee since its inception and to support the dedicated athletes every year just as actively as we do the athletes of Austrian Wheelchair Tennis. This commitment is now deepened 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. For this reason, the topic of "Disability" has also had a special status in the company for many years. For more than 10 years, the two-member UniCredit Bank Austria Disability Management team has been working in close cooperation with the People & Culture department, the works council and the disabled persons' representatives as well as an internal network of 60 people to integrate people with disabilities as well as possible into everyday working life as employees and to provide them with the best possible support as customers.

Measures already implemented for customers include a separate bank card for people with visual impairments, Bank Austria websites for the hearing impaired and texts in plain language, and the shuttle service for customers with limited mobility introduced in 2010. With the internationally awarded *SmartBanking* in sign language, deaf people have also been enjoying Bank Austria's proven advice via video telephony since fall 2015. Since December 3, 2020, UniCredit Bank Austria has been offering customers the earmarked inclusion loan for the purchase of assistive devices at a particularly favorable variable customer interest rate of 1.5% (linked to the 3-month EURIBOR) and zero percent processing fees upon presentation of an Austrian disability ID card with a disability of 50% or more or an ID card of the *Hilfsgemeinschaft der Blinden und Sehschwachen* (Association for the Blind and Visually Impaired).

By fostering a diverse workforce and creating an inclusive culture, UniCredit Bank Austria enables an environment where everyone can develop and contribute to success with their unique strengths. The approximately 230 employees with disabilities also find a supportive environment that offers the best conditions tailored to their individual needs so that they can put their talents, skills and experience to work and add value to the company. For many years, UniCredit Bank Austria has thus been among the only 22 percent of domestic companies (according to the 2021 Annual Report of the Ministry of 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 throughout continental Europe through our commitment to accessibility and inclusion. This is also evidenced by the **numerous international awards we have received,** such as the prestigious "*Disability Matters Award 2018,"* the "*Austria's Leading Companies Award 2019,"* or the "*Highly Commended" awards* at the "*Financial Adviser Diversity in Finance Awards 2020"* and "*Diversity & Inclusion Initiative of the Year"* at the "*Financial Adviser Diversity in Finance Awards 2021*" for barrier-free offerings during the Corona crisis.2022 two "*Disability Matters Awards*" were added in the categories "Marketplace" (products and services specifically for people with disabilities) and "Workforce" (targeted recruitment and promotion of people with disabilities).

Commitment to the environment - net zero as the ultimate goal
Commitment to the environment means above all - as already mentioned - working together with our customers to drive forward the transformation to a CO2-free economy. This means supporting our customers on this path, developing concepts together and defining a new, environmentally, climate and socially friendly form of cooperation for the future.
Of course, we can only credibly expect and demand from our customers what we ourselves live by. That is why environmental and climate protection has been a top priority for Bank Austria and UniCredit Group for years.
All the indicators that express the environmental performance of a company have developed excellently at Bank Austria over the past decade: Total emissions, energy consumption, water, waste, business trips, paper, the savings here at Bank Austria have been 80 to 90% without exception since 2008 and are thus also top in comparison with sister companies in the UniCredit Group.
That is impressive on the one hand, but it is not enough. That is why UniCredit Group has defined the goal of getting its own emissions caused by the company to net zero as quickly as possible - by 2030 at the latest. This is to be achieved first and foremost through avoidance and reduction, and only secondarily through compensation. Planning for this is in full swing; in 2022, a Group-wide inventory was carried out at real estate level and then the properties were analyzed for opportunities to influence and potential for improvement. The next step is to set concrete targets at country level to get as close as possible to net zero emissions by 2030. Another important element is ongoing, accompanying communication measures to anchor the topic sustainably in the minds of employees. The most recent example is the "***Save 11 percent***" energy-saving campaign launched in December 2022.

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In addition, many environmental and climate protection activities launched in recent years at Bank Austria are of course continuing as planned or have been successfully completed. For example, all non-recyclable plastic items were removed from the break areas of the office buildings by the end of 2022, electricity consumption continues to be covered entirely by 100% green electricity from renewable energy sources in accordance with the "*Österreichisches Umweltzeichen*" (UZ46) (Austrian Eco-label), and Bank Austria continues to be involved in the "*klimaaktiv Pakt*" initiated by the Climate Protection Ministry together with ten other pioneering climate protection companies such as ÖBB and ORF. Together, the eleven companies have pledged to save at least a further 8.4 million tons of CO_2 by 2030, thus making a significant contribution to achieving the national climate targets.

Organizationally, all these activities are supported by an environmental management system in accordance with ISO 14001:2015, which Bank Austria has operated since 2011 and also has certified annually by external auditors from *quality austria, who have* again stated a significant improvement in environmental management and further development of the management system for the year 2022.
The environmental management system is structurally anchored in the company through a steering committee at the highest management level and monthly environmental team meetings with participants from all key areas of the company. Since 2022, representatives of Group companies such as Schoellerbank have also taken part in these meetings in order to place environmental and climate protection on an even broader basis.

Bank Austria's green product offering

We are firmly convinced that the transformation to a CO2-free economy can only succeed together with our customers. With mutual appreciation and with attractive products and services that meet the needs of our customers on the one hand and the ecological necessities on the other.

Bank Austria can already point to a respectable sustainable product portfolio: From a significantly expanded range of ESG investment products for both private and institutional investors to so-called ESG-linked loans, which are subject to internationally valid criteria (based on an external ESG rating of the customer), and structured products (where better conditions are linked to the improvement of ESG ratings) to green mortgage and consumer loans. The range of account products that have been awarded the label for sustainable financial products of the Austrian Eco-label (UZ49) has also been expanded. For example, in addition to accounts for business customers and young people, the student account has now also been awarded UZ49, meaning that sustainable financing is guaranteed in the amount of the total account deposits.

Products for corporate customers:
In our positioning as a strategic financial partner to our corporate customers, we have added a **strong ESG focus** to the range of advice and services we offer specifically for SMEs since 2021.

In addition to the financing products already successfully offered to companies with capital and credit market affinity (e.g. Green Bond, ESG-linked Bond, ESG-linked Schuldscheindarlehen, ESG-linked Loans, ESG-linked Derivative), Bank Austria now also offers a **standardized sustainability loan** that provides for an adjustment of the interest margin based on an external ESG rating.

As an aid to orientation, the **Bank Austria Sustainability Barometer** also offers the possibility of an individual assessment of ESG. This consulting tool was developed by the UniCredit Group in cooperation with ISS-ESG, a company specializing in sustainability. In addition to the analysis of E, S and G, it also offers specifically relevant questions on a large number of individual industries. In 2022, the offering was expanded and currently covers 20 industries. This consulting approach provides clients with a broader understanding of, for example, the more in-depth analyses required by the EBA on environmental risks, the introduction of the EU taxonomy, green asset ratios (for banks), and extended reporting requirements (sustainability report) for companies, and has been received enormously positively by our clients.

Products for private customers:
Since 2020, Bank Austria has offered retail customers a comprehensive range of sustainable products, from sustainable accounts to sustainable financing and sustainable investment opportunities. Furthermore, we have been cooperating with WWF since 2020, which has supported Bank Austria in particular in the development of green financing. Additionally, since 2021 we have a partnership with the National Parks Austria and the Austrian sustainability start-up *Glacier*.

With the *GoGreen* account, Bank Austria offers a sustainable account certified with the Austrian Eco-label. Sustainable projects are financed in the amount of the *GoGreen* account deposits. The account can be used completely digitally and without paper (incl. electronic account statement, automated account opening). Customers receive a debit card made of an ecological material, which is transmitted to the customer by means of FSC-certified and sustainably printed carrier paper. All *GoGreen* account holders also receive a reduced issue surcharge on selected ESG funds.

The *GoGreen MegaCard* account - Bank Austria's youth account for customers aged between 10-20 years - has also been awarded the Austrian Ecolabel. All account deposits are used exclusively for sustainable projects. This account can also be used completely digitally (incl. electronic account statement). Customers receive a debit card made of an ecological material, which is transmitted to the customer by means of FSC-certified and sustainably printed carrier paper.

Sustainable construction and housing financing are awarded for energy-efficient new house/apartment construction and/or for renovation measures that are accompanied by energy efficiency improvements. Customers receive €150 upon presentation of the energy performance certificate. In addition, there is a dedicated blog on the Bank Austria homepage with articles on sustainable building and living. There, customers receive up to 15% on selected partners (e.g. sustainable garden & interior design).

The green consumer credit can be used for energy-efficient modernization measures or for the purchase of environmentally friendly products such as the replacement of the heating system, for new windows or for the purchase of environmentally friendly products such as a photovoltaic system or an e-car. Customers receive a voucher of up to €100 from our sustainable partners: Zotter, Sonnentor and Markta.

In addition, Bank Austria attaches great importance to the further training of its employees in order to ensure all-embracing and high-quality advice also with regard to sustainability. All employees had to complete a mandatory e-learning on sustainability. Furthermore, a comprehensive and diversified ESG training offering for all levels and job models is currently being developed.

Customers

Excellent customer experience as a prerequisite for growth and change
With know-how and flexibility, our employees continued to build customers' trust in Bank Austria in 2022. Commitment and efforts to find financial solutions tailored to the personal situation of our customers are considered core values of customer orientation. These values provided clear direction and ensured success in 2022, another challenging year marked not only by the pandemic but also by war and inflation.

Measurement and analysis reveal changing expectations among customers and in the marketplace
In addition to the traditional survey of all customer segments with **around 8,000 interviews** per year, we also measure customer satisfaction directly after a customer contact with "*MyFeedback*". In this context, we scrutinize the customer experience in the advisory service, during a checkout or self-service transaction, or in the online channel with "*24You*" (internet banking) and the "*MobileBanking*" app.

Our customers continued to make intensive use of "*MyFeedback*" with around **70,000 "*MyFeedbacks*"** in 2022. This feedback made it possible to respond directly to open questions, requests, and also complaints, which provided concrete approaches for improvements and the management of activities to achieve goals.
In 2022, the "*Push NPS*" initiative intensified the focus on excellent customer experiences and on increasing Bank Austria's recommendation rate. As a result, the recommendation rate (*net promoter score, NPS*) increased again compared to the previous year - despite the general conditions described above (retail customers +/-0, corporate customers +7).

Shaping the future - because every customer complaint has the potential for improvement
We set a high standard for complaint management and respond to customers within 48 hours. We consistently meet this standard 99% of the time – for both, verbal and written complaints. In 2022, frequent complaints came from customers who had difficulties with the ongoing digitization or the consequences of market and price developments. The rapid, unbureaucratic processing and in-depth expertise of the ombudsman's office generally enabled the complaint to be resolved quickly and the customer relationship to be stabilized.

In addition to direct complaint handling, the complaint management team, the "*Customer Experience Taskforce*" and the "*Customer Experience Board*," identify problems promptly and initiate decisions for improvement measures. As a result, the number of complaints was **further reduced** in 2022 through consistent improvements - **across all customer segments by -17%** compared to the previous year.

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Employees

UniCredit Bank Austria's headquarters at the Austria Campus in Vienna's second district are home to employees of Bank Austria Group and UniCredit's CEE units. Throughout the Austria Campus, the highest attention is paid to ecological and sustainability criteria. Examples include the reduction of expensive storage media to save energy, the use of new media to reduce hardware, printing with the *FollowMe* printing system and the implementation of an environmentally friendly paper policy for efficient paper use, which also corresponds to the goal of largely avoiding paper in the future.
To mark the occasion, the **"*Save 11 percent*" energy-saving challenge** was launched at the end of 2022. The measures range from reducing room temperatures in winter and dispensing only cold water in washrooms to reducing the running time of ventilation systems and switching off effect lighting. With the active support of employees, who can access numerous other energy-saving tips via internal communication channels, Bank Austria is thus making another important and active contribution to climate protection.

One special measure designed to help support employees' different lifestyles is the **"*Work and Family*" audit**, a government seal of approval awarded by the Austrian Federal Ministry for Women, Family, Youth and Integration. The bank successfully underwent the associated external audit for the first time at the end of 2009. The last successful re-audit took place in 2021.

The target agreement, which has been concluded for a further three years, focuses on the provision of an optimum infrastructure in order to provide the best possible support for flexible working hours and remote working. In addition, the measures supported by both management and the works council focus on communication activities and special support for managers. Other activities to ensure equal opportunities for men and women and people with disabilities have been a natural part of the program from the very beginning. Last but not least, numerous health offerings, which are becoming even more important in times of pandemic and numerous other challenges, round off the package of measures. Controlling is central to the success of the measures implemented: qualitative and quantitative targets are defined for the measures and regularly evaluated.

Due to its many years of experience and the pioneering role confirmed by the external auditors in the area of remote working, which allows a large proportion of employees to work from their home office while maintaining the usual quality of work and service, Bank Austria was also awarded the additional **"*Mobile Working*" certificate** in 2021.

People & Culture

Integrity, ownership and caring, are values that underpin our actions and are a baseline for the People & Culture strategy. Our task is to create a positive working environment in which employees can get involved, be heard and actively contribute to our success. Our top priority in 2022 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 our employees, thereby giving them the opportunity to live up to their full potential. By supporting the work-life balance, continuously optimizing the way we work and offering our employees comprehensive opportunities for further development, we want to create an environment that enables them 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*. In addition, we have been **awarded by the EDGE Assess Certification** that is the leading global assessment and business certification for gender and intersectional equity.

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 2022, 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.

The option of time and place flexibility is the foundation for results-oriented work and a viable work-life balance. Our goal and expectation are to find solutions that meet both individual and business needs, based on mutual understanding and regular discussions. 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 endeavored 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.

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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"***. Already well-established digital learning formats and *MyLearning* training units, different articles and toolkit series, provide support for maintaining a good work-life balance. We supported our employees with recommendations and information from our page on mental and physical well-being and support for individual needs. Topics of particular interest included own physical and mental health, by focusing 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: To ensure a positive experience for applicants, we leverage on our new applicant tracking system *Avature*, a state-of-the-art online tool that also includes solutions for the onboarding process and a module to promote active management of talent pools. Besides hiring professionals, we also engage in rejuvenating our internal pipeline. Around 190 interns were able to gain their first professional experience in our bank and all training initiatives were implemented as planned. During the summer of 2022, an additional 55 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 our online recruiting platform, we also managed to recruit 25 apprentices this year. UniCredit Bank Austria also offered rich orientation and different experiences for 14 graduates embarking on their career.

Internal job market: Bank Austria's internal job market is an integral part of the People & Culture 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 makes better use of employee potential and boosts employee satisfaction. In 2022, we continued helping employees broaden their knowledge and experience by taking on challenges in different departments of the bank and applying for internal positions.

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 employee always has access to the evaluations and feedback documentation in their personal electronic archive. We use this process to strengthen the performance concept and inclusion within our bank and our group, 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. Also in 2022, we continued leveraging on 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 part of our reality but for us, also classroom learning opportunities are important in order to maintain human connection and benefit from all positive impacts of the face-to-face meetings. While advancing digitization opens up new channels for our customers to do banking business with us, it also offers our employees new ways of learning and cooperating internally. 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.

The world of work is changing, meaning that we need to adapt our way of working and our work behavior. 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. We continue to promote already 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.

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MyLearning Plus as continuously improved learning interface enables 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.

We also doubled our efforts in 2022 to support employees in being able to access all learning opportunities at a glance. By creating one unique *Learning Catalogue* accessible to all employees, employees are encouraged to be owners of their development and explore all learning opportunities based on their interests or development needs.

Rewards and benefits: Our 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 categorizing all roles and activities within UniCredit. 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 in 2022, we have already made significant progress.

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 talent programmes, we have focused on innovation and disruptive thinking as well as on expanding the management repertoire of our prospective managers.

Diversity, Equity & Inclusion (DE&I): Diversity, in combination with an inclusive, psychologically secure and equitable environment, inspires and drives innovation by bringing together many different talents, experiences and perspectives. This creates a culture of inclusion that encourages open-minded thinking and supports mutual respect. This is why we are committed to a corporate culture of inclusion which, in our eyes, is the key to sustainable success. Our **heritage of investment in diversity, equity and inclusion** has led to growth and the opening of new business opportunities, a strong drive for innovation and creativity, as well as a general improvement of the internal working environment and positive impacts on productivity, well-being and engagement of our people.

As part of UniCredit, we in Bank Austria have been establishing an environment where all employees can express their diverse ideas, talents and experiences and contribute to our company for many years with their unique value. We are committed to promoting greater diversity and inclusion by encouraging international cooperation and teamwork that extends across borders and roles. On our journey to promoting diversity, equity 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. In this respect we are leveraging on:
- Reviewed employer brand strategy from a DE&I perspective and pledge to advertise vacancies transparently
- Training and learning programs to support handling unconscious bias and promoting inclusive behaviors, inspiring people, at all levels of our organization, to act in line with our DE&I principles and embed DE&I in all that they do
- Inclusive promotion and appointment process based on merit
- Fair nomination in development paths based on equal opportunities
- Constant efforts to reduce the same role gender pay gap
- Strong support for the Disability Management action plan
- Powerful Employee Resource Groups: in Bank Austria, we have **4 Employee Resource Groups** which are nurturing an ongoing dialogue on the most important DE&I topics within our Bank:
  - UniCredit Bank Austria Women's Network
  - Unicorns of Bank Austria
  - Race, Ethnicity and Cultural Heritage Network
  - Future Generation 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 raising topics that are relevant and make our bank even more inclusive. Every human being is unique, and this variety and all individual differences need to be recognized. Therefore, we constantly support our people to be open, go beyond their own biases, see others for what they really are, value others, and appreciate their differences, through a series of DE&I initiatives running along the year.

UniCredit Bank Austria remains strongly committed to championing gender diversity, equity, and inclusion in the workplace, and this has been acknowledged also by the ***EDGE Assess Certification*** that our Bank received this year. EDGE is the leading global assessment and business certification for gender and intersectional equity. We are proud to be one of five EDGE-certified UniCredit entities. The UniCredit banks in Austria, Germany and Italy are currently the only EDGE-certified organizations in Europe in the banking industry. This is an important external acknowledgment that testifies our commitment to fostering gender equality and inclusive culture and shows that our ongoing efforts are successful.

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 former 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 talents, since 2021 we engage our female colleagues in a special mentoring program 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 December 31, 2022 (€7,258 million) is calculated in accordance with 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 (T2).

CET1 capital increased by €652 million to €5.927 billion, mainly due to eligible net profit in 2022, taking into account offsetting effects. Additional tier 1 capital and additional own funds remained largely unchanged compared with year-end 2021.

The share of tier 1 capital (CET1 + additional tier 1 capital) in eligible capital is 89.9%.
The share of additional own funds in eligible own funds is 10.1%.

Capital ratios based on all risks

	31.12.2022	31.12.2021
Common Equity Tier 1 capital ratio	16.8%	15.1%
Tier 1 capital ratio	18.5%	16.8%
Total capital ratio	20.6%	18.9%

Compared to year-end 2021, risk-weighted assets (RWA) increased from €35,012 million to €35,243 million.
The slight increase of RWA is attributable to market risk, which was partly offset by decreases in credit risk and operational risk.
A slight decrease in credit risk was predominantly due to a reduction in utilization in the lending business, rating and structural improvements in the customer business, partly offset by an increase in bulk add on. The bulk add-on includes an add-on at year-end 2022 that will be accounted for until the revised local LGD models are in place, as well as an add-on related to a change in the EAD model.

In addition to the minimum capital requirement of 8%, UniCredit Bank Austria AG is required to hold a capital conservation buffer consisting of Common Equity Tier 1 capital of 2.5%, a systemic risk buffer of 0.5% and a buffer for other systemically important institutions of 1.0%.
The countercyclical capital buffer for material credit positions located in Austria is currently set at 0%.
In addition, UniCredit Bank Austria AG is required to hold an institution-specific Pillar 2 buffer of 1.75%.

The CET1 ratio (16.8%) and the total capital ratio (20.6%) are significantly above the regulatory requirements.

1.6. Information on the share capital and exercise of special rights

As at 31 December 2022, 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 2022, 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 "AVZ 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.

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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 harmonization 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.

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 organized 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 operative credit risk divisions (Credit Operations). These units are supplemented in risk management by the Strategic, Credit & Integrated Risks and Financial Risk divisions. In order to ensure the independence of the Non-Financial Risk and Internal Validation departments, they also report directly to the CRO. The ALM & Funding division reports to the Chief Financial Officer (CFO) and is responsible for risk-adequate pricing of loans, the Bank's own securitizations and funding (as part of the planning process and under contingency funding arrangements), among other things. The Planning division is responsible for the management of capital.

The Bank's internal control system (ICS) is effective at several levels: (1) in the various business areas, (2) at the Risk & Compliance level and (3) at the Internal Audit level. Internal Audit performs regular audits with regard to the adequacy of risk processes and compliance with them. The Management Board and the Supervisory Board are provided with reports on the results of these audits and recommendations. A comprehensive system of rules ranging from Group Policies to operational instructions governs processes at various levels. The most important policies are adopted directly by the Management Board, managed in a separate system, rolled out and monitored with regard to the degree of implementation.

Cross-divisional management / control and reporting

Bank Austria essentially divides the monitoring and controlling processes associated with risk management into the following categories: credit risk (default risk and migration risk), liquidity and funding risk, market risk (interest rate risk, credit spread risk, currency risk and equity risk), structural FX risk, derivatives-linked risk (counterparty risk, CVA risk), operational risk (including legal), reputational risk, business risk, sustainability 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 operationalizes the risk appetite and complements it with additional limits and targets.

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Regular risk monitoring at top management level is performed through the overall risk report. The overall risk report is regularly additionally presented 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. Specialized 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) 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, IFRS 9 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 risks

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 unfavorable 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 (several 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 buckets, currencies), the escalation hierarchy comprises several 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 analyzed 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 risks").

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 has dedicated itself to this area in particular.

The credit risk of UniCredit Bank Austria AG is determined by the traditional corporate customer business, which is focused on the regional Austrian market, and the equally important retail customer business.
Of loans and advances to customers, about two-thirds are attributable to the Corporate segment. The remaining third is attributable to loans and advances to retail customers. Within this retail customer segment, it is worth noting from a risk perspective that the share of CHF loans as risk carriers has been declining steadily for years and is currently around 18% (previous year: 19%).

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Methods and instruments in credit risk

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). For the current status of the application of the internal ratings-based approach (IRB approach) to credit risk in Bank Austria, please see the next chapter.

In order to estimate the expected credit loss (ECL) under IFRS 9 regulations, 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 behavior 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 organizations. Retail scoring consists of application scoring, which is based on proven and recognized mathematical-statistical methods, and behavioral scoring, which takes account, among other things, of account deposits and customer payment behavior 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 2022 was on validating the model changes and implementations for the EAD 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 was carried out for a transitional period based on the latest validation reports for the respective model. This was transferred back to current model monitoring when sufficient history was reached after the new models had been deployed in Q3 of this year. All model assumptions are based on long-term statistical averages of historical defaults and losses, taking into account current risk-relevant information. The modelling follows detailed regulatory and Group-wide specifications. 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, Credit & Integrated Risks division, with the relevant methodology and control units and with independent validation units, acts as a 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 a major part of its loan portfolio (advanced IRB approach). Refining 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 guidelines of the EBA, the changes to all local PD models were put into production in 2021. Ratings were automatically and immediately issued for all retail models for use in July 2021. They were then converted for corporate models using the re-ratings of individual customers. This was the case for the majority of the portfolio.

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The application for the local LGD model was also subjected to a material on-site audit by the ECB in 2021. The deficiencies identified in the assessment report included, among other things, comments regarding the adequate calibration of the performing portfolio, which potentially have a significant weighting in relation to the Bank's total equity requirements in the credit sector. In order to explicitly address the concerns in this regard, an ex-ante LGD model change was delivered in March 2022 with the primary objective of overcoming the calibration concerns (the time series used for the calibration was also extended, among other things). In fact, this application for the performing portfolio was at an RWA level that continued to correspond to the size of the material model application from 2021. We expect the ECB to issue its final decision in the first quarter of 2023. Since the impact of the material model change in the LGD model is in the order of magnitude of an additional RWA boost of approx. €4.5 billion, the Bank has decided to present the associated increase in capital adequacy requirements as early as 4Q22 by means of a bulk add-on. As a result, the impact on capital ratios is already shown in the annual financial statements and there is unlikely to be a material leap in the first quarter of 2023, which can already be assumed at the time of the annual financial statements.

The revision and submission of the local EAD model is planned for 2023. With regard to the Group-wide models, the material changes approved by the ECB for the models for multinational companies and sovereign entities, as well as the Group-wide EAD model, were applied in the middle of 2021. The recalibrated model for global project financing and the adapted bank rating model were also implemented in 2021.

Implementation of the advanced IRB approach has been established as a Group-wide programme. Therefore, UniCredit Group is responsible for overall planning, Group-wide issues and decisions, and specifically for the development of Group-wide models, such as for countries, banks and multinational companies. The local IRB models are modelled locally in accordance with Group-wide specifications.

Group standards have for the most part already been prepared and adopted by UniCredit Group in cooperation with the major IRB legal entities and are used as an instrument for uniform Group-wide implementation, with a view to complying with local legal requirements — some of which differ from country to country — and safeguarding Group interests. These Group standards will continue to be gradually extended and supplemented. Group standards are integrated into business areas, both in procedural and organizational terms, where local particularities and legal regulations are considered when ensuring Basel compliance.

All Austrian subsidiaries of UniCredit Bank Austria AG use the standardised approach. From a current perspective and for reasons of materiality, there are no plans to switch to one of the IRB approaches.

Information on exposures where concessions were made to debtors due to financial difficulties ("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 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) or the EBA Technical Standards (ITS 2013/03 (rev1)) and are subject to backtesting / monitoring.

Before granting a forbearance measure, an assessment of the borrower's debt service capability must be performed. 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. Any resulting allowance for losses on loans and advances is determined in accordance with the item "Process for recognizing impairment losses".

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

Bank Austria uses various credit risk mitigation techniques to reduce credit losses in case of debtor 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 realization 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, equities 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, utilization costs etc. in the case of utilization.
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.

The internal rating scale

As already mentioned under the item Methods and instruments in credit risk, 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 below for the year **2022** follows the group-wide UniCredit Group rating master scale.

UniCredit Master Scale 2022

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%	31.82%
9	31.82%	99.99%

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The **internal rating distribution** shown below for the year **2021** follows the group-wide UniCredit rating master scale (amended vs. 2020) set out below:

UniCredit Master Scale 2021

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	

PD = Probability of Default

Realization of mortgage collateral

Mortgages are the main type of collateral accepted by UniCredit Bank Austria AG for real estate finance. If the mortgage needs to be realised, Bank Austria will first try to sell the property in the market by mutual agreement with the customer and to use the proceeds for loan repayment. Where this is not possible, the property will be sold in accordance with the rules of the Austrian Enforcement Code or the Austrian Bankruptcy Code. As there are orderly market conditions in Austria, mortgaged real estate is normally not acquired by Bank Austria (debt asset swap).

Credit risk stress testing

Credit risk stress tests are an essential component of Pillar 1 and Pillar 2 stress tests (which analyse the impact on regulatory capital and economic capital) and are therefore also presented at meetings of 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 analysed with regard to the respective loan portfolio.

As a minimum, the relevant multi-year ICAAP scenarios are used as stress scenarios (typically, a base scenario and three different stress scenarios for a reference date) complemented by additional scenarios on an ad-hoc basis.

ALM & Funding

The ALM & Funding department performs 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.

2.2.2 Liquidity risks

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 115% in 2022. In the medium-term and long-term range, compliance with the Net Stable Funding Ratio (NSFR 100%) is mandatory, requiring full funding of the assets side. By optimizing the structure of assets and liabilities 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 of 31 December 2022 stands at around 164% (2021: 171%).

Despite a greater decrease in customer deposits compared with loans, UniCredit Bank Austria AG and its individual institutions had a comfortable liquidity position throughout 2022.

The liquidity requirements have been integrated in the planning and risk monitoring process to ensure compliance with the liquidity ratios at all times. Both ratios have been defined as key indicators in the Risk Appetite.

General information, processes and management model
In line with Group standards, Bank Austria deals with liquidity risk as a central risk in banking business by introducing and monitoring short- term and long-term liquidity requirements. In this context the liquidity situation for the next few days and months and also for longer periods is analysed against a standard scenario and stress scenarios. Methods and procedures of liquidity analysis, analyses of the degree of liquidity of customer positions, management responsibilities and reporting lines in this area have been summarised in the Liquidity Policy. The Contingency Liquidity Management in the event of a liquidity crisis is described in a specific Contingency Liquidity Policy.

As part of UniCredit Bank Austria AG's strategic IT plan, the infrastructure was further harmonised with the Group's data models in terms of liquidity reporting, the aim of which was to further improve and standardise data quality, data consistency and presentation of key liquidity figures.

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 the mortgage bond and benchmark format.

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Liquidity management methods and control
In medium and long-term liquidity management, assets with a residual term of more than one year must be covered by liabilities at a minimum of 104.2% in this period. The Net Stable Funding Ratio (NSFR) based on CRR2 must be held above this limit at the individual bank level. At the end of 2022, UniCredit Bank Austria AG a NSFR of 121% for the > 1-year segment (2021: 128%). In addition, there are the structural liquidity ratios for different time horizons that replaced the adjusted NSFR at the beginning of 2022, in which the time horizon is further differentiated. In the >1-year segment, the share of UniCredit Bank Austria AG was 118% (2021: 126%) and 147% for the > 3-year segment (2021: 138%).

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 are 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 standardised Group-wide instrument and standardised Group-wide scenarios. These scenarios describe the effects of market-driven or name-driven crisis signals on liquidity inflows and outflows, with assumptions also being made about the behavior of non-banks.

The liquidity outflows expected to occur in stress situations are compared with available liquidity reserves (essentially, securities – government bonds – and credit instruments eligible as collateral at the central bank) to examine the banks' risk-taking capacity in the maturity range of up to one year.

The **composition of the liquidity reserve** is largely influenced by Bank Austria's participation in the ECB's TLTRO programme; the composition between central bank reserves and Level 1 and Level 2 HQLA is significantly different to the end of the previous year due to the partial repayment of €10 billion in December 2022 from the fourth tranche of TLTRO III, which was originally set to run until June 2023.

Composition of the Liquidity Reserve

(€ million)

COMPOSITION OF LIQUIDITY RESERVE [1]	31.12.2022	31.12.2021
Cash and balances with central banks	12,765	21,095
Level 1 assets	11,786	4,164
Level 2 assets	1,481	889
Other unencumbered assets eligible as collateral for central bank borrowings	108	326
Liquidity reserve	**26,141**	**26,474**

[1] The liquidity reserve contains only freely available assets; the minimum reserve obligation is not included; amounts are shown as fair value. The fair values reported in the previous year as of December 31, 2021 were adjusted accordingly by not taking haircuts into account.

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).

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Against this backdrop, the medium and long-term refinancing base was significantly strengthened in 2022. In addition to a conventional covered bond issue in the amount of €500 million in September, Bank Austria very successfully placed its first green covered bond in May, also in the amount of €500 million. In addition, the Bank placed a senior non-preferred issue with UniCredit S.p.A. in the amount of €1.0 billion in 2022 in order to comply with the "internal MREL requirements".

Central bank refinancing, which was taken up in 2020 under the ECB's TLTRO III programme, was partially repaid before maturity in December 2022. Specifically, €10 billion of the fourth tranche of the TLTRO III, which originally ran until June 2023, was repaid. As at the end of 2022, central bank refinancing under the TLTRO III programme amounted to €6.95 billion.

2.2.3 Market risks

Market risk management at Bank Austria encompasses all activities in connection with our Markets and Corporate Treasury Sales operations and management of the balance sheet structure. Risk positions are aggregated at least daily, analysed by the independent risk management unit, and compared with the risk limits set by the Management Board and the committees (such as 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 regulatorily-relevant dimensions of trading book and banking book, internal management focuses on accounting categories and makes a distinction between P&L (profit and loss) and OCI (other comprehensive income).
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 P&L strips (i.e., P&L 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. Additional elements of the limit system are the loss-warning level (applied to accumulated results for a specific period), the stressed VaR (SVaR) limit (determined for the trading book with a separate observation period), incremental risk charge (IRC)[16] limits, the stress test warning limit (limiting losses when a pre-defined stress event is applied) and granular market risk limits (GML)[17]. There is a separate GML framework for XVA hedging activities.

Bank Austria uses a standard measurement procedure which is also applied in UniCredit Group. The model, approved by supervisory authorities, is used for internal risk management and for determining regulatory capital requirements for market risk. Bank Austria is embedded in the market risk governance framework of UniCredit Group and leverages on the Group-wide risk management platform UGRM. The Group-wide Front-to-Back Office platform "Murex" and UGRM form an integrated risk system.

It is applied by Financial 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 Financial & Credit Risk Committee ("FCRC"), 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 Financial Risk department whereby 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[18] is subject to an annual review by Group Internal Validation (GIV) and internal audit. The risk report presented at the Financial & Credit Risk Committee "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 FCRC and the Management Board.

[16] IRC (Incremental Risk Change) depicts the migration and default risks for a specified period and confidence interval (1 year, 99.9%). The scope includes CDS and bond positions in the trading book
[17] e.g. BPV or CPV limits, which describe the sensitivity to changes in interest rates or credit spreads
[18] Internal Model for Market Risk in accordance with Regulation (EU) No 575/2013 (CRR)

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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 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 analyses the effect of such fluctuations and a liquidity disruption in specific products and risk factors on the Bank's results. The assumed fluctuations are dependent on currency, region, liquidity, and credit rating, and are set in the Open Market Risk Forum (OMRF) with the relevant experts from other bank areas (such as UniCredit research, trade, and market risk). Bank Austria takes part in the UniCredit Group-wide Open Market Risk Forum (OMRF), which is the platform for CRO units to discuss stress test results and agree on further common Group-wide scenario definitions. The "ICAAP scenarios" are updated at least once per year and used for stress test analyses, monitoring stress test limits and the regulatory stress report in the entire UniCredit Group.

Prudent Valuation
The regulatory approach to prudent valuation in the trading book is implemented primarily by Market Risk and further developed on an ongoing basis through cooperation within UniCredit Group. A Group-wide Independent Price Verification (IPV) process ensures the independence and reliability of valuation and risk measurement. The front-end system "MUREX" is supplied with the "golden copy" market data of UniCredit Group for daily valuation purposes. The Group-wide "golden copy" is drawn up by competence centres which are structured by asset class and independent of trading operations. Moreover, UniCredit Bank Austria AG takes part in meetings of the asset-class committees, which address and resolve valuation and market-data issues. The regulatory principle of prudence is met by determining all relevant Additional Valuation Adjustments (AVA).

Backtesting
Bank Austria performs a daily backtesting of both the hypothetical and actual (i.e., economic P/ L excluding fees, commissions, and net interest income) changes in the portfolio's value in accordance with Article 366 of the CRR. As of 31 December 2022, the number of backtesting excesses (negative change in value larger than model result) for Bank Austria in hypothetical and actual P/L dimensions was equal to 11 and 8, respectively, whereby the add-on factor for the VaR multiplier for the number of excesses is equal to 1. The backtesting excesses in 2022 resulted mainly from the EUR interest rate hedging positions of XVA hedges and the gradual increase in volatility of interest rates in the EUR interest rate environment over the year.

Capital adequacy for market risk
The parameters used for capital adequacy purposes are a 10-day holding period, a confidence level of 99%, and a multiplier of 4 (based on 3; the current quantitative surcharge is 1) applied to the value-at-risk values, which is used to determine the capital requirement for market risk.

For Value-at-Risk (VaR), Stressed VaR (SVaR) and Incremental Risk Charge (IRC) the following capital requirements result for UniCredit Bank Austria AG as of December 31, 2022:

- VaR: €22.5 million (€5.2 million at the end of 2021)
- SVaR: €31.6 million (€11.8 million at the end of 2021)
- IRC: €0.03 million (€0.5 million at the end of 2021)

Balance sheet structure management
An allocation to the Bank's business divisions according to the costs-by-cause principle is possible as a result of the reference interest rate system applied across UniCredit Group. The banks' risk committees ensure that the Bank's overall liquidity and interest rate gap structure is optimised.

Products for which the material interest-rate and capital maturity is not defined, such as variable-rate sight deposits, are modelled in respect of maturity and interest rate sensitivity by means of analyses of historical time series and taken into account in the banks' overall risk position. In addition, for fixed loans in the private customer segment, past maturities are also taken into account using historical time series analyses.

The Risk division is responsible for modelling customer deposits.

To assess the Bank's balance-sheet and profit structure, scenario analyses concerning the simulation of future net interest income under different interest rate scenarios are used ("*earnings perspective*").

The increase in interest rates in the Group's main currencies over the year had a positive impact on the interest margin. Taking into account the expected balance sheet structure during 2023 and the current structure of the terms and conditions for loans, simulation calculations once again show a burden on net interest income when interest rates return to lower values.

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 eligible capital. In the event that such an interest rate shock absorbs more than 20% of a bank's eligible capital, 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 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. As part of UniCredit Bank Austria AG's strategic IT plan, the infrastructure was further harmonised with the Group's data models in terms of interest rate reporting, thus further improving and standardising data quality and data consistency, while at the same time the Group-wide product catalogue is also now being used, which, in addition to dynamic changes in the interest rate environment and in the balance sheet structure, has an impact on the presentation of the interest rate risk position as of December 2022.

A positive 2% interest rate shock absorbs around 8.57% (2021: 5.84% in the case of a negative 2% interest rate shock) of UniCredit Bank Austria AG's eligible capital as of year-end 2022. UniCredit Bank Austria AG is thus far below the outlier value of 20%. In addition, as part of the risk appetite, the result is limited in a significantly more restrictive manner based on the worst of the 6 prescribed EBA interest rate shocks (15% in relation to Tier 1 capital, 9.31% as of year-end 2022 and 6.43% as of year-end 2021).

2.2.4 Derivative business volume

The volume of business is divided into financial derivatives and credit derivatives depending on the underlying financial instrument. In these categories, a distinction is made between trading book, banking book and counterparty classes. Bank Austria uses derivatives to hedge existing price change, default, liquidity and cash flow risks using a Group-wide risk and limit system. The focus of UniCredit Bank Austria AG's derivatives business is on interest rates.

2.2.5 Currency risk

CHF risk
As in previous years, the reduction in CHF loans continued in 2022. Loans to customers decreased by a further approximately €0.4 billion when viewed in terms of net volume (after allowances), falling from €4.1 billion to €3.7 billion. Around 3.6% of these were classified as non-performing. Most of the loans are in the retail segment, which accounts for 90% of the CHF volume.

Other currency risks
Customer loans in other foreign currencies (net volume, excluding CHF) amounted to €2.8 billion as of December 31, 2022 (2021: €3.0 billion), a large proportion of which were loans in USD (primarily to customers in the Corporate segment).

2.2.6 Counterparty risks

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 UniCredit Group-wide counterparty risk model applies an expected shortfall of 87.5% (equals a 95% quantile) and 3,000 scenarios with 52 grid points for the purpose of internal risk control. Furthermore, the model is based on a standardised margin period of risk and on the use of default conditional metrics.
The calculations are based on market volatility, correlations between specific risk factors, future cash flows and stress considerations. Netting agreements and collateral agreements are also taken into account for simulation purposes.

The simulation calculations are performed for all major types of transactions, e.g., forward foreign exchange transactions, commodity futures transactions, interest rate instruments, securities lending transactions and repurchase agreements, equity-related, commodity-related or inflation-related instruments and credit derivatives. Other 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 general 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 significant model change resulting from this regarding the calculation of the capital requirements has been applied for with the ECB and has also been used for regulatory purposes since the end of Q1 2021.

In June 2021, the implementation of the new legal requirements of CRR 2 for the new standard approach for counterparty credit risk (SA-CCR) was implemented in the Bank's internal risk systems. In the SA-CCR, transactions that are not recorded in the internal counterparty risk model using Monte Carlo simulation (e.g., stock exchange derivatives or securities transactions) are shown for calculating the equity capital requirements for regulatory purposes.

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).
In 2022, the settlement risk calculation method was revised and technically implemented as part of a Group-wide project. The main methodological changes represent a more precise distinction between "principal and replacement cost risk", as well as the distinction between "irrevocable risk and uncertain risk".

In addition, mitigating effects such as the consideration of FX payment netting and "delivery versus payment"-settlement are also taken into account to reduce risk.

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.

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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. Despite the very good average creditworthiness of our business partners, management is paying increased attention to 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, ensuring, 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 has also been 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 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.

At the end of the year, UniCredit Bank Austria AG had total exposure of €3,281 million (previous year: €2,497 million) from the use of the counterparty credit risk calculation method of the Group-wide risk systems for the exposures from derivative transactions, repurchase agreements and securities lending transactions.

The **total exposure at the end of 2022** can also be split into the following sectors:

Exposure by sectors

(€ million)

SECTOR	2022	2021
Industry and trade	859	676
Financial services sector	931	621
Real estate	284	452
Energy and Commodity sector	364	284
Public sector	31	43
Central Clearing Counterparties (CCP)	813	420
TOTAL	**3,281**	**2,497**

Exposure by rating class

(€ million)

RATING CLASS	2022	2021
1	992	449
2	472	476
3	1,318	829
4	278	420
5	152	126
6	45	126
7	16	49
8	4	8
9	5	13
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 risks

Operational risk (OpRisk) is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events (including legal risks - see also section 2.2.12). 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 is collected, and processes are optimized, in close coordination and cooperation across departments and units including the business areas, Internal Audit, Compliance, Legal Affairs, Digital & Information and the insurance sector. Over the years, UniCredit Bank Austria AG has taken numerous measures in the various divisions to manage and reduce operational risk. Thus, data security measures, measures to ensure the confidentiality and integrity of stored data, access authorisation systems, the two-signatures principle, and a large number of monitoring and control processes as well as staff training programmes have been implemented among other measures. 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 Non-Financial Risks function. The central OpRisk & RepRisk function of UniCredit Bank Austria AG was assigned directly to the Chief Risk Officer as a staff unit in 2018. As in UniCredit Bank Austria AG, there are also OpRisk managers or contact persons in all relevant subsidiaries of the UniCredit Bank Austria Group.

While the main task of central risk management is to define the methods used and to perform risk measurement and analysis, decentralized risk management is 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".

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Activities in 2022 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 Non-Financial Risk Committee
- Monitoring of OpRisk exposures using key indicators that are part of the risk appetite framework
- Carrying out OpRisk assessments for relevant outsourcings and third-party contracts
- 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 through online training that is 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
- Carrying out focal point analyses on various OpRisk-relevant subject areas, also triggered by relevant external OpRisk incidents
- Carrying out a Risk & Control Self-Assessment (RCSA) for relevant business processes, including the ICT risk assessment for the UCBA
- Increased focus on a uniform approach by the subsidiary company
- Implementation of ICT project risk assessments for all relevant ICT projects
- ICT 2nd level controls and monitoring of ICT security KPIs for UCBA AG and all relevant subsidiaries

A network of independent functions and teams are involved in managing and controlling risks, providing the Management Board with sufficient information on the risk situation and enabling the Management Board to manage risk.

The operational risk agendas are dealt with on the Non-Financial Risk Committee. The Committee is a central component in integrating operational risk into the Bank's processes; its main tasks are to report on current operational risk issues and developments, to approve operational risk-relevant documents, to report losses and to serve as a body to which unresolved issues are referred. 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.

Domestic subsidiaries
Schoellerbank AG and UniCredit Leasing Austria GmbH apply the AMA in the area of operational risk.

Implementation of disclosure requirements under 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 significant subsidiary pursuant to Article 13 of the CRR and, for the 2022 fiscal 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 on its website (www.bankaustria.at/en/about-us-investor-relations) according to Basel 2 and 3 (CRR).

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2.2.9 Reputational risks

UniCredit Bank Austria AG as well as the UniCredit Group have identified reputational risk as the current or future risk of a decline in profits as 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, now Non-Financial Risks, was directly assigned to the CRO as a staff unit. Together with other departments such as Identity & Communications, Compliance, Legal, Customer Experience & Complaints Management, etc., the central risk unit is responsible for managing the reputation of UniCredit Bank Austria AG.

Reputational risk-related topics are reported quarterly in the Non-Financial Risk Committee, such as:
- Business decisions, which were made in the Reputational Risk / Credit Committee
- Report on RepRisk assessments that were analyzed as part of the new product process and subsequent acceptance of new products
- Information on accepting new RepRisk policies
- Relevant reporting about UniCredit Bank Austria AG
- RepRisk status of AMA subsidiaries
- Other issues affecting the reputation of the bank

In 2022, 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 risks

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.

2.2.11. Investment and real estate risks

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

Generally, provisions are made for those proceedings where impending losses are probable or certain, but where the amount or timing of such losses is uncertain. In these cases, provisions are made in the amount deemed appropriate in the light of the circumstances and in accordance with accounting principles, taking into account both the principle of prudence and the principle of reasonable, reliable estimates.

In accordance with the principles outlined above, provisions have been recognized for pending litigation and other proceedings in the amount of the estimated risk.

2.2.13. Climate-related and environmental risks

UniCredit has developed a long-term sustainability strategy for environmental, social & governance (ESG) risks and takes ESG factors into account in its risk framework. UniCredit Bank Austria's strategy follows this framework. The aim is to achieve three goals:
- Fulfilment of regulatory requirements for the business strategy and risk management processes
- Management of climate and environmental risks
- Identifying financing potential for customers on their way to a sustainable, low-carbon economy

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).

The implementation of the sustainability strategy in the Group companies is carried out on a project-specific basis through the UniCredit Group, whereby the individual aspects, which include the product range, the handling of environmental issues within the bank and the ongoing monitoring of the achievement of the targets, are pursued and rolled out.

The development of an environmentally and/or socially acceptable product portfolio for private and corporate customers and internal industry and sector-specific requirements that support the transformation into a CO_2-free economy serve to achieve the strategic objectives.

Both internally and by taking part in industry-wide initiatives, such as the Net Zero Banking Alliance (NZBA), 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 first greenhouse gas reduction targets for three sectors at Group level will be published in April 2023, with targets for other sectors to follow within a further 18 months.

For 2023, Bank Austria defined measurable ESG targets in its Risk Appetite Framework for the first time (new environmentally friendly loans and restrictions on received collateral that are subject to physical risks), which also reflects the growing importance of ESG objectives in this instrument.

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[19] and/or transitory[20] 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.

[19] A distinction is made here between <u>acute physical risks</u> (hot and dry periods, floods, storms, hailstorms, forest fires, avalanches) and <u>chronic physical risks</u> (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).
[20] 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).

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In 2022, the UniCredit Group focused on the further development of instruments, methods, and measures to integrate climate-related risks into the risk appetite and the corresponding processes (credit application, reporting, credit risk strategy, stress tests, operational risk / reputational risks). In doing so, climate risks related to the Group's combined balance sheet and business processes are identified, assessed, and monitored, and quantitative limits for risk tolerance are defined to take potential risks into account appropriately.

Transition risks in the bank's internal credit process

The regulatory requirements (ECB, EBA, FMA) and the UniCredit Group's commitment to sustainable development require that climate risks are taken into account in the credit process in an appropriate way. This is associated with an analysis of the influence of environmental risks on the counterparty risk of our borrowers, the results of which must be taken into account in the credit decision.
The underlying method comprises

- the assessment of the customer's exposure to transition risks (e.g. greenhouse gas (GHG) emissions, water and energy consumption, waste management)
- the assessment of the customer's vulnerability to transition risks (e.g. level of maturity of the environmental management,
- greenhouse gas reduction targets, sustainability investments) and
- assessing the economic impact on our corporate customers (e.g. lost investments, decline in market share, increased investment costs, supply chain impacts).

The scope of application has included all corporate clients (including Real Estate) for which GTCC[21]/GCC[22] is responsible and all positions for which TCC[23] is responsible (local Bank Austria credit committee), with the exception of financial institutions, banks, central governments, 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.

Physical risks in the bank's internal processes

As part of a Group initiative, UniCredit Bank Austria conducted an analysis of the potential damage to the collateral in the mortgage portfolio due to extreme and acute climate-related events. An initial, forward-looking, and summary assessment of how physical risk may affect the overall fair value was carried out and the impact on the market value of the relevant mortgages was estimated.

The calculation of physical risks (flood, hail, storm) is based on the method of an external provider and is based on data on the real estate collateral in our credit portfolio.

Finally, it should be noted that some of the above-mentioned measurements were included in the Risk Appetite Framework (RAF) and credit strategy processes in order to further strengthen the integration of climate and environmental factors into the risk management framework and the underwriting processes and to improve portfolio monitoring.

Other **focal points in connection with climate risks** include:

- implementation of the Taxonomy Regulation[24] through the integration of customer and product-specific information in support of the shift towards a CO_2-neutral economy in our processes and IT systems, which will go into operation in Q1 2023.
- further development of our portfolios' emissions measurements in line with NZBA industry standards and coverage of a further six industries by October 2024
- embedding of sustainability factors in our 2023 credit risk strategy

21 GTCC: Group Transactional Credit Committee
22 GCC: Group Credit Committee
23 TCC: Transactional Credit Committee
24 Regulation = VO/Verordnung (in German)

Management Report of UniCredit Bank Austria AG

2.3. Third-party liability

Under Section 92 (9) of the Austrian Banking Act, “AVZ 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.

Management Report of UniCredit Bank Austria AG

3. Future development (outlook for 2023)

3.1. Economic scenario

Economic environment 2023

The global economy is facing increasing headwinds. The synchronous, strongest and fastest tightening of monetary policy in decades will exacerbate the effects of high inflation and severe irritations in international exchange rates in many countries (so-called terms-of-trade shocks). Ongoing geopolitical tensions will continue to create uncertainty. We expect global GDP to increase by only 1.9% in 2023, which is de facto equivalent to a recession. There is a risk of a technical recession in the euro zone at the turn of 2022/23 and in the USA during the first half of 2023. Despite the slowdown in the global economy, high energy costs for companies and the loss of purchasing power due to falling real wages, we expect only a mild recession. Supportive fiscal policy, the favorable liquidity situation in the corporate sector and high household savings, as well as further easing of supply chain problems and stable labor markets, should prevent a deep slump. The economy will still start to recover in the first half of 2023. Due to the delayed effect of monetary policy, we expect only a below-average pace of recovery in both the USA and the euro zone. In the major developed economies of the USA and the euro zone, only stagnation is expected overall in the coming year.

Inflation in the USA is mainly demand-driven, triggered by loose fiscal and monetary policy during the pandemic. By contrast, inflation in the euro area is mainly cost-driven, as a result of high prices for energy imports. The uneven source of the inflation shock accounts for the different degree of monetary policy tightening in the two economies. Central banks will tighten the reins of monetary policy even further in early 2023 to play it safe in the fight against inflation. We expect key interest rates in the USA to peak at 5.25% and the refinancing rate in the euro zone at 4.00% (deposit rate: 3.50%) in mid-2023. A turning point in monetary policy in the form of an easing cycle cannot be expected until 2024, which should lead to a reduction in the strength of the US dollar against the euro as the interest rate differential narrows. Still in the course of 2023, the European Central Bank's quantitative tightening is likely to involve a reduction in the securities portfolio from the purchase programs of around €15 billion per month. Despite different causes of inflation in the USA and the euro zone, a consistent pattern is expected for the slowdown in inflation from the turn of 2022/23. Goods prices will fall first due to demand, with service prices following with a slight delay. We expect inflation to fall to around 3% in the USA and 2.5% in the euro zone by the end of 2023. On an annual average, inflation in the euro zone is expected to slow from 8.4% in 2022 to 5.7% in 2023.

The outlook for Austria

In view of the cooling of the international economy and high inflation, which are weighing on consumption and investment, we expect the Austrian economy to experience a mild recession over the turn of 2022/23. As inflation weakens, supported by developments in the euro area, a recovery should set in from the spring. The pace of recovery remains low, dampened among other things by the delayed effects of the tightening of financing conditions. Due to the weak start to the year, only stagnation with GDP growth of 0.3% is expected for 2023, with high risk due to geopolitical developments.

With the decline in demand, inflation will also slow in Austria from next year. In addition to the drop in demand, base effects, the broad stabilization of commodity prices, especially for energy, and the further easing of material bottlenecks should support a slowdown in inflation from an average of 8.6% in 2022 to 6.5% in 2023. However, this will mean that inflation in Austria will fall more slowly than in the euro area, as more second-round effects from higher wage momentum and stronger fiscal stimulus are to be expected. Despite the weak economic development, the labor market in Austria is expected to prove quite resilient. After falling to an average of 6.3% in 2022, we expect the unemployment rate to reach 6.4% in 2023. The reason for the optimism lies in the current tightness on the domestic labor market. The vacancy rate, i.e. the number of reported vacancies in relation to employment, has risen to a record level of 3%.

The development of financing and also deposits will be influenced by the subdued economy and more restrictive monetary policy in 2023. The momentum in corporate loans should flatten out significantly in this environment. Growth in loans to households will also decline, mainly as a result of less demand for housing loans due to higher interest rates and sharp increases in construction costs. The positive trend in consumer loans is also unlikely to be repeated. Deposit growth is expected to slow somewhat in 2023. Despite rising interest rates, inflation-related losses in purchasing power are likely to limit household deposit growth. Corporate deposit growth is also likely to be weighed down by weak economic activity.

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3.2. Medium- and long-term objectives

As defined for Bank Austria in the strategic plan "*UniCredit Unlocked*" of the Group, the focus of the bank will be on further improving its revenue base while maintaining a strict focus on cost control and hereby achieving profitable growth, with a double-digit ROAC and furthermore maintaining regulatory capital ratios (CET1 Ratio) at high levels. This will be based on initiatives aiming at strengthening the business with a clear focus on our clients, supported by a focus on integration of technology and digitization, further simplification of processes and including sustainability in all relevant activities.

Supporting the transformation of businesses toward energy transition and sustainability.

As a strategic financial partner and advisor, the bank supports its customers, on the one hand, in solving acute issues, in the case of corporate customers, for example, through liquidity lines, financing to build up inventories or instruments to hedge currency, interest rate and price risks in commodities and energy. On the other hand, however, the bank is also increasingly financing investments in the direction of the energy turnaround. After all, if Corona was a turbo for digitization, the current crisis situation will further accelerate the overall economic transformation toward greater use of renewable energies and a more sustainable way of doing business.

This development could also have strong positive economic effects in the coming years, as shown by a potential analysis conducted by the Federal Environment Agency ("*Bundesumweltamt*") on behalf of the Austrian financial sector: This is because in order to achieve the goal of climate neutrality by 2040, a total of around €145 billion will have to be additionally invested in the energy, industry, buildings and transport sectors in Austria by 2030. This corresponds to an annual investment volume of €13.9 to 18.5 billion by 2030. These additional investments can generate annual value-added effects averaging 2.4% of GDP and create or secure around 70,000 jobs a year. The climate-friendly restructuring of infrastructure in particular has a high financing requirement. Looking beyond the banking sector in the narrower sense, however, a successful climate transformation can only be achieved with an efficient capital market as an enabler. For this reason, the Austrian financial sector unanimously emphasizes that this also requires appropriate incentives for private investors, so that people can invest in a sustainable future and at the same time counteract losses in value due to inflation. In addition, the permissible investment universe for climate transformation should be opened up in the regulation of insurance companies, pension funds and occupational pension funds.

On the one hand, the ongoing transformation of the economy thus offers great opportunities for innovation, but on the other hand it requires high levels of investment - because around 80% of the investment required to achieve the climate targets relates to transition, i.e. the environmentally sustainable alignment of the entire process, production and supply chain. UniCredit Bank Austria has already launched numerous financing projects in this area in recent months and years, ranging from wind energy to photovoltaic projects or the use of waste heat in industrial plants. The range of financing instruments extends from sustainability loans to green *Schuldscheindarlehen* (promissory note loans) and green bonds. In innovation financing, UniCredit Bank Austria also works closely with Oesterreichische Kontrollbank and EU institutions such as the European Investment Bank (EIB). A concrete example is the "*EIB Climate Action Austria Facility Loan*", which supports investments in small and medium-sized renewable energy projects and energy efficiency projects in Austria.

UniCredit Bank Austria's customers also benefit from UniCredit's extensive ESG (Environment, Social, Governance) expertise as a European banking group, which has already had its own "Sustainable Finance Advisory" team for about three years. The bank thus combines sustainability expertise with knowledge of capital market transactions to deepen customer dialog on ESG-related issues and facilitate access to the European green finance market. In 2022, UniCredit accompanied the Republic of Austria in the issuance of the first federal green bond as lead bank; in doing so, UniCredit structured the Republic of Austria's green bond framework as ESG advisor - this green bond framework is the basis for green bond issuance and requires a high level of expertise. In addition, UniCredit Bank Austria successfully placed its first own green bond on the capital market in May 2022.

The backbone of the Austrian economy is primarily the numerous SMEs. More and more customers, suppliers and, not least, their own employees are also demanding comprehensible ESG strategies from SMEs. Investments in sustainability and climate protection have thus long been on the agenda not only of (listed) large companies, but also of SMEs - and indeed all ESG topic areas: from environment to social issues to sustainable corporate governance. With the "*Sustainability Barometer*", an innovative consulting tool, UniCredit Bank Austria is the only bank in Austria to offer its SME customers comprehensive advice and a site analysis on where the respective company stands with regard to ESG criteria, which ESG targets the company should set itself as part of a coherent sustainability strategy and how the bank can support it on this path with individual financing solutions. At the same time, with the Sustainability Loan, the bank is now also making special investment or working capital loans available to medium-sized companies - enabling customers to make investments with which they can reduce their carbon dioxide (CO_2) emissions, improve the working situation of their employees or ensure sustainable corporate governance.

Management Report of UniCredit Bank Austria AG

The sustainability loan rewards sustainable corporate governance: if the company stays on course for sustainability and achieves an improvement in its ESG rating during the financing period, it can benefit from more favorable terms.

UniCredit Bank Austria is also a pioneer in Austria in the retail segment: for every euro in the GoGreen accounts of its retail or business customers, it finances sustainable projects - in particular energy-efficient buildings; wind, solar and hydropower; sustainable water management, for example water supply or flood protection; and environmentally friendly transport such as electric vehicles. GoGreen accounts are certified with the Austrian Eco-label. As of October 31, 2022, the total volume here was already around 548 million euros.

Recognition for progressive transformation of the bank's core business

UniCredit Bank Austria is also systematically driving forward the transformation of its own core business in parallel and has already implemented a large number of process-related changes and innovations in its product range. The relevance and quality of these initiatives have been independently confirmed: For example, as part of the WWF Bank Study published in October 2022, experts from WWF (*World Wildlife Fund*) and PwC Austria evaluated the 14 largest Austrian universal banks (according to total assets) and their handling of climate protection and biodiversity issues. UniCredit Bank Austria came out on top and was the only bank in Austria to be ranked in the "*pioneer in the area of climate protection*" category: it can demonstrate measures in almost all core areas, has made a fundamental commitment to decarbonizing its core business (*Green Finance Alliance, Net Zero Banking Alliance*) and offers a wide range of sustainable financial products.

As early as April 2022, the Vienna Chamber of Labor ("*Arbeiterkammer Wien*") had also positively highlighted UniCredit Bank Austria as a "good practice" example in a study on the topic of "Sustainable Financial Products". In particular, the consistent application of ESG criteria in lending, the extensive product range in the ESG area as well as the definition of minimum criteria for the lending, savings and checking area and the transparent disclosure of sustainable activities on the bank's website were mentioned.

Environmental management and circular economy at UniCredit Bank Austria

However, financing and investment products are only one side of the coin. The other side is the bank's own actions as a company, keyword "ecological footprint". And since 2008, UniCredit Bank Austria has reduced its footprint by 80% or more, depending on the area - from business trips to waste, paper, water and energy consumption to total CO_2 emissions: between 2008 and the end of 2021, the bank has already reduced its greenhouse gas emissions by 86%. Sustainability and efficiency are therefore not mutually exclusive, quite the opposite: over the years, the company has thus saved enormously on CO_2 emissions, but at the same time also saved costs and a great deal of time (especially on business trips). The bank continues to set itself ambitious targets: Having already reduced its energy consumption by 63% since 2017 - thanks in particular to the particularly energy-efficient design of the corporate headquarters at the Austria Campus with one of the largest geothermal plants in Europe - it also intends to significantly reduce energy consumption in the future, for example by making adaptations to the cooling and heating systems and to the lighting in the bank's buildings.

As a contribution to the important idea of the circular economy, the bank has been providing its used IT equipment to the non-profit IT company AfB for years, thus ensuring that it is reused: In 2021, this amounted to more than 5,200 IT and mobile devices with a total weight of almost 30 tons. AfB was able to remarket more than four-fifths of these devices - thus realizing significant emissions reductions and resource savings. This cooperation also has an important social dimension, because AfB is not only Europe's largest non-profit IT company, but also a recognized inclusion company that employs around 500 people in five countries, around 45% of whom are people with disabilities.

These concrete examples illustrate the high priority that operational ecology, environmental management and social commitment have had at UniCredit Bank Austria for many years.

Management Report of UniCredit Bank Austria AG

Digitization and simplification as important pillars in the "*UniCredit Unlocked*" multi-year plan

Initiatives for further digitalization and simplification not only make the bank faster and more efficient, but also significantly improve the customer experience in particular. They are therefore important pillars in the successful implementation of the Group-wide multi-year plan "*UniCredit Unlocked*".

UniCredit Bank Austria has already defined numerous relevant initiatives and is implementing them step by step.
Some selected **examples**:

- In the corporate customer segment, the new, purely digital service model "**Corporates Direct**" was established for customers with less complex product and service needs. Here, customers have access to advisors who can respond to customer concerns within 24 hours - by telephone, video call, and communication center in Internet banking or mobile banking. The clearly defined range of products and services enables simple and efficient advice and support. At the same time, this frees up advisory capacities for corporate customers with more complex product and service needs.
- The bank has set itself ambitious digitization targets as part of its **omnichannel strategy**: in 2023, the percentage of UniCredit Bank Austria customers who are mobile active users is to be increased to 50%, and the percentage of digital active users to more than 56%. In 2023, 30% of all customer orders are to be completed remotely, i.e. via an electronic channel outside the branch, and a target of 50% has been defined for the following year 2024.
- In the **24-hour service line** (call center), around 60 processes have been identified that will be systematically simplified. At the same time, the range of competencies of the service line employees will be expanded in order to reduce the number of necessary transfers to the branches and thus the number of callbacks, and to significantly speed up the handling of customer concerns overall. The increased use of the communication center in Internet banking or mobile banking plays an important role here, as this tool also enables service line employees to process customer inquiries and orders that require a signature very quickly and securely. Overall, this significantly improves the customer journey and thus customer satisfaction.
- In the area of **consumer loans**, the number of input fields in the loan application has been reduced by a tenth. On the one hand, this reduces the amount of work required to process an application at the bank; on the other hand, it improves the customer experience by ensuring faster positive completion.
- **New customers** can open a complete account package, including a debit card and internet banking, within just 15 minutes. For example, private customers can open a *GoGreen* account as a paperless green salary account using video verification within a few minutes and use it immediately.
- Together with the Austrian telecommunication company *emporia*, UniCredit Bank Austria is the only bank in Austria to offer the first **cell phone specifically for internet banking for senior citizens**: It thus makes it easier for people who have not previously used a smartphone or who feel unsure about using internet banking and smartphones to enter the smartphone world: chatting with friends and family, making video calls or viewing photos are just as easy as transferring and receiving money.

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, 21 February 2023

The Management Board

Robert Zadrazil CEO – Chief Executive Officer (Chairperson)	Daniela Barco Retail
Philipp Gamauf CFO – Chief Financial Officer	Dieter Hengl Corporates
Georgiana Lazar People & Culture	Emilio Manca COO – Chief Operating Officer
Marion Morales Albiñana-Rosner Wealth Management & Private Banking	Wolfgang Schilk CRO – Chief Risk Officer

Financial Statements of UniCredit Bank Austria AG

Balance Sheet as at 31 December 2022 - UniCredit Bank Austria AG

Assets

	31.12.2022 (€)	31.12.2021 (€ THOUSAND)	CHANGE +/- € THSD	+/- %
1. Cash in hand, balances with central banks and postal giro offices	**13,358,036,615.47**	**21,683,192**	**(8,325,155)**	**-38.4%**
2. Treasury bills and other bills eligible for refinancing at central banks	**8,557,582,500.20**	**9,932,550**	**(1,374,968)**	**-13.8%**
a) treasury bills and similar securities	8,557,582,500.20	9,932,550	(1,374,968)	-13.8%
b) other bills eligible for refinancing at central banks	-	-	-	-
3. Loans and advances to credit institutions	**2,917,537,094.16**	**7,619,914**	**(4,702,377)**	**-61.7%**
a) repayable on demand	878,261,263.80	1,218,046	(339,784)	-27.9%
b) other loans and advances	2,039,275,830.36	6,401,868	(4,362,592)	-68.1%
4. Loans and advances to customers	**66,685,651,678.60**	**67,431,431**	**(745,779)**	**-1.1%**
5. Bonds and other fixed-income securities	**6,798,248,268.05**	**4,294,154**	**2,504,094**	**58.3%**
a) issued by public borrowers	2,416,184,105.51	1,164,555	1,251,629	>100%
b) issued by other borrowers	4,382,064,162.54	3,129,599	1,252,465	40.0%
of which: own bonds	*29,321.56*	*34*	*(4)*	*-12.7%*
6. Shares and other variable-yield securities	**27,476,198.82**	**29,438**	**(1,962)**	**-6.7%**
7. Equity interests	**271,475,512.16**	**232,870**	**38,606**	**16.6%**
of which: in credit institutions	*228,352,839.50*	*167,497*	*60,856*	*36.3%*
8. Shares in group companies	**1,626,485,064.44**	**1,597,321**	**29,164**	**1.8%**
of which: in credit institutions	*281,644,800.63*	*281,645*	-	-
9. Intangible fixed assets	**11,546,684.00**	**1,820**	**9,727**	**>100%**
10. Tangible fixed assets	**106,094,478.79**	**121,564**	**(15,470)**	**-12.7%**
of which: land and buildings used by the credit institution for its own business operations	*15,748,268.11*	*18,134*	*(2,385)*	*-13.2%*
11. Shares in a controlling company or a company holding a majority interest	**-**	**-**	**-**	**-**
of which: par value	-	-	-	-
12. Other assets	**2,861,083,553.84**	**1,318,248**	**1,542,836**	**>100%**
13. Subscribed capital called but not paid	**-**	**-**	**-**	**-**
14. Prepaid expenses	**97,312,994.17**	**111,473**	**(14,160)**	**-12.7%**
15. Deferred tax assets	**334,590,205.87**	**586,827**	**(252,237)**	**-43.0%**
TOTAL ASSETS	**103,653,120,848.57**	**114,960,802**	**(11,307,681)**	**-9.8%**

Items shown below the Balance Sheet

Assets

	31.12.2022 (€)	31.12.2021 (€ THOUSAND)	CHANGE +/- € THSD	+/- %
1. Foreign assets	**30,978,105,588.38**	**29,200,784**	**1,777,321**	**6.1%**

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Liabilities and Shareholders' Equity

	31.12.2022 (€)	31.12.2021 (€ THOUSAND)	CHANGE +/- € THSD	+/- %
1. Amounts owed to credit institutions	**19,112,826,673.64**	**29,651,092**	**(10,538,265)**	**-35.5%**
a) repayable on demand	4,448,908,346.93	4,312,373	136,535	3.2%
b) with agreed maturity dates or periods of notice	14,663,918,326.71	25,338,718	(10,674,800)	-42.1%
2. Amounts owed to customers	**60,588,231,794.25**	**62,222,664**	**(1,634,432)**	**-2.6%**
a) savings deposits	15,044,554,002.16	15,735,911	(691,357)	-4.4%
aa) repayable on demand	8,728,444,212.70	9,330,746	(602,302)	-6.5%
bb) with agreed maturity dates or periods of notice	6,316,109,789.46	6,405,165	(89,055)	-1.4%
b) other liabilities	45,543,677,792.09	46,486,753	(943,075)	-2.0%
aa) repayable on demand	37,704,297,679.10	40,412,555	(2,708,257)	-6.7%
bb) with agreed maturity dates or periods of notice	7,839,380,112.99	6,074,198	1,765,182	29.1%
3. Debts evidenced by certificates	**9,657,957,655.74**	**9,509,614**	**148,344**	**1.6%**
a) bonds issued	9,657,957,655.74	9,509,614	148,344	1.6%
b) other debts evidenced by certificates	-	-	-	-
4. Other liabilities	**2,875,890,833.72**	**1,764,808**	**1,111,083**	**63.0%**
5. Deferred income	**44,162,701.35**	**24,484**	**19,678**	**80.4%**
6. Provisions	**3,482,130,144.88**	**4,512,120**	**(1,029,990)**	**-22.8%**
a) provisions for severance payments	253,266,509.49	303,299	(50,033)	-16.5%
b) pension provisions	2,657,343,000.00	3,391,869	(734,526)	-21.7%
c) provisions for taxes	24,041,760.68	34,322	(10,280)	-30.0%
d) other	547,478,874.71	782,630	(235,151)	-30.0%
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	**592,845,416.57**	**588,353**	**4,492**	**0.8%**
8. Additional Tier 1 capital pursuant to Chapter 3 of Title I of Part Two of Regulation (EU) No 575 /2013	**602,270,604.40**	**601,718**	**553**	**0.1%**
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**	**192,057**	**-**	**-**
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	192,057	-	-
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	**817,612,330.66**	**206,758**	**610,855**	**>100%**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**103,653,120,848.57**	**114,960,802**	**(11,307,681)**	**-9.8%**

Financial Statements of UniCredit Bank Austria AG

Items shown below the Balance Sheet
Liabilities and Shareholders' Equity

	31.12.2022 (€)	31.12.2021 (€ THOUSAND)	CHANGE +/- € THSD	+/- %
1. Contingent liabilities	**9,435,621,383.83**	**8,791,933**	**643,689**	**7.3%**
of which:				
a) acceptances and endorsements	-	-	-	-
b) guarantees and assets pledged as collateral security	*9,435,621,383.83*	*8,791,933*	*643,689*	*7.3%*
2. Commitments	**12,229,021,634.68**	**12,060,936**	**168,086**	**1.4%**
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	**7,257,737,844.30**	**6,614,222**	**643,516**	**9.7%**
of which: Tier 2 capital pursuant to Chapter 4 of Title I of Part Two of Regulation (EU) No 575 /2013	*730,730,111.50*	*739,503*	*(8,772)*	*-1.2%*
5. Capital requirements pursuant to Article 92 of Regulation (EU) No 575 /2013	**35,243,103,722.83**	**35,011,733**	**231,370**	**0.7%**
of which: capital requirements pursuant to points (a) to (c) of Article 92 (1) of Regulation (EU) No 575 /2013				
a) Common Equity Tier 1 capital ratio	*16.82%*	*15.07%*		
b) Tier 1 capital ratio	*18.52%*	*16.78%*		
c) Total capital ratio	*20.59%*	*18.89%*		
6. Foreign liabilities	**11,144,717,093.14**	**11,259,933**	**(115,215)**	**-1.0%**

Profit and Loss Account

Profit and Loss Account for the year ended 31 December 2022

Profit and Loss Account 2022

	2022 (€)	2021 (€ THOUSAND)	CHANGE +/- € THSD	+/- %
1. Interest and similar income	**1,684,588,126.55**	**1,277,861**	**406,727**	**31.8%**
of which: from fixed-income securities	*117,593,402.51*	*92,084*	*25,509*	*27.7%*
2. Interest and similar expenses	**(624,575,180.71)**	**(479,874)**	**(144,701)**	**30.2%**
I. NET INTEREST INCOME	**1,060,012,945.84**	**797,987**	**262,026**	**32.8%**
3. Income from securities and equity interests	**134,241,725.99**	**167,489**	**(33,247)**	**-19.9%**
a) income from shares, other ownership interests and variable-yield	82,388.36	28	54	>100%
b) income from equity interests	14,500,931.84	13,337	1,164	8.7%
c) income from shares in group companies	119,658,405.79	154,124	(34,465)	-22.4%
4. Fee and commission income	**622,800,889.97**	**627,960**	**(5,159)**	**-0.8%**
5. Fee and commission expenses	**(124,709,812.65)**	**(123,705)**	**(1,005)**	**0.8%**
6. Net profit / loss on trading activities	**115,635,154.31**	**84,396**	**31,239**	**37.0%**
7. Other operating income	**667,553,628.90**	**110,407**	**557,147**	**>100%**
II. OPERATING INCOME	**2,475,534,532.36**	**1,664,534**	**811,001**	**48.7%**
8. General administrative expenses	**(914,877,852.48)**	**(1,271,444)**	**356,566**	**-28.0%**
a) staff costs	(478,127,451.21)	(765,914)	287,786	-37.6%
of which: *aa) wages and salaries*	*(332,932,135.32)*	*(624,500)*	*291,568*	*-46.7%*
bb) expenses for statutory social-security contributions and compulsory contributions related to wages and salaries	*(81,518,832.36)*	*(87,410)*	*5,891*	*-6.7%*
cc) other employee benefits	*(6,335,580.45)*	*(6,778)*	*443*	*-6.5%*
dd) expenses for retirement benefits	*(42,735,001.77)*	*(33,642)*	*(9,093)*	*27.0%*
ee) allocation to the pension provision	*-*	*-*	*-*	*0.0%*
ff) expenses for severance payments and payments to severance-payment funds	*(14,605,901.31)*	*(13,583)*	*(1,023)*	*7.5%*
b) other administrative expenses	(436,750,401.27)	(505,530)	68,780	-13.6%
9. Depreciation and amortisation of asset items 9 and 10	**(22,112,016.88)**	**(46,020)**	**23,908**	**-52.0%**
10. Other operating expenses	**(135,733,249.22)**	**(151,724)**	**15,991**	**-10.5%**
III. OPERATING EXPENSES	**(1,072,723,118.58)**	**(1,469,188)**	**396,465**	**-27.0%**
IV. OPERATING RESULTS	**1,402,811,413.78**	**195,346**	**1,207,465**	**>100%**
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	**(461,387,928.60)**	**(145,656)**	**(315,732)**	**>100%**
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	**(14,448,207.03)**	**157,988**	**(172,437)**	**0.0%**
V. RESULTS FROM ORDINARY BUSINESS ACTIVITIES (carry-over)	**926,975,278.15**	**207,678**	**719,297**	**>100%**

Profit and Loss Account

	2022 (€)	2021 (€ THOUSAND)	CHANGE +/- € THSD	+/- %
Carry-over (V. RESULTS FROM ORDINARY BUSINESS ACTIVITIES)	926,975,278.15	207,678	719,297	>100%
15. Extraordinary income	-	-	-	-
of which: releases from the special fund for general banking risks	-	-	-	-
16. Extraordinary expenses	-	-	-	-
of which: allocations to the special fund for general banking risks	-	-	-	-
17. Extraordinary results (sub-total of items 15 and 16)	-	-	-	-
18. Taxes on income	(235,704,660.27)	446	(236,151)	0.0%
19. Other taxes not included under item 18	(20,296,296.98)	(1,476)	(18,820)	>100%
VI. ANNUAL SURPLUS/ANNUAL DEFICIT	670,974,320.90	206,648	464,326	>100%
20. Movements in reserves	-	109	(109)	-100.0%
VII. PROFIT/LOSS FOR THE YEAR	670,974,320.90	206,758	464,217	>100%
21. Profit / loss brought forward from previous year	146,638,009.76	-	146,638	-
VIII. ACCUMULATED PROFIT/LOSS	817,612,330.66	206,758	610,855	>100%

n.m. = not meaningful

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Notes to the Financial Statements

1. General information

The financial statements of UniCredit Bank Austria AG for the 2022 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 Regulation (EU) No 575/2013 ("CRR").

Pursuant to Section 243b (7) Austrian Business Code, UniCredit Bank Austria AG is exempt from the obligation to prepare a non-financial statement. UniCredit Bank Austria AG is included in the separate consolidated non-financial report of its parent company UniCredit S.p.A.. The report is published on the website at **www.unicreditgroup.eu.**

UniCredit Bank Austria AG is a subsidiary included in the consolidated financial statements of UniCredit S.p.A.
The consolidated financial statements prepared by the Group's parent company are published at the following address: UniCredit S.p.A, registered office: Piazza Gae Aulenti 3 – Tower A – 20154 Milan, Italy. They are published on the Internet at **www.unicreditgroup.eu.**

Disclosure ("Pillar 3") according to Regulation (EU) No 575/2013 ("CRR")
UniCredit Bank Austria AG is a part of UniCredit Group. The EU parent credit institution of UniCredit Group is UniCredit S.p.A.
Within UniCredit Group, a comprehensive disclosure is carried out by UniCredit S.p.A. on its website, based on the consolidated financial position (www.unicreditgroup.eu).

The Austrian Financial Market Authority ("FMA") classified UniCredit Bank Austria AG as a significant subsidiary within the meaning of Article 13 of the CRR and UniCredit Bank Austria AG fulfils its disclosure requirements on a sub-consolidated basis.
Disclosure is made quarterly with data as 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: (i) cost savings combined with investments in digital and data transformation and business development; (ii) optimal capital allocation, and (iii) an increase in operating income. 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. In the financial year 2021, these restructuring expenses were mainly recognised under (i) "Staff costs" in the amount of €266.1 million, under (ii) "Other administrative expenses" in the amount of €32.1 million, under (iii) "Other operating expenses" in the amount of €15.0 million, as well as under (iv) "Depreciation and amortisation of asset items 9 and 10" in the amount of €25.1 million. Material disclosures on provisions in the financial year 2022 are shown under 4.24. Provisions.

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. The principle of prudence was taken into account under consideration of the specifics of the banking business.

2.2. Accounting and valuation methods

2.2.1. Foreign currency translation

Assets and liabilities denominated in foreign currencies were stated in the balance sheet at the European Central Bank's reference rates as at 31 December 2022. 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. For currencies for which no ECB reference rate is temporarily (RUB) or permanently available, the prices are determined according to Group-wide specifications, taking into account the latest available information.

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
In UniCredit Bank Austria AG the fundamental fair value assessments are adjusted for factors that a market participant would consider in order to arrive at the derivative instruments fair value. The fair-value-adjustments 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 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.

Notes to the Financial Statements

As at 31 December 2022, a CVA of €-30,045,634.62 (31.12.2021: €-39,855 thousand) and a DVA of €52,354,083.28 (31.12.2021: €11,093 thousand) were applied for the derivatives business.

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 to credit institutions and customers

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. Credit loans and advances to credit institutions and customers are measured in accordance with the AFRAC statement 14 using the effective interest rate method.

Provisioning process

On the basis of the AFRAC statement 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. With regard to the assessment of credit risk, it should be noted that the IFRS 9 estimate is based on forward-looking information and, in particular, on the development of macroeconomic scenarios used in the calculation of the allowance for credit losses. The determination of expected losses from the loan portfolio as of the reporting date represents management's best estimate.

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 ("ECL") 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).

Notes to the Financial Statements

- 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 (“CRR”).

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 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 were applied until November 2022.

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.

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

Assessment of the loss potential in the current environment

Geopolitical threats are replacing the existing threat from COVID

In order to understand the development of impairment losses in the 2022 business year, it is very important to gain an understanding of the components that affect the expected credit loss (ECL) in the performing portfolio. These will therefore be explained below.

The estimates of potential losses in 2020 and 2021 were largely determined by the pandemic. Due to this, the impairment losses in the performing portfolio were substantially increased by COVID-specific overlays. As the pandemic progressed, the focus also broadened to include specific methodological adjustments aimed at preventing these value adjustments from being reduced prematurely. These were also formed in the course of the crisis. This was necessary, for example, to take into account delay effects in the event of defaults brought about by government support measures.

The threats we face have now shifted: The pandemic has now taken a back seat and instead, the geopolitical situation surrounding the Russia/Ukraine war (RU/UA) has come to the fore.

Immediate adjustment in the wake of the Russia/Ukraine conflict

At the beginning of the war, the risk analysis focused directly on the loan volumes in the conflict area, i.e., Russia, Ukraine, and Belarus (RU, UA, BY). The volumes for UA and BY are negligible, with Russia dominating. With regard to impairment losses in the performing portfolio, the probability of default (PD) for Russia in Q1 has already been adjusted from approx. 2% to 48%. As a result, all Group-wide customer ratings that depend on the Russian country rating (customers' country of domicile or country of risk) deteriorated. The associated increase in impairments has since been posted monthly as an overlay, reflecting the PD increase to 48% and the allocation of all these transactions to Stage 2.
At the end of December 2022, UniCredit Bank Austria AG had customer loans amounting to €189 million for the region (RU, UA, BY), most of these (97%) are secured by export credit agencies (ECAs). In addition, the Bank still has approximately €13 million in off-balance-sheet positions in relation to customers in the region. The volumes held in banks in the region (on-balance-sheet and off-balance-sheet) also shows low utilisation (€115 million). More than half of these are secured; the respective financing is primarily allocated to trade financing. The banking volumes already include €18 million with UniCredit Russia.

In view of the low volume of business at UniCredit Bank Austria AG for the above-mentioned scope (approx. 0.2% of the loan volume), as of December 2022, Stage 1 and 2 impairments stand at €11 million, which corresponds to an increase of almost €10 million in 2022. Approx. half of this is considered managerial overlay – the part that reflects the difference between the Russia PD (48%) used for IFRS 9 and the IRB PD used at the end of the year (26%).

In addition to the effects that were already calculated as an overlay in the first quarter as a result of the rating deterioration in Russia, the Bank has also paid great attention to possible spill-over effects into the rest of the portfolio (due to energy prices, uncertainties regarding gas supply, commodity prices, supply chains, etc.). The situation in this regard is being continuously monitored and clarified in ongoing communications with the relevant credit customers (see also later in the section "Credit risk strategy with particular focus on the effects of the Russia/Ukraine conflict").

Further adjustment in the wake of the Russia/Ukraine conflict

The constantly deteriorating macro environment has been taken into account across the entire UniCredit Bank Austria AG portfolio by means of regular macro scenario adjustments. Since the introduction of IFRS 9, this has been the primary instrument in the consideration of forward-looking information – "FLI". The adjusted macroeconomic factors are translated into changes in credit risk parameters by the macro dependency model ("Satellite Model") of the UniCredit Group. The most recent macro adjustment was made in the fourth quarter of 2022, while the cliff effect, which had previously taken into account the pandemic-related delay effect mentioned above, was eliminated. Overall, the macro adjustments and calibrations after deduction of the cliff effects in 2022 led to an increase in impairments of €46 million.

Introduction of a new geopolitical overlay while eliminating the previous COVID overlays

In the course of this most recent macro scenario adjustment, all COVID-specific overlays were also removed (the related reduction in impairments was €14 million). At the same time, a new *geopolitical overlay* was introduced. The latter is intended to take into account value increasing factors that cannot be directly covered by the adjustment of macro scenarios.
This concerns the effects on
- Companies in sectors that are particularly affected by rising energy prices
- Private customers who are suffering the most from rising interest rates and inflation, namely

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- holders of private mortgages that are not based on fixed interest rate agreements
- the share of the private performing portfolio whose customers are already in default of payment

Based on the most recent default rates in these segments, the method approach derives a stressed default rate and assumes that in future this part of the portfolio will also migrate to the non-performing portfolio and will therefore have to be backed by higher impairment losses. The additional impairment losses posted in this way amounted to €123 million at the end of the year, or in other words about a quarter of Stage 1 and 2 impairment losses.

In any case, the reversal of the COVID cliff effect in the fourth quarter was more than cancelled out due to the new macro scenarios being included in Q2 and Q4 (+€46 million). The introduction of geopolitical overlays led to an increase in impairment losses of €108 million following the cancellation of the COVID overlays (proactive Stage 2 allocations and the COVID supply chain surcharge). The new overlay therefore significantly boosts the impairment losses and ensures compliance with the changed macro environment and the associated updated forward-looking information.

Other materially relevant methodological adjustments to Stage 1 and 2 impairment losses

In addition to the adjustments caused by the macro environment, there are a few more regulatory aspects of significant magnitude that should be mentioned. With 4. Quarter 2021, the impact of the newly requested LGD model on the impairment losses was taken into account by means of a rough estimate, which had led to a corresponding increase in impairment losses in the performing portfolio in the 2021 fiscal year (+€75 million ECL). This estimate was revised in 2022 on the basis of the IRB recalibration submitted in March and currently indicates a lower uplift (+€8m) compared to the value posted in 2021 and was posted accordingly in December.

A new method for amortising loans was introduced in 4. Quarter 2022, which reflects the higher risk associated with final repayments. Compared to loans with regular repayments, this results in an ECL increase for Stage 2 transactions for the corporate portfolio of €21 million (with regard to amortising loans in the Retail segment, a corresponding method had already been taken into account prior to 2022).

Consideration of baseline and alternative scenarios

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 Stage 1 and 2, the multiple scenarios are considered by estimating the impact of 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 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 the respective, sometimes differing, regulatory requirements, using internally developed scenarios. The respective macro scenarios 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 December 2022, UniCredit Bank Austria AG selected two macro scenarios based on the economic environment to determine the forward-looking information – a baseline scenario and a downturn scenario. In recent years, there has also been a positive scenario, which was weighted at 5% in 4. Quarter 2021. The weighting was set to 0% in the first half of 2022. The baseline scenario is considered the most likely and therefore forms a central reference point. The downturn scenario represents a possible alternative development, which is worse than the baseline scenario.

Probabilities of occurrence:

The UniCredit Group has determined the following probabilities of occurrence for the 2 scenarios:
- 60% for the baseline scenario ("mild recession")
- 40% for the downturn scenario ("severe recession")

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Baseline scenario:

The baseline scenario assumes that there will be a mild recession, a decline in Russian gas exports and that there will be no substantive gas rationing in most countries. The countermeasures taken by countries (high storage levels and gas economisation) compensate for the lower supply volumes from Russia and a possible short-term temporary suspension of supply. The scenario is characterised by high energy prices, weak world trade and a sustained shortage of supply, all of which also have effect on food and commodity prices. It is expected that the average price of oil in 2022 will remain above $100 per barrel and gradually return to normal over the course of 2023, with an annual average of approx. $100/barrel.
The scenario assumes that there will be subdued global growth in 2022 and even slower growth in 2023. The slowdown reflects the tense financial conditions, rising energy bills in Europe and the spill-over effect of reduced economic momentum in the US, Europe, and China. The manufacturing sector is under pressure, the post-COVID boost to services is slowing and consumer confidence is low. Bottlenecks in supply have decreased but remain higher compared to pre-pandemic levels.

In the US, GDP growth is expected to be close to zero for 2023. Manufacturing and interest-rate-sensitive sectors (housing and consumer goods) are suffering. For the Eurozone, GDP growth is expected to come to a standstill in 2023, with a technical recession by the end of 1. Quarter 2023. Inflation will continue to grow in the final months of 2022 and then follow a downward trend. After a strong start in 2022, Austria is expected to see a moderate decline in economic activity (stagnation over the summer in manufacturing and construction). The service sector, supported by tourism, is still holding up relatively well. With the loss of the service sector as a growth driver, the Austrian economy is likely to slide into a mild recession towards the end of 2022. Demand is then expected to recover slowly and finally return the Austrian economy to a moderate growth path in the fourth quarter of 2023, as inflation will slow down later in 2023. The baseline scenario envisages an interest rate increase in line with the ECB's restrictive monetary policy.

Downturn scenario:

This scenario assumes that there will be a severe recession. A complete halt to Russian gas supplies with insufficient substitution from other sources is considered, leading to interruptions in the supply chain. The severity of the scenario is consistent with a further escalation of the Russia/Ukraine conflict. Energy prices will be higher than in the baseline scenario (average oil prices will be approx. 25%–30% higher). Food and other commodity prices will also rise sharply and drive inflation. A high level of uncertainty, erosion of real earnings and further supply interruptions will drive the European economy into recession in 2023.

Eurozone GDP will shrink more severely in 2023 than in the baseline scenario (about 3 percentage points lower) with a recovery in 2024 (+0.4 percentage points). The increasingly uncertain outlook combined with a significant deterioration in risk appetite will keep demand for safe assets high. Credit spreads on government bonds will be under moderate pressure due to lower growth prospects. Corporate credit spreads will also come under expansion pressure, especially at the lower end of the rating scale. The equity markets are expected to reflect the recession.

The further development of the Russia/Ukraine conflict will be a decisive factor in the development of economies between 2023 and 2024.

The adjusted macroeconomic factors are translated into changes in credit risk parameters by the macro dependency model ("*Satellite Model*") of UniCredit Group. The following table contains an extract of the relevant macroeconomic factors.

Scenarios (Baseline- and Downturn Scenario)

FACTORS	DETAILS	BASELINE SCENARIO				DOWNTURN SCENARIO			
		2022	2023	2024	2025	2022	2023	2024	2025
Real GDP	**Eurozone**	3.1	0.2	1.3	1.5	3.1	-3.0	1.7	1.7
Annual change (%)	**Austria**	5.3	0.4	1.9	1.9	5.3	-3.3	2.0	1.9
Inflation	**Eurozone (HVPI)**	8.4	5.5	2.5	2.0	8.4	7.0	3.0	2.0
Annual index change (%)	**Austria (VPI)**	8.3	5.5	2.3	1.9	8.3	7.7	3.6	2.0
Unemployment (%)	**Eurozone**	6.7	6.7	6.7	6.7	6.7	7.8	7.5	7.5
	Austria	4.5	4.5	4.4	4.3	4.5	5.9	5.2	5.0
Financial Indicators	**EURIBOR 3m (end of period)**	2.3	2.5	2.3	2.3	2.3	2.5	2.3	2.3
	Brent raw oil price ($/b)	103.2	99.2	88.8	75.0	103.2	140.1	105.0	87.5
Disposable Income Annual change (%)	**Austria**	-0.4	2.3	1.8	1.8	-0.4	-0.3	0.8	0.8
Public Debt (% of GDP)		78.5	76.3	74.6	74.6	78.5	80.5	80.1	80.1

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Sensitivity analysis
As explained above, the consideration of forward-looking information is an important element when calculating impairment losses, with the macro-dependency model of the Group used acting as a multi-factor model and considering the changes in multiple macrofactors as a whole. To be able to interpret sensitivities easily, we therefore present them as sensitivities to the alternative scenario explained above as a whole (this means that the factors are changed simultaneously to the respective overall extent and not just by 1%). Moreover, the impairment losses of Stage 1 and 2 have been calculated individually using the baseline and downturn scenarios. The impact of the downturn scenario is 8.7% of the Stage 1 and 2 impairment losses compared to the baseline scenario.

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 stage allocation used being that of the baseline scenario.

Overall picture of the development of expected credit losses

The years 2020 and 2021 were largely determined by the pandemic. After the pandemic receded into the background in 2022, the provisions made for this, especially on the performing side, could be reversed accordingly. The year 2022 was characterized by the geopolitical situation (Russia-Ukraine conflict) and the associated macroeconomic changes, which was associated with an allocation of credit risk provisions for the performing portfolio. Overall, we see on the one hand a higher allocation of loan loss provisions in the performing portfolio in the comparison period due to the changed macroeconomic environment and on the other hand successful repayments in the non-performing portfolio, which means that the total value adjustments on customer receivables have increased slightly compared to 2021. At the end of 2021, the credit losses recognized for level 1 and 2 customer receivables were €517,088 thousand, rising slightly to €549,232,312.06 at the end of 2022.

Provisions for Stage 3 customer receivables, which amounted to €907,248 thousand at the end of 2021, fell to €885,150,026.92 at the end of 2022.

Development of non-performing loans and credit risk costs

The total loan exposure of UniCredit Bank Austria AG decreased in the financial year 2022 from €67,431,431 thousand (end of 2021) to €66,685,651,678.60. Of this amount, 65,714,536,988.97 relates to loans to customers (after deducting the credit losses made for this in the amount of €1,434,382,338.98). The non-performing volume increased moderately in the same period from €1,862,129 thousand to €2,016,374,693.14. Increases were primarily recorded in the Corporates segment.

Due to defaults in the financial year 2022 on the one hand and a lower volume of loans to the customers on the other, the non-performing portfolio rose from 2.7% to 3.0%.

In the non-performing portfolio, the level of allowances at the end of 2022 covered around 43.9% of the defaulted exposure (2021: 48.7%). The decrease in the allowance coverage ratio is primarily due to the fact that due to the high level of collateral (export credit guarantees) for most of the most recently defaulted loans, only minor loan loss provisions were required for these exposures. The Retail segment has the highest coverage.

In the comparative period, there was a significant reduction in credit risk costs to €13,952,989.42 (2021: €144,167 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, UniCredit Bank Austria AG granted its clients credit moratoria as well as loans secured with state guarantees.

The EBA-compliant moratoria expired in the 1. quarter 2021, and no loans secured by COVID-19 guarantee schemes have been granted since 1 July 2022. Bilaterally agreed, individual COVID-19-induced deferrals and other simplifications are occasionally extended if there is an economic need.

However, the COVID-19-induced measures do not have a material impact on UniCredit Bank Austria AG's risk profile due to the low volumes involved and currently non are expected.

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2.2.4. Securities

Securities intended to be held as long-term investments including receivables and similar financial instruments (Forderungen und forderungsähnliche Finanzinstrumente (FFI)) 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) applying the effective interest method. The relevant amounts of premiums and discounts are indicated in item 4 of the notes to the balance sheet (4.6. Differences between cost and repayable amount of bonds and other fixed-income securities). FFIs are debt instruments that are intended to be held to maturity and whose value is not potentially impacted by risk and reward structures that differ significantly from the default risks of the instrument. Such securities are measured at amortized cost less impairment for default risks as an expression of fair value.

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 (4.7. Differences between cost and market value of securities admitted to trading on an exchange which are not held as financial fixed assets).

Securities are allocated to the trading book, to current assets or to financial fixed assets, taking into account the intention and ability to hold the respective security permanently in accordance with the strategies decided by management.

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 Cashflow Valuation Model (3-phase model).

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

The following parameters were used when applying the Discounted Cashflow Valuation Model:

Phase 1 – planning period (2023 - 2025; in isolated cases deviating from this):
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 2025, were used. Any planning data available for subsequent years beyond this was used.

Phase 2 (from the end of the planning period until 2030):
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 decided by the management of the respective company. 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% (unchanged comparing to previous year) 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.

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 2022 financial statements.

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2.2.6. Intangible assets

As at 31 December 2022, UniCredit Bank Austria AG reported a goodwill figure of €11,546,684.00 (2021: €1,820 thousand), which is amortised over a period of 5 or 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.

UniCredit Bank Austria AG already set up a comprehensive project back in 2019, in which the necessary steps were taken in connection with the impact of the benchmark reform.
When adjusting the reference values, the simplifications with regard to AFRAC statement 15 margin No 77c were also applied.

In the first half of 2021, the reconciliation mechanism for the loan portfolio covered by the interest rate benchmark reform was established and implemented gradually by February 2022 as scheduled. Any compensation payments resulting from the changeover were posted immediately to the profit and loss account.

Exceptions are the reformed EURIBOR, which can still be used as a reference interest rate, and some USD LIBORs (overnight, 1, 3, 6 and 12 months), which will continue to exist until June 30, 2023. In the financial year 2022, no new business was concluded on USD Libor. After the final discontinuation of almost all LIBOR (London Interbank Offered Rate) rates in 2023, the USD LIBOR rates will be discontinued on June 30, 2023 and the corresponding contracts will be converted by then.

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.

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(IN € THOUSAND)

	CLEAN MARKET VALUES OF DERIVATIVES, NET AMOUNTS 31.12.2022	CLEAN MARKET VALUES OF DERIVATIVES, NET AMOUNTS 31.12.2021	OFFSETTING HIDDEN RESERVES FROM ITEMS UNDER A MACRO HEDGE 2022	PROVISION FOR PENDING LOSSES 31.12.2022	PROVISION FOR PENDING LOSSES 31.12.2021	CHANGE IN PROVISION FOR PENDING LOSSES IN 2022	LONGEST TERM OF DERIVATIVES 2022
EUR	158,558.4	(74,726.8)	166,979.9	-	-	-	30.06.2059
CAD	4.2	(16.2)	(545.4)	-	(16.2)	16.2	03.01.2023
CHF	45,155.6	18,658.8	9,185.7	-	-	-	15.06.2031
GBP	(37.6)	(7.3)	(21,730.0)	(37.6)	-	(37.6)	21.02.2023
HKD	(1.9)	-	0.6	(1.3)	-	(1.3)	06.01.2023
HRK	-	(1.5)	0.0	-	(1.5)	1.5	-
HUF	(28.5)	(14.0)	(0.2)	(28.5)	(14.0)	(14.5)	03.01.2023
JPY	164.7	409.5	4,573.7	-	-	-	15.02.2024
KZT	-	(11.8)	-	-	(11.8)	11.8	-
NOK	(9.6)	-	(74.7)	(9.6)	-	(9.6)	03.01.2023
NZD	-	(0.9)	(4.8)	-	(0.7)	0.7	-
RON	(7.7)	(13.6)	2.6	(5.1)	-	(5.1)	03.01.2023
RSD	(0.3)	-	(0.0)	(0.3)	-	(0.3)	04.01.2023
RUB	-	1.0	-	-	-	-	-
SEK	(23.7)	(30.9)	(9.3)	(23.7)	-	(23.7)	03.01.2023
TRY	(2.7)	(0.1)	(0.0)	(2.7)	-	(2.7)	03.01.2023
USD	(10,239.6)	(4,544.1)	24,797.2	-	-	-	30.12.2032
Other	7,275.3	1,655.6	522.3	-	-	-	15.06.2031
	200,806.5	**(58,642.3)**	**183,697.7**	**(108.9)**	**(44.2)**	**(64.7)**	

In most macro valuation units (split into currencies), the hidden reserves exceed the negative excesses of the corresponding derivative market values. Nevertheless, the provision for contingent losses was increased in the financial year 2022 by €64.7 thousand to €108.9 thousand.

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 using the dollar offset method.

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 provision totalled €-212,151,138.05 (2021: €148,988 thousand). Of this figure, €-581,570,544.40 (2021: €152,185 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 €369,419,406.35 (2021: €-3,186 thousand).

TYPE OF MICRO VALUATION UNIT	SIDE OF BALANCE SHEET	TYPE OF UNDERLYING	VALUE IN €	LONGEST TERM OF DERIVATIVES
Cash Flow	Assets	Securities	29,538,892.52	20.06.2029
Cash Flow	Liabilities	Securities	-	-
Fair Value	Assets	Loans to customers	(11,666,495.89)	29.03.2052
Fair Value	Assets	Securities	351,547,009.72	04.10.2052
Fair Value	Liabilities	Mony Market	(32,718,252.55)	15.12.2046
Fair Value	Liabilities	Securities	(548,852,291.85)	21.09.2035
TOTAL			**(212,151,138.05)**	

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The required **provision for impending losses as at 31 December 2022** comprises of the following for all currencies:

(IN € THOUSAND)

TYPE OF VALUATION UNIT	PROVISION REQUIRED FOR PENDING LOSSES 31.12.2022	PROVISION MADE FOR PENDING LOSSES 31.12.2021	CHANGE IN PROVISION FOR PENDING LOSSES IN 2022
Macro valuation units	(109)	(44)	(65)
Micro valuation units	(5,686)	(1,433)	(4,253)
Stand-alone derivatives	-	-	-
TOTAL	**(5,795)**	**(1,477)**	**(4,317)**

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. Targeted Longer-Term Refinancing Operations (TLTRO)

The TLTRO III liabilities are recorded as refinancing instruments in the banking book, which are subsequently measured at amortised cost. The prospect that the borrowing bank will be charged a variable negative interest rate on “longer-term refinancing operations” in addition to the average deposit facility rate (“DFR”) or the main refinancing operation (“MRO”) is linked to the achievement of certain threshold values for the cumulative net financing (CNL) vis-à-vis approved business partners.25
In particular, the terms and conditions for TLTRO instruments originally reflected the ECB’s monetary policy initiatives aimed at reducing the “financing costs” for banking institutions through the use of “unconventional” instruments, which was reflected in money market transactions.

Consequently, in the context of the accounting analysis, the possibility was rejected that such interest would have been evened out either (i) by a public-sector grant (since the ECB’s TLTRO is itself a market with “limited access and bank-specific”) or (ii) by an embedded derivative.
Consequently, the contractual clause was interpreted as a clause reflecting a floating-rate financial liability with a coupon (the refinancing operation) and as part of calculating the interest on the liability.
The interest was calculated using the “effective interest method”, in which interest rates are distributed over the period of application of the “effective interest rate” (EIR). The latter is defined as the rate at which the estimated future cash flows are discounted to the net book value over the expected term of the financial instruments.
Accordingly, the changes to the “performance-based fee” in the periods from June 2020 to June 2022 were treated similarly to changes to the market index for floating-rate liabilities. With reference to the EIR rules for “market-based” variable remuneration, changes to the “market index” (e.g. key interest rate and spread) were therefore taken into account by adjusting the carrying amount of the instruments, which was calculated with reference to the performance of the “TLTRO index” and limited to the share accrued (to date)26.

UniCredit Bank Austria AG used a total of €16.95 billion in central bank refinancing, which each had a 3-year term (of which €15.40 billion under the fourth tranche of TLTRO III in June 2020 and €1.55 billion under the seventh tranche of TLTRO III in March 2021).

In the third quarter of 2022, the ECB raised interest rates on the deposit facility twice: in July 2022, the interest rate for the deposit facility was raised from -0.5% to 0% and in September from 0% to 0.75%. As a result of the application of the accounting policy, the effective interest rate of TLTRO III was retroactively recalculated: for the allocation of the fourth tranche of TLTRO III (“TLTRO III.4”), the recalculation led to an increase in the EIR from -0.83% to -0.71%, while for the TLTRO III.7, the recalculation led to an increase in the EIR from -0.51% to -0.32% (the weighted overall average of the EIR rose from -0.82% to -0.67%), which led to a negative impact of €-48 million.

On 27 October 2022, the ECB Council decided to re-calibrate the conditions of the third series of targeted longer-term refinancing operations (TLTRO III) as part of its monetary policy measures to restore medium-term price stability in order to help normalise the banks’ favourable financing costs.

[25] Loans to non-financial corporations & loans to private households, excluding housing loans.
[26] Similar to other “market-indexed” floating-rate bonds.

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The purpose of the TLTRO has changed in this respect: from instruments intended to improve the functioning of the monetary transmission mechanism by stimulating banks' lending to the real economy, to regular financing of banks at market interest rates. Further details:

- The calculation of the interest rate on the basis of the originally contractually determined average DFR over the total term to maturity of the respective instrument was maintained for the period from the settlement date of the respective TLTRO III operation until 22 November 2022;
- From 23 November 2022 (i.e. until the maturity date or early repayment date of the respective TLTRO III operation), the interest rate will be adjusted to the average applicable ECB key interest rates in this period, i.e. to the DFR.

Against this background, an audit was carried out to determine whether the amendment to the terms and conditions of the TLTRO represents a significant change to the conditions of the financial liability that is to be recorded as repayment of the original financial liability and recognition of a new liability.

- The contractual conditions were amended as follows:
- Change of "moving average" over the entire term of the instrument
- Conversion of the instrument into a "pure" variable interest instrument at market conditions from 23 November 2022
- Introduction of new early repayment dates at nominal value[27] without contractual penalties

Consequently, the contractual changes were considered to be material in triggering the derecognition of the underlying liability, as the economic risks underlying the TLTRO III liabilities have changed significantly.
In addition, the calculation of amortised cost on the basis of the average effective interest rate calculated since the beginning of the instrument and up to its maturity was no longer considered appropriate[28].
Consequently, the derecognition of the current financial liability and recognition of the new financial liability on 23 November 2022 led to a positive impact on the income statement in the amount of €78.7 million[29], which was classified under the item "100. Gains (Losses) from the disposal and repurchase of: financial liabilities".

As of 31 December 2022, UniCredit Bank Austria AG still holds €5.4 billion in TLTRO III.4 (due in June 2023) following the early redemption of €10 billion in December 2022 and €1.55 billion in TLTRO III.7 (due in March 2024) with a positive contribution to the 2022 income statement in the amount of €123.7 million, which results from the following factors: interest recorded from 1 January to 22 November 2022 in the amount of €68.5 million, (ii) interest costs of €-23.6 million for the period from 23 November to 31 December 2022, (iii) €+78.7 million from the derecognition of financial liabilities and the recording of final interest rates.

2.1.12. Securities Lending and Repurchase Agreements

Repurchase agreements are contracts under which assets are transferred to another company in return for payment of an amount and in which it is also agreed that the assets are later transferred back in return for payment of the amount received or some other amount agreed in advance.

In securities lending, securities are transferred from the lender to a borrower for a specific period of time. After the transfer-period has expired, the borrower is obliged to return securities of the same type and quantity to the lender.

In the case of both repurchase transactions and securities lending, the assets transferred continue to be shown in the balance sheet of UniCredit Bank Austria AG. For repurchase agreements, a liability is recognized for the amount received for the transfer. If a higher or lower amount is agreed for the retransfer, the difference is distributed over the term of the repurchase agreement.

2.2.13. Deferred tax

In general, deferred tax assets and deferred tax liabilities arise when there are differences between the carrying amounts of assets or liabilities in the balance sheet and the tax carrying amounts of the assets or liabilities.

Deferred tax assets and deferred tax liabilities are recognized using the tax rates that are expected to apply to the period in which the carrying amount of the asset will be recovered or the liability settled, and the amounts recognized are reviewed periodically to reflect changes in regulation.

[27] plus accrued interest.
[28] From 27 October 2022 to 23 November 2022 (date of derecognition), net interest was recorded on the basis of the effective interest rate determined in September 2022, as it was no longer possible to apply the previous accounting approach, which included a recalculation of the effective interest rate, following the change in the liability structure.
[29] This is the difference between (i) the contractual financial remuneration (which can be recovered upon effective repayment) and (ii) the previous accounting accruals (including the catch-up and CLN benefits distributed up to the expected maturity after this date).

Notes to the Financial Statements

The local tax rate in Austria of 25.0% is used to calculate deferred taxes, and the respective local tax rate of 16% and 19% for the branches in Romania and Poland. The effect of the resolved tax rate change (in 2023: 24%; from 2024: 23%) was calculated according to the expected future use of the deferred tax assets and taken into account accordingly.

Deferred tax assets are only recognized to the extent as it is probable that the company will generate sufficient taxable profits in the future.

Due to the introduction of group taxation in Austria, Bank Austria formed a group of companies. A profit and loss transfer agreement has been concluded with 10 (2021: 11) Group members, and a tax allocation agreement with 129 (2021: 148). Foreign companies are not included in this figure.

2.2.14. Provisions

Provisions were recognised at the settlement amount using the best estimate. Provisions with a remaining maturity of more than one year, which show a significant interest effect, are recognized in the balance sheet at the discounted present value using a market 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 have left the company to retire by 31 December 2016.

Provisions for pensions and similar obligations decreased by €784,558,843.93 to a total of €2,910,609,509.49 (thereof provisions for pensions €2,657,343,000.00).

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: 3.80% p.a. (2021: 1.00% 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. The actuarial assumptions used to determine obligations vary from plan to plan; the discount rate is determined, depending on the maturity of the liability, by reference to market yield's next to the balance sheet date on a basket of “high quality corporate bonds” in order to reflect economic correlation and guarantee mutual consistency among different measurement assumptions (i.e.inflation rate, salary and pension increases rates, plan assets). As at 31 December 2022, the weighted duration for pension, severance compensation and service anniversary bonus obligation is 11 years.
- Salary increase: 3.43% (2021: 2.48%) considering an expected average long-term (corresponding to the average duration) inflation rate of 3.01%
- Pension increase (BA-ASVG): 2.85% p.a. (2021: 1.74% p.a.). Calculated on the basis of the effective average real pension increases of the last 20 years considering an expected average long-term inflation rate of 3.01%

Notes to the Financial Statements

- Pension increase (others): 3.14% p.a. (2021: 2.24% p.a.) calculated on the basis of the effective average real pension increases, taking into account an expected average long-term inflation rate of 3.01%
- No discount for staff turnover
- AVÖ-2018-P statistical tables of *Aktuarverein Österreich* [Austrian Actuarial Association] (life-expectancy tables for salaried staff) (2021: AVÖ-2018 P for employees)

Sensitivity analysis

(€ millions)

		AUSWIRKUNG AUF LEISTUNGORIENTIERTE VERPFLICHTUNGEN	
		31.12.2022	31.12.2021
Discount rate	-0,25%	79	120
	0,25%	(78)	(113)
Salary increase rate	-0,25%	(4)	(6)
	0,25%	4	7
Pension increase rate	-0,25%	(71)	(106)
	0,25%	75	112

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, eight of which are still open, with a claimed amount of €4.8 million plus interest. The claims asserted in these proceedings are that the UniCredit Bank Austria AG committed certain breaches of duty in its capacity as prospectus controller. 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, eighteen final decisions of the Austrian Supreme Court were taken in favor 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 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 UniCredit Bank Austria AG 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 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 favor 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.

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

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").

Notes to the Financial Statements

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.

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 subpoenas for 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. 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 Alpine bankruptcy, 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. With regard to the pending Austrian civil proceedings, UniCredit Bank Austria AG has made provisions for risks and charges to the extent that is considered appropriate for the current risks. No new provisions for risks and charges were made in 2022 and 2021. 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) 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.

Notes to the Financial Statements

VKI (*Verein für Konsumenteninformation*, the Austrian Association for Consumer Information) filed a class action suit against UniCredit Bank Austria AG, which was assessed by UniCredit Bank Austria AG with a financial risk of €34.5 million. The action 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 UniCredit Bank Austria AG brought an extraordinary appeal against what in their view 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 Austrian Consumer Credit Directive could be transferred to the Austrian Mortgage Credit Directive (Wohnimmobilienkredit-Richtlinie – WIKrRL) at all, an issue which is relevant for proceedings between the VKI and the UniCredit Bank Austria AG. The decision is currently still pending. In his submissions dated 29 September 2022, however, the Advocate General denied the transferability of the Lexitor decision to Article 25 WIKrRL. However, if the ECJ – contrary to the Advocate General – were to approve such a transfer, the Austrian Supreme Court would then have to answer the question of whether and in what way Section 20 (2) of the old version of the Austrian Mortgage and Real Estate Loan Act (in accordance with national law) could be interpreted in compliance with the Directive. Only if an interpretation in compliance with the Directive were permissible could the VKI's action be successful in the opinion of UniCredit Bank Austria AG. However, this appears unlikely, as the prevailing legal doctrine rejects an interpretation of Section 16 of the old version of the German Mortgage and Real Estate Loan Act that is compliant with the Directive and The Austrian Supreme Court shared this view in its decisions 3 Ob 216/21t and 5 Ob 197/21p. The UniCredit Bank Austria AG therefore expects that the Austrian Supreme Court will also consider any interpretation of Section 20 of the old version of the German Mortgage and Real Estate Loan Act that is compliant with the Directive to be inadmissible, as it essentially concerns the same (methodological) questions.

According to the considerations presented, no provisions for risks and charges were made for this legal dispute from the outset, following the same legal opinion of the UniCredit Bank Austria AG and the legal representative, as it is highly likely that UniCredit Bank Austria AG will win.

D) VKI list of fees (17 fees)

The VKI filed a class action suit against UniCredit Bank Austria AG, asserting the inadmissibility or contractual invalidity of seventeen different fees in consumer transactions due to an immoral contract or because of non-transparent wording or because of another violation of statutory provisions. The fees in dispute relate to the savings account business, the private loan business, the payment account business, and the credit card business. If one of these seventeen contested fees is ineffective, UniCredit Bank Austria AG may no longer assert these fees in business transactions with consumers in the future and must refund consumers who were charged such an invalid fee in the past.

Together with the mandated legal representative, UniCredit Bank Austria AG reviewed the current clauses in relation to the fees at the beginning of the procedure and evaluated the risk of a loss in the legal proceedings. In cases where the risk of a loss was judged to be higher than 50%, a loss provision was created, which corresponds to the impending financial risk in the amount of €4.2 million.

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.

4. Notes to the balance sheet

4.1. Breakdown by maturity – not repayable on demand

Breakdown by maturity

	31.12.2022 (in €)	31.12.2021 (IN € THOUSAND)
Loans and advances to credit institutions		
up to three months	1,363,658,452.83	4,362,156
over three months and up to one year	53,817,213.56	1,143,995
over one year and up to five years	177,854,361.37	301,684
over five years	443,945,802.60	594,032
Loans and advances to customers	**-**	-
up to three months	3,908,132,994.87	5,830,352
over three months and up to one year	4,537,624,456.90	4,677,790
over one year and up to five years	18,104,214,689.82	15,754,959
over five years	34,520,295,612.78	34,558,552
Amounts owed to credit institutions	**-**	
up to three months	3,277,463,293.16	3,249,754
over three months and up to one year *)	5,671,885,492.12	2,036,078
over one year and up to five years *)	3,591,080,103.77	17,402,267
over five years	2,123,489,437.66	2,650,619
Amounts owed to customers	**-**	-
a) Savings deposits **)	-	-
up to three months	104,015,841.10	139,258
over three months and up to one year	796,719,372.83	860,522
over one year and up to five years	1,467,261,833.14	1,458,704
over five years	3,948,112,742.39	3,946,680
b) Other amounts owed to customers	-	
up to three months	4,761,196,325.46	3,588,871
over three months and up to one year	2,050,538,769.54	1,672,635
over one year and up to five years	730,089,858.69	541,836
over five years	297,555,159.30	270,856
Bonds issued evidenced by certificates	-	-
up to three months	67,828,981.75	177,197
over three months and up to one year	177,389,212.86	904,553
over one year and up to five years	6,510,854,806.19	5,071,931
over five years	2,901,884,654.94	3,355,933
Other debts evidenced by certificates	**-**	-
up to three months	-	-
over three months and up to one year	-	-
over one year and up to five years	-	-
over five years	-	-

*) In 2021 liabilities to banks include a TLTRO (Targeted Longer-Term Refinancing Operations) volume in the amount of €16.95 billion under "over one year and up to five years". In 2022 a repayment of €10.0 billion was made. The remaining TLTRO volume is divided into "over three months and up to one year" and "over one year and up to five years" according to the maturity.

**) 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 €7,526,589,089.35 at the end of the year, or 7.26% of the balance sheet total (31.12.2021: €8,894,525 thousand or 7.74% of the balance sheet total). Foreign currency liabilities reached at 31.12.2022 €7,602,212,189.18 or 7.33% of the balance sheet total (31.12.2021: €8,970,168 thousand or 7.80% 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	
	31.12.2022 (IN €)	31.12.2021 (IN € THSD)	31.12.2022 (IN €)	31.12.2021 (IN € THSD)	31.12.2022 (IN €)	31.12.2021 (IN € THSD)
Loans and advances						
Loans and advances to credit institutions	1,023,867,157.41	1,826,349	30,384,797.98	37,232	-	-
Loans and advances to customers	3,265,451,113.73	3,227,002	44,523,927.63	43,724	1,346,339.43	1,278
Bonds and other fixed-income securities	-	-	115,490,515.86	113,143	-	-
Shares and other variable-yield securities	13,242,710.00	13,466	-	-	-	-
Amounts owed						
Amounts owed to credit institutions	4,898,562,815.60	3,440,920	5,529,880,863.23	6,326,032	-	-
Amounts owed to customers	567,023,141.45	613,849	1,012,657,899.06	1,529,241	1,458,845.05	1,421
Debts evidenced by certificates	2,575,086,010.67	2,233,244	-	-	-	-
Tier 2 capital	-	-	-	-	-	-

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	1,408,362.00	24,037.00	1,423,992.00	31.12.2022[2]
BA-CA Markets & Investment Beteiligung Ges.m.b.H., Vienna, AT[1]	100.00	32,520,905.00	1,415,188.00	32,543,905.00	31.12.2022[2]
Bank Austria Finanzservice GmbH, Vienna, AT	100.00	6,553,295.00	2,294,890.00	9,209,012.00	31.12.2022[2]
Bank Austria Real Invest Immobilien-Management GmbH, Vienna, AT[1]	94.95	49,687,298.00	21,801,674.00	74,390,062.00	31.12.2022[2]
Bank Austria Wohnbaubank AG, Vienna, AT[1]	100.00	44,973,373.00	562,594.00	45,005,775.00	31.12.2022[2]
CABET-Holding GmbH, Vienna, AT[1]	100.00	773,238,907.12	17,780,393.00	773,254,001.04	31.12.2022[2]
card complete Service Bank AG, Vienna, AT	50.10	45,225,574.56	(1,809,306.67)	723,955,397.65	31.12.2022[2]
FactorBank Aktiengesellschaft, Vienna, AT	100.00	106,502,119.52	5,722,131.65	1,010,606,552.98	31.12.2022[2]
Kaiserwasser Bau- und Errichtungs GmbH und Co OG, Vienna, AT	99.80	5,092,791.00	824,118.00	18,502,580.00	31.12.2022[2]
Paytria Unternehmensbeteiligungen GmbH, Vienna, AT	100.00	506,907.00	(17,895.00)	511,720.00	31.12.2022[2]
POLLUX Immobilien GmbH, Vienna, AT	100.00	53,920,881.00	2,225,940.00	63,015,491.00	31.12.2022[2]
Schoellerbank Aktiengesellschaft, Vienna, AT	100.00	225,312,041.73	33,739,284.47	2,867,200,209.31	31.12.2022[2]
UniCredit Center am Kaiserwasser GmbH, Vienna, AT	100.00	(387,595.00)	(85,694.00)	12,125,653.00	31.12.2022[2]
UniCredit Leasing (Austria) GmbH, Vienna, AT	100.00	99,580,014.04	6,209,276.62	442,623,679.78	31.12.2022[2]
UNIVERSALE International Realitäten GmbH, Vienna, AT	100.00	246,148,066.00	3,484,480.00	266,262,386.00	31.12.2022[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	2,030,797,250.00	93,857,000.00	2,881,469,000.00	30.09.2022[1)]
BKS Bank AG, Klagenfurt, AT	29.78	1,505,593,000.00	61,583,000.00	2,714,555,000.00	30.09.2022[1)]
NOTARTREUHANDBANK AG, Vienna, AT	25.00	46,094,437.63	4,013,180.25	52,381,523.30	31.12.2022[1)]
Oberbank AG, Linz, AT	27.17	3,348,397,000.00	117,802,000.00	7,085,932,000.00	30.09.2022[1)]
Oesterreichische Kontrollbank Aktiengesellschaft, Vienna, AT	49.15	867,304,829.00	53,011,849.00	32,245,419,000.00	31.12.2022[1))]
Österreichische Wertpapierdaten Service GmbH, Vienna, AT	29.30	303,649.00	37,412.00	4,212,687.00	31.12.2022[1)]
PSA Payment Services Austria GmbH, Vienna, AT	24.00	35,609,516.00	6,818,326.00	164,384,731.00	31.12.2022[1)]
WKBG Wiener Kreditbürgschafts- und Beteiligungsbank AG, Vienna, AT	21.54	26,806,727.90	(644,336.00)	31,989,298.76	31.12.2022[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	356,386.63	(9,523.88)	365,530.51	31.12.2021
Alpine Cayman Islands Ltd., George Town, Grand Cayman, KY	100.00	461,771.00	(18,846.00)	498,604.00	31.12.2021
BA Alpine Holdings, Inc., Wilmington County, New Castle, US[1)]	100.00	10,174,136.51	109,594.04	10,180,133.13	31.12.2021
Human Resources Service and Development GmbH, Vienna, AT[2)]	100.00	11,554.97	87,749.36	416,430.48	31.12.2021
RAMSES-Immobilienholding GmbH, Vienna, AT	100.00	56,364.40	23.587,63	59.080,00	31.12.2021
RE-St.Marx Holding GmbH, Vienna, AT[2)]	100.00	112,189.13	(8,478.78)	113.311,00	31.12.2021

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. Securities

At the end of the year 2022, €8,735,288,270.86 (31.12.2021: €9,548,059 thousand) of the entire securities portfolio of UniCredit Bank Austria AG related to financial fixed assets and €7,951,865,977.94 (31.12.2021: €5,962,152 thousand) to the current assets including the trading portfolio.

4.5.1. The following breakdown shows securities admitted to trading on an exchange:

	LISTED		NOT LISTED	
	31.12.2022 (IN €)	31.12.2021 (IN THOUSAND €)	31.12.2022 (IN €)	31.12.2021 (IN THOUSAND €)
Bonds and other fixed-income securities	6,798,248,268.05	4,294,154	-	-
Shares and other variable-yield securities	19,540.10	24	-	-
Equity interests	127,383,875.78	117,424	-	-
Shares in group companies	-	-	-	-
TOTAL	**6,925,651,683.93**	**4,411,602**	**-**	**-**

4.5.2. The following table shows securities admitted to trading on an exchange, broken down into fixed (long-term) and current assets:

	FIXED ASSETS		CURRENT ASSETS	
	31.12.2022 (IN €)	31.12.2021 (IN € THOUSAND)	31.12.2022 (IN €)	31.12.2021 (IN € THOUSAND)
Bonds and other fixed-income securities	2,181,767,765.20	1,575,162	4,616,480,502.85	2,718,992
Shares and other variable-yield securities	-	-	19,540.10	24
TOTAL	**2,181,767,765.20**	**1,575,162**	**4,616,500,042.95**	**2,719,016**

4.5.3. 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 31.12.2022 (IN €)	UNRECOGNISED LOSSES 31.12.2022 (IN €)	BOOK VALUE 31.12.2021 (IN € THOUSAND)	UNRECOGNISED LOSSES 31.12.2021 (IN € THOUSAND)
Treasury bills and similar securities	5,468,120,679.68	762,230,264.38	2,257,511	82,467
Bonds and other fixed-income securities	2,174,871,632.98	252,220,663.02	982,119	18,845
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 2022 (31.12.2021: €0 thousand). For receivables and similar financial instruments (Forderungen und forderungsähnliche Finanzinstrumente (FFI)), a statistically calculated credit risk provision in the amount of €846,251.73 (31.12.2021: €1,986 thousand) was recognized. Analyses performed in respect of the other portfolios did not provide any indication of impairment because on the one hand the majority of these are secured by micro/macro hedges and on the other hand the unhedged portfolios are planned to be held to maturity. Therefore no further write-downs were required for 2022.

4.6. 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 2022, the difference to be amortised over the remaining maturity amounted to €172,894,453.14 (31.12.2021: €270,407 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 €7,989,264.24 (31.12.2021: €4,175 thousand). As at 31 December 2022, the difference between cost and repayable amount was €125,053,220.01 (31.12.2021: €13,402 thousand).

Notes to the Financial Statements

4.7. 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 2022, the market value of securities held in the trading portfolio pursuant to Section 56 (5) of the Austrian Banking Act was €24.86 (31.12.2021: €0 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 €1,258,681,49 (31.12.2021: €27,159 thousand) higher than the carrying amount.

4.8. Bonds becoming due in the subsequent year

In 2022, receivables in the form of bonds and other fixed-interest securities in the amount of €986,010,968.43 (31.12.2021: €263,280 thousand) as well as bonds issued and other securitised liabiltities in the amount of €245,218,194.75 (31.12.2021: €1,081,750 thousand) will become due.

4.9. Trading book

In the 2022 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 €423,931.01 (31.12.2021: €208 thousand) and the notional amount of derivatives totalled €64,310,649,946.83 (31.12.2021: €48,403,762 thousand).

4.10. Own shares

There were no sales or purchases of UniCredit Bank Austria AG ordinary shares in 2022 (2021: no sales or purchases). As at 31 December 2022, UniCredit Bank Austria AG did not hold any of its own shares (31.12.2021: 0).

4.11. 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 (2021: 0 shares).
At the balance sheet date, UniCredit Bank Austria AG did not hold any UniCredit S.p.A. shares (31.12.2021: 0).

4.12. 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 2022 (31.12.2021: €0 thousand).

4.13. 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

	31.12.2022 (IN €)	31.12.2021 (IN € THOUSAND)
Loans and advances to customers	107,833,610.65	112,659
Total assets items	**107,833,610.65**	**112,659**
Amounts owed to credit institutions	54,620,162.49	50,341
Amounts owed to customers	53,213,448.16	62,318
Total liabilities items	**107,833,610.65**	**112,659**

In addition, as at 31 December 2022, bonds issued on a trust basis for Bank Austria by Wohnbaubank AG in the total amount of €539,845,500.00 (31.12.2021: €719,008 thousand) compare with assets totalling €757,441,873.16 (31.12.2021: €686,133 thousand) which were provided as collateral and are included in the item "Loans and advances to customers".

4.14. 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 €476,805,171.01 (31.12.2021: €1,088,910 thousand). The assets continue to be recognised as assets in the balance sheet, the consideration received is included in liabilities. As of December 31, 2022, €764,361,223.79 in securities were lent by UniCredit Bank Austria AG (31.12.2021: €140,071 thousand).

Notes to the Financial Statements

4.15. Subordinated assets

	31.12.2022 (IN €)	31.12.2021 (IN € THOUSAND)
Loans and advances to credit institutions	**228,571,225.59**	**227,807**
of which: equity interests	-	-
of which: group companies	228,571,225.59	227,807
Loans and advances to customers	**27,820,302.34**	**29,669**
of which: equity interests	-	2,004
of which: group companies	27,820,302.34	27,664
Bonds and other fixed-income securities	**-**	**-**
of which: equity interests	-	-
of which: group companies	-	-

4.16. Intangible fixed assets and tangible fixed assets

At the end of the reporting period a goodwill is reported under “Intangible assets” in the amount of €11,546,684.00 (31.12.2021: €1,820 thousand). The increase in goodwill in the financial year 2022 results from the transfer of business from an affiliated company. The acquired branches do not carry out any operative banking business and are not bank branches.

The value of land of real estate properties totalled €3,227,386.49 at the end of the reporting period (31.12.2021: €3,265 thousand).

Notes to the Financial Statements

4.17. Fixed assets

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**

(in €)

	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

Movements in fixed assets of UniCredit Bank Austria AG

(in €)

	31.12.2021	ADDITIONS	DISPOSALS	TRANSFERS	31.12.2022
Cost					
Treasury bills and similar securities	7,823,123,652.09	505,685,406.67	(2,408,104,048.24)	-	5,920,705,010.52
Loans and advances to credit institutions	-	1,179,775,586.99	(848,211,756.00)	-	331,563,830.99
Loans and advances to customers	513,660,208.39	355,712,850.54	(369,321,868.08)	-	500,051,190.85
Bonds and other fixed-income securities	1,583,092,745.35	737,193,031.57	(128,257,321.47)	-	2,192,028,455.45
Shares and other variable-yield securities	-	-	-	-	-
Equity interests	318,488,118.49	10,733,586.94	-	-	329,221,705.43
Shares in group companies	9,327,976,432.52	37,952,001.60	(4,103,405.83)	-	9,361,825,028.29
Intangible fixed assets	482,851,292.71	11,118,538.18	-	-	493,969,830.89
Tangible fixed assets					
a) Land and buildings	50,672,005.38	180,980.26	(2,282,042.38)	5,084.70	48,576,027.96
b) Other tangible fixed assets	240,243,264.28	5,889,028.90	(24,019,357.72)	(5,084.70)	222,107,850.76
TOTALS	**20,340,107,719.21**	**2,844,241,011.65**	**(3,784,299,799.72)**	**-**	**19,400,048,931.14**

(in €)

	ACCUMULATED WRITE-DOWNS/DEPRECIATION 31.12.2021	WRITE-DOWNS/ DEPRECIATION 2022	WRITE-UPS 2022	ACCUMULATED WRITE-DOWNS/DEPRECIATION DISPOSALS 31.12.2022
Carrying value and write-downs/depreciation				
Treasury bills and similar securities	(362,933,543.49)	(44,234,605.95)	27,627,907.87	179,997,846.77
Loans and advances to credit institutions	-	(18,345.46)	1,119,563.00	-
Loans and advances to customers	(952,989.21)	(212,914.88)	807,554.65	-
Bonds and other fixed-income securities	(7,931,020.87)	(6,209,909.68)	1,334,484.19	2,545,756.11
Shares and other variable-yield securities	-	-	-	-
Equity interests	(85,618,611.82)	(3,300,412.63)	31,172,831.18	-
Shares in group companies	(7,730,655,055.79)	(13,502,949.21)	8,818,041.15	-
Intangible fixed assets	(481,031,292.71)	(1,391,854.18)	-	-
Tangible fixed assets	-	-	-	-
a) Land and buildings	(29,759,172.57)	(610,623.96)	-	1,450,116.06
b) Other tangible fixed assets	(139,591,642.93)	(20,109,538.74)	-	24,031,462.21
TOTAL	**(8,838,473,329.39)**	**(89,591,154.69)**	**70,880,382.04**	**208,025,181.15**

	ACCUMULATED WRITE-DOWNS/DEPRECIATION TRANSFERS 31.12.2022	ACCUMULATED WRITE-DOWNS/DEPRECIATION 31.12.2022	CARRYING VALUE 31.12.2022	CARRYING VALUE 31.12.2021
Carrying value and write-downs/depreciation (continued)				
Treasury bills and similar securities	-	(199,542,394.80)	5,721,162,615.72	7,460,190,108.60
Loans and advances to credit institutions	-	1,101,217.54	332,665,048.53	-
Loans and advances to customers	-	(358,349.44)	499,692,841.41	512,707,219.18
Bonds and other fixed-income securities	-	(10,260,690.25)	2,181,767,765.20	1,575,161,724.48
Shares and other variable-yield securities	-	-	-	-
Equity interests	-	(57,746,193.27)	271,475,512.16	232,869,506.67
Shares in group companies	-	(7,735,339,963.85)	1,626,485,064.44	1,597,321,376.72
Intangible fixed assets	-	(482,423,146.89)	11,546,684.00	1,820,000.00
Tangible fixed assets	-	-	-	-
a) Land and buildings	-	(28,919,680.47)	19,656,347.49	20,912,832.81
b) Other tangible fixed assets	-	(135,669,719.46)	86,438,131.30	100,651,621.35
TOTAL	**-**	**(8,649,158,920.89)**	**10,750,890,010.25**	**11,501,634,389.81**

Notes to the Financial Statements

4.18. Leasing activities

While UniCredit Bank Austria AG was not directly active as lessor in the leasing business in 2022, as in the previous year, its activities included the extension of loans to leasing companies.

4.19. 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

	31.12.2022 (IN €)	31.12.2021 (IN € THOUSAND)
for the subsequent business year	40,160,223.98	37,355
for the subsequent five business years	208,062,903.63	183,721

4.20. Other assets

4.20.1. Other assets

This item includes valuation components, both reflected and not reflected in income, of €2,630,444,976.68 (31.12.2021: €1,094,739 thousand) from derivative products. For affiliated companies, with which a profit-pooling agreement is in place, dividend receivables in the amount of €61,711,061.01 (31.12.2021: €91,728 thousand) is reported under this item. Claims against the Austrian tax office for companies (Finanzamt für Körperschaften) totaled €52,839,375.07 (31.12.2021: €21,227 thousand). Other assets also include accrued interest and fee and commission income in the amount of €115,057,367.45 (31.12.2021: €109,514 thousand). The remaining other assets amounted to €1,030,773.63 as at 31 December 2022 (31.12.2021: €1.040).

4.20.2. Prepaid expenses

This item includes an advance rent payment for real estate of €995,198.04 (31.12.2021: €1,234 thousand). This balance sheet item also includes discounts of €95,994,884.91 (31.12.2021 €109,583 thousand) in respect of the bank's own issues. The remaining accruals and deferrals in 2022 amounted to €322,911.22 (31.12.2021: €655 thousand).

4.21. 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, amounts to €334,590,205.87 (2021: €586,827 thousand); this amount included deferred taxes of €122,389.47 (2021: €220 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, the valuation of securities as well as the 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 effect of the resolved tax rate change (in 2023: 24%; from 2024: 23%) was calculated according to the expected future use of the deferred tax assets and taken into account accordingly. In the year under review, this led to a reduction in deferred tax assets of €28,354,563.00.

No use was made of the option to capitalize tax loss carryforwards.

4.22. Other liabilities

Valuation components from derivative products, either with or without an effect on the profit and loss account, totalling €2,432,059,366.06 (31.12.2021: €1,330,681 thousand) are reported in this balance sheet item.

For those employees who have concluded a severance agreement as part of restructuring projects, a liability in the amount of €284,338,918.02 (31.12.2021: €237,356 thousand) is reported under this item. There are also liabilities arising from Kapitalertragsteuer/KESt (withholding tax) settlements totalling €28,222,054.39 (31.12.2021: €39,220 thousand).

Anticipations on the liabilities side totalling €11,798,430.17 (31.12.2021: €13,185 thousand) are also accounted for under "Other liabilities". The remaining liabilities in 2022 amounted to €119,472,065.08 (31.12.2021: €144,365 thousand).

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4.23. Deferred income

This balance sheet item includes premiums of €9,876,019.12 (31.12.2021: €12,963 thousand) in respect of the bank's own issues. Other deferred income in 2022 amounted to €34,286,682.23 (31.12.2021: €11,522 thousand).

4.24. Other provisions

	31.12.2022 (IN €)	31.12.2021 (IN € THOUSAND)
Provisions for credit risks	176,072,582.45	232,964
Provisions for pending losses	82,200,832.24	65,606
Provisions for indeterminate liabilities	161,048,884.01	209,138
Restructuring provisions	128,156,576.01	274,922
TOTAL	**547,478,874.71**	**782,630**

The provisions for contingent liabilities include mainly provisions for payroll accounting.

The provisions for pending losses primarily include provisions for legal risks. A detailed description of the existing legal risks can be found under 2.2.15 Legal risks.

The restructuring provisions include payroll costs and other administrative expenses related to the "UniCredit Unlocked" strategic plan initiated by UniCredit. The reduction in restructuring provisions is largely due to utilization in the financial year 2022.

4.25. 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 2022 amounts to €592.845.416,57 (31.12.2021: €588,353 thousand). In the reporting year no Tier 2 capital have been repaid As at 31 December 2022 the supplementary capital consists of 11 bonds (31.12.2021: 11 bonds) and 1 time deposit (31.12.2021: 1 time deposit), most of which have a term of more than four years. The currencies used are the EUR and USD.

4.26. 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 as at 31 December 2022 amount to €2,270,604.40 (31.12.2021: €1,718 thousand).

4.27. Equity

4.27.1. Subscribed share capital

The share capital of UniCredit Bank Austria AG as at 31 December 2022 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

4.27.2. Capital reserves

As at 31 December 2022, capital reserves subject to legal restrictions were stated at €876,354,199.40, unchanged compared with 31 December 2021. A capital reserve which is not subject to legal restrictions amounted to €1,000,000,000.00 as at balance sheet date (31 December 2021: €1,000,000 thousand), reflecting a shareholder contribution from UniCredit S.p.A.

4.27.3. Revenue reserves

As at 31 December 2022, revenue reserves were stated at €192,056,563.11 (31.12.2021: €192,057 thousand).

4.27.4. Reserve pursuant to Section 57 (5) of the Austrian Banking Act

As at 31 December 2022, reserve pursuant to section 57 (5) of the Austrian Banking Act were stated unchanged at €2,129,748,409.45 (31 December 2021: €2,129,748 thousand).

Notes to the Financial Statements

4.28 Tier 1 capital and Tier 2 capital

The following table already takes into account the movements in reserves and the 2022 results, taking into account the planned distribution. Please note that the annual financial statements have not been approved at the time the annual financial statements were prepared 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		31.12.2022	7,257,737,844.30
		31.12.2021	6,614,222,229.25
UNICREDIT BANK AUSTRIA AG			
1	**OWN FUNDS**		**7,257,737,844.30**
1.1	**TIER 1 CAPITAL (T1)**		**6,527,007,732.80**
1.1.1	**COMMON EQUITY TIER 1 CAPITAL (CET1)**		**5,927,007,732.80**
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	776,127,785.57	
1.1.1.2.1	Previous years retained earnings	338,694,572.87	
1.1.1.2.2	Profit or loss eligible	437,433,212.70	
1.1.1.2.2.1	Profit or loss attributable to the owners of the parent company	670,974,320.90	
1.1.1.2.2.2	(–) Part of interim or year-end profit not eligible	(233,541,108.20)	
1.1.1.4	Other reserves [2)]	2,129,748,409.45	
1.1.1.9	Adjustments to CET1 due to prudential filters	(42,404,403.04)	
1.1.1.9.4	Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities[3)]	(39,291,787.05)	
1.1.1.9.5	(–) Value adjustments due to the requirements for prudent valuation	(3,112,615.99)	
1.1.1.10	(–) Goodwill	(11,546,684.00)	
1.1.1.10.1	(–) Goodwill accounted for as intangible asset	(11,546,684.00)	
1.1.1.13	(–) IRB shortfall of credit risk adjustments to expected losses	(3,628,174.27)	
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	(314,068,479.34)	
1.1.1.25	(–) Amount exceeding the 17.65 % threshold	(73,596,309.99)	
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	(48,344,414.85)	
1.1.1.25.2	(-) Amount exceeding the 17.65% threshold related to deferred tax assets arising from temporary differences	(25,251,895.14)	
1.1.1.25A	(-) Insufficient coverage for non-performing exposures	(8,455,456.67)	
1.1.1.27	Additional deductions to be made from CET 1 in accordance with Article 3 of the CRR [4)]	(82,556,675.71)	
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)**		**730,730,111.50**
1.2.1	**Capital instruments and subordinated loans qualifying as Tier 2 capital**		**25,782,861.43**
1.2.1.1	Paid-up capital instruments and subordinated loans	25,782,861.43	
1.2.1.2*	Memorandum item: Capital instruments and subordinated loans not eligible	10,109,688.01	
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[5)]**		**552,905,743.68**
1.2.5	**IRB Excess of provisions over expected losses eligible**		**152,127,759.96**
1.2.9	**(–) Tier 2 capital instruments of financial sector entities in which the institution has a significant investment**		**(86,253.57)**

1) includes, in addition to the share premium, the uncommitted capital reserve from shareholder contribution of € 1bn
2) liability reserve
3) since 3Q22, the Debit Value Adjustment, reduced by the tax deduction, has been taken into account (25% Income Tax rate)
4) NPE backstop/calendar provisioning in implementation of SREP letter to UniCredit Group
5) 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		31.12.2022	2,819,448,297.83
		31.12.2021	2,800,938,671.54
UNICREDIT BANK AUSTRIA AG			
1	**TOTAL RISK EXPOSURE AMOUNT**		**35,243,103,722.83**
1.1	**RISK-WEIGHTED EXPOSURE AMOUNTS FOR CREDIT RISK, COUNTERPARTY RISK AND DILUTION RISK AND FOR FREE DELIVERIES**		**27,016,855,011.69**
1.1.1	**Standardised approach (SA)**		**1,645,707,664.36**
*1.1.1**	*of which: Additional strict requirements due to Article 124*		**-**
1.1.1.1	SA exposure classes excluding securitisation positions	1,645,707,664.36	
1.1.1.1.01	Central governments or central banks	774,312,541.45	
1.1.1.1.02	Regional governments or local authorities	7,163,641.44	
1.1.1.1.03	Public sector entities	108,195,227.05	
1.1.1.1.06	Institutions	34,919,094.01	
1.1.1.1.07	Corporates	630,019,974.24	
1.1.1.1.08	Retail	16,512,390.74	
1.1.1.1.09	Secured by mortgages on immovable property	31,220,375.78	
1.1.1.1.10	Exposures in default	17,162,324.10	
1.1.1.1.11	Items associated with particular high risk	2,108,933.36	
1.1.1.1.13	Claims on institutions and corporates with a short-term credit assessment	2,221,923.19	
1.1.1.1.14	Collective investment undertakings (CIU)	21,871,239.03	
1.1.2	**Internal ratings-based (IRB) approach**		**25,354,626,659.49**
*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	21,420,601,052.71	
1.1.2.2.01	Central governments and central banks	158,634,877.87	
1.1.2.2.02	Institutions	1,500,647,937.43	
1.1.2.2.03	Corporates – SMEs	1,474,058,300.76	
1.1.2.2.04	Corporates - Specialised Lending	593,652,105.81	
1.1.2.2.05	Corporates - Other	12,602,568,840.15	
1.1.2.2.06	Retail – Secured by real estate SME	247,290,311.59	
1.1.2.2.07	Retail – Secured by real estate non-SME	1,630,332,590.11	
1.1.2.2.08	Retail – Qualifying revolving	410,459,895.56	
1.1.2.2.09	Retail – Other SME	351,049,578.59	
1.1.2.2.10	Retail – Other non-SME	2,451,906,614.84	
1.1.2.3	Equity IRB	3,456,080,609.19	
1.1.2.5	Other non credit-obligation assets	477,944,997.59	
1.1.3	**Risk exposure amount for contributions to the default fund of a central counterparty**		**11,928,220.80**
1.1.4	**Securitisation positions**		**4,592,467.04**
1.2	**TOTAL RISK EXPOSURE AMOUNT FOR SETTLEMENT/DELIVERY**		**1,807.25**
1.2.1	**Settlement and delivery risk in the non-trading book**		**1,807.25**
1.3	**TOTAL RISK EXPOSURE AMOUNT FOR POSITION RISK, FOREIGN EXCHANGE RISK AND COMMODITIES RISK**		**676,818,090.88**
1.3.1	**Risk exposure amount for position risk, foreign exchange risk and commodities risk under the standardised approach**		**90,587.25**
1.3.1.4	Foreign Exchange	90,587.25	

Notes to the Financial Statements

1.3.2	Risk exposure amount for position risk, foreign exchange risk and commodities risk under internal models	676,727,503.63
1.4	TOTAL RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK (OpR)	2,517,556,467.88
1.4.3	OpR Advanced measurement approaches (AMA)	2,517,556,467.88
1.6	TOTAL RISK EXPOSURE AMOUNT FOR CREDIT VALUATION ADJUSTMENT	67,872,345.13
1.6.1	Advanced method	67,872,345.13
1.8	OTHER RISK EXPOSURE AMOUNTS	4,964,000,000.00
1.8.4	of which: Additional risk exposure amount due to Article 3 CRR [1)]	4,964,000,000.00
		-
Capital requirements pursuant to Article 92 of Regulation (EU) No 575 /2013		2,819,448,297.83
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	20.6%

1) Including RWA add-on of €4,464 million until the implementation of the new LGD models relating to changes in the EAD model and 500 Mio € relating to changes in the EAD model.
2) Including RWA add-ons amounting to €4,464 million until the new LGD models are implemented and €500 million relating to changes in the EAD model.

Notes to the Financial Statements

The following table includes the eligible **consolidated result for 2022**. Please note that the financial statements of Bank Austria AG and of some single subsidiaries have not been approved at the time the annual financial statements were prepared 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		31.12.2022	7,498,594,870.65
		31.12.2021	7,420,636,019.50
UNICREDIT BANK AUSTRIA SUB-GROUP			
1	**OWN FUNDS**		**7,498,594,870.65**
1.1	**TIER 1 CAPITAL (T1)**		**6,790,533,445.14**
1.1.1	**COMMON EQUITY TIER 1 CAPITAL (CET1)**		**6,188,123,445.94**
1.1.1.1	Capital instruments eligible as CET1 Capital	5,814,500,000.00	
1.1.1.1.1	Paid-up capital instruments	1,681,034,000.00	
1.1.1.1.3*	Share premium [1)]	4,133,466,000.00	
1.1.1.2	Retained earnings	3,227,603,891.80	
1.1.1.2.1	Previous years retained earnings	2,638,568,000.00	
1.1.1.2.2	Profit or loss eligible	589,035,891.80	
1.1.1.2.2.1	Profit or loss attributable to owners of the parent	822,577,000.00	
1.1.1.2.2.2	(–) Part of interim or year-end profit not eligible	(233,541,108.20)	
1.1.1.3	Accumulated other comprehensive income	(2,105,373,000.00)	
1.1.1.4	Other reserves	1,632,301,000.00	
1.1.1.7	Minority interest given recognition in CET1 capital	11,246,665.19	
1.1.1.9	Adjustments to CET1 due to prudential filters	(101,705,425.65)	
1.1.1.9.2	Cash flow hedge reserves	(42,267,000.00)	
1.1.1.9.3	Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	(253,007.00)	
1.1.1.9.4	Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities [2)]	(39,291,787.05)	
1.1.1.9.5	(–) Value adjustments due to the requirements for prudent valuation	(19,893,631.60)	
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	(836,619.15)	
1.1.1.11.1	(–) Other intangible assets gross amount	(1,246,443.79)	
1.1.1.11.2	Deferred tax liabilities associated to other intangible assets	409,824.64	
1.1.1.12	(–) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(252,273,096.51)	
1.1.1.13	(–) IRB shortfall of credit risk adjustments to expected losses	(481,650.07)	
1.1.1.24	(–) CET1 instruments of financial sector entities where the institution has a significant investment	(1,684,590,515.70)	
1.1.1.25	(–) Amount exceeding the 17.65 % threshold	(382,481,549.28)	
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	(240,992,450.18)	
1.1.1.25.2	(-) Amount exceeding the 17.65% threshold related to deferred tax assets arising from temporary differences	(141,489,099.10)	
1.1.1.25A	(-) Insufficient coverage for non-performing exposures	(8,496,927.61)	
1.1.1.26	Other transitional adjustments to CET1 Capital [3)]	172,581,097.63	
1.1.1.27**	Additional deductions to be made from CET 1 in accordance with Article 3 of the CRR [4)]	(91,176,425.00)	

Notes to the Financial Statements

1.1.2	**ADDITIONAL TIER 1 CAPITAL (AT1)**		**602,409,999.20**
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	2,409,999.20	
1.2	**TIER 2 CAPITAL (T2)**		**708,061,425.51**
1.2.1	**Capital instruments and subordinated loans eligible as T2 Capital**		**25,782,861.43**
1.2.1.1	Paid-up capital instruments and subordinated loans	25,782,861.43	
1.2.1.2	*Capital instruments and subordinated loans eligible as T2 Capital*	10,109,688.00	
1.2.2	Transitional adjustments due to grandfathered T2 Capital instruments [5)]		552,905,743.68
1.2.3	**Instruments issued by subsidiaries that are given recognition in T2 Capital**		**638,090.05**
1.2.5	**IRB Excess of provisions over expected losses eligible**		**128,825,571.39**
1.2.9	**(–) T2 instruments of financial sector entities where the institution has a significant investment**		**(90,841.04)**

1) includes, in addition to the share premium, the uncommitted capital reserve from shareholder contribution of €1bn
2) since 3Q22, the Debit Value Adjustment, reduced by the tax deduction, has been taken into account (25% Income Tax rate)
3) 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
4) including deductions for NPE Backstop / Calendar Provisioning according to SREP Letter to UniCredit Group
5) 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		31.12.2022	2,848,531,374.17
		31.12.2021	2,897,602,142.77
UNICREDIT BANK AUSTRIA			
1	**TOTAL RISK EXPOSURE AMOUNT**		**35,606,642,177.07**
1.1	**RISK-WEIGHTED EXPOSURE AMOUNTS FOR CREDIT RISK, COUNTERPARTY RISK AND DILUTION RISK AND FOR FREE DELIVERIES**		**26,832,505,949.78**
1.1.1	**Standardised approach (SA)**		**5,345,056,696.19**
1.1.1*	**of which: Additional stricter supervisory requirements due to Article 124***		**-**
1.1.1.1	SA exposure classes excluding securitisation positions	5,345,056,696.19	
1.1.1.1.01	Central governments or central banks	848,219,649.77	
1.1.1.1.02	Regional governments or local authorities	7,144,332.51	
1.1.1.1.03	Public sector entities	111,621,093.89	
1.1.1.1.06	Institutions	91,887,338.28	
1.1.1.1.07	Corporates	1,934,038,768.76	
1.1.1.1.08	Retail	387,844,425.58	
1.1.1.1.09	Secured by mortgages on immovable property	177,317,964.18	
1.1.1.1.10	Exposures in default	119,058,016.38	
1.1.1.1.11	Items associated with particular high risk	2,108,933.36	
1.1.1.1.12	Covered bonds	244,434.46	
1.1.1.1.13	Claims on institutions and corporates with a short-term credit assessment	9,553,022.22	
1.1.1.1.14	Collective investments undertakings (CIU)	20,400,859.00	
1.1.1.1.15	Equity	1,105,057,602.14	
1.1.1.1.16	Other items	530,560,255.72	
1.1.2	**Internal ratings-based (IRB) approach**		**21,470,928,565.72**
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	20,174,437,069.40	
1.1.2.2.01	Central governments and central banks	158,646,635.59	
1.1.2.2.02	Institutions	1,493,181,937.12	
1.1.2.2.03	Corporates – SMEs	1,471,845,206.65	
1.1.2.2.04	Corporates - Specialised Lending	593,653,800.71	
1.1.2.2.05	Corporates - Other	11,367,897,190.56	
1.1.2.2.06	Retail – Secured by real estate SME	246,889,966.32	
1.1.2.2.07	Retail – Secured by real estate non-SME	1,630,101,220.62	
1.1.2.2.08	Retail – Qualifying revolving	410,379,529.13	
1.1.2.2.09	Retail – Other SME	350,769,358.42	
1.1.2.2.10	Retail – Other non-SME	2,451,072,224.28	
1.1.2.3	Equity IRB	600,698,647.43	
1.1.2.5	Other non credit-obligation assets	695,792,848.89	
1.1.3	**Risk exposure amount for contributions to the default fund of a central counterparty**		**11,928,220.81**
1.1.4	**Securitisation positions**		**4,592,467.06**
1.2	**TOTAL RISK EXPOSURE AMOUNT FOR SETTLEMENT/DELIVERY**		**1,807.25**
1.2.1	**Settlement and delivery risk in the non-trading book**		1,807.25
1.3	**TOTAL RISK EXPOSURE AMOUNT FOR POSITION RISK, FOREIGN EXCHANGE RISK AND COMMODITIES RISK**		**674,195,153.01**
1.3.1	**Risk exposure amount for position risk, foreign exchange risk and commodities risk under the standardised approach**		**255,789.88**
1.3.1.4	Foreign Exchange	255,789.88	
1.3.2	**Risk exposure amount for position risk, foreign exchange risk and commodities risk under internal models**		**673,939,363.13**
1.4	**TOTAL RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK (OpR)**		**3,062,214,562.75**
1.4.2	**OpR Standardised (STA) / Alternative Standardised (ASA) approaches**		**434,344,613.50**
1.4.3	**OpR Advanced measurement approaches (AMA)**		**2,627,869,949.25**

Notes to the Financial Statements

1.6	**TOTAL RISK EXPOSURE AMOUNT FOR CREDIT VALUATION ADJUSTMENT**	**67,872,345.13**
1.6.1	Advanced method	67,872,345.13
1.8	**OTHER RISK EXPOSURE AMOUNTS**	**4,969,852,359.15**
1.8.4	of which: Additional risk exposure amount due to Article 3 CRR [1)]	4,969,852,359.15
Capital requirements pursuant to Article 92 of Regulation (EU) No 575 /2013		**2,848,531,374.17**
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	**17.4%**
	b) a Tier 1 capital ratio of	**19.1%**
	c) a total capital ratio of	**21.1%**

1) Including RWA add-on of €4,464 million until the implementation of the new LGD models and 500 Mio € relating to changes in the EAD model.
2) Including RWA add-ons amounting to €4,464 million until the new LGD models are implemented and €500 million relating to changes in the EAD model.

4.29. 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.

4.30. Assets pledged as security

Assets pledged as security for liabilities pursuant to Section 64 (1) 8 of the Austrian Banking Act

ASSETS	31.12.2022 (IN €)	DESCRIPTION OF THE LIABILITIES	BALANCE SHEET ITEM
Cover fund for deposits held in trust for wards:			
Fixed-income securities	266,196,042.43	Deposits held in trust for wards	Liabilities item 2
Cover fund for mortgage bonds and public-sector covered bonds:			
Loans and advances to customers	11,871,022,366.91	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Loans and advances to credit institutions	-	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Fixed-income securities	582,289,567.40	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Total	**12,453,311,934.31**		
Collateral for Wohnbaubank bonds issued on a trust basis:			
Loans and advances to customers	757,441,873.16	Wohnbaubank bonds issued on a trust basis	Liabilities item 3
Collateral pool OeNB (tender):			
Loans and advances to customers	13,684,788,322.01	OeNB/ECB funding	Liabilities item 1
Fixed-income securities	3,930,607,364.91	OeNB/ECB funding	Liabilities item 1
Total	**17,615,395,686.92**		
Collateral EIB and KfW:			
Loans and advances to customers	-	Supranational Funding	Liabilities item 1
Fixed-income securities	27,918,836.87	Supranational Funding	Liabilities item 1
Total	**27,918,836.87**		
Collateral for trading transactions in securities and derivatives:			
Cash collateral	785,424,931.77	Margin requirements	
Securities collateral	7,654,153.97	Margin requirements	
Total	**793,079,085.74**		
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	4,227,866,828.81	Claims assigned in favour of OeKB	Liabilities item 1
Loans and advances to customers	-	Earmarked deposit Wohnbaubank AG	Liabilities item 1
Total	**4,227,866,828.81**		
AGGREGATE TOTAL	**36,141,210,288.24**		

The sub-item “Savings deposits” (liabilities item 2a) includes deposits held in trust for wards in the amount of €181,256,323.81 (31.12.2021: €172,560 thousand).

Notes to the Financial Statements

Assets pledged as security for liabilities pursuant to Section 64 (1) 8 of the Austrian Banking Act

ASSETS	31.12.2021 (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**		

Notes to the Financial Statements

4.31. Derivatives business

Derivatives shown in the relevant tables are classified as financial derivatives and credit derivatives, according to the underlying financial instrument. In these categories, a distinction is made between trading book and banking book and between different products and remaining maturities. UniCredit Bank Austria AG's business volume in derivatives focuses on interest rate contracts.

Derivatives are mainly used by the bank itself for hedging market risk and credit spread risk arising from new issue activities. In customer business, market participants include banks, securities houses and corporate customers.
Trading in derivatives at UniCredit Bank Austria AG is primarily related to the hedging of positions entered into vis-à-vis customers.

Information pursuant to Section 64 (1) 3 of the Austrian Banking Act may also be derived from the following tables.

(€)

	31.12.2022 (IN €)			31.12.2021 (IN € THOUSAND)		
	NOTIONAL AMOUNT	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE	NOTIONAL AMOUNT	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE
Trading book	**64,310,649,946.83**	**2,366,366,407.68**	**2,343,092,139.61**	**48,403,762**	**927,255**	**968,521**
Financial derivatives on debt instruments and interest rates	**50,425,560,410.84**	**1,856,114,402.11**	**1,836,679,328.55**	**37,342,882**	**655,488**	**697,069**
Options	6,787,145,693.70	50,337,277.85	49,108,473.56	4,136,517	17,062	15,559
Swaps	43,638,414,717.14	1,805,777,124.26	1,787,570,854.99	33,206,365	638,425	681,510
Forwards	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Other	-	-	-	-	-	-
Financial derivatives on equity instruments and share indices	**111,112,678.40**	**168,315.25**	**113,014.74**	**198,905**	**486**	**321**
Options	111,112,678.40	168,315.25	113,014.74	198,905	486	321
Swaps	-	-	-	-	-	-
Forwards	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Other	-	-	-	-	-	-
Financial derivatives on exchange rates and gold	**11,766,223,756.42**	**221,802,046.88**	**219,162,348.79**	**10,226,061**	**155,753**	**155,524**
Options	1,739,561,365.67	29,891,216.60	29,934,889.22	1,747,710	26,236	26,209
Swaps	-	-	-	-	-	-
Forwards	10,026,662,390.75	191,910,830.28	189,227,459.57	8,478,351	129,516	129,315
Futures	-	-	-	-	-	-
Other	-	-	-	-	-	-
Financial derivatives on other underlying transactions	**2,007,753,101.17**	**288,281,643.44**	**287,137,447.53**	**635,914**	**115,529**	**115,607**
Options	-	-	-	-	-	-
Swaps	2,007,753,101.17	288,281,643.44	287,137,447.53	635,914	115,529	115,607
Forwards	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Other	-	-	-	-	-	-
Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
Credit default swaps	-	-	-	-	-	-
Other	-	-	-	-	-	-

Notes to the Financial Statements

(€)

	31.12.2022 (IN €)			31.12.2021 (IN € THOUSAND)		
	NOTIONAL AMOUNT	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE	NOTIONAL AMOUNT	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE
Banking book - hedging derivatives	**132,247,958,516.90**	**4,114,801,190.19**	**3,963,312,860.86**	**95,313,996**	**1,335,178**	**1,351,717**
Financial derivatives on debt instruments and interest rates	**127,973,399,508.98**	**4,071,029,683.64**	**3,950,763,702.91**	**88,809,021**	**1,218,344**	**1,263,789**
Options	1,732,899,694.61	359,231.67	13,918,648.03	1,219,882	3,849	24,212
Swaps	126,240,499,814.37	4,070,670,451.97	3,936,845,054.88	87,589,139	1,214,494	1,239,577
Forwards	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Other	-	-	-	-	-	-
Financial derivatives on equity instruments and share indices	**511,041,126.82**	**29,669,336.30**	**6,158,244.71**	**577,677**	**98,799**	**6,825**
Options	511,041,126.82	29,669,336.30	6,158,244.71	577,677	98,799	6,825
Swaps	-	-	-	-	-	-
Forwards	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Other	-	-	-	-	-	-
Financial derivatives on exchange rates and gold	**3,655,517,881.10**	**10,498,489.47**	**6,246,419.94**	**5,787,898**	**13,963**	**81,103**
Options	-	-	-	-	-	-
Swaps	-	-	-	-	-	-
Forwards	3,655,517,881.10	10,498,489.47	6,246,419.94	5,787,898	13,963	81,103
Futures	-	-	-	-	-	-
Other	-	-	-	-	-	-
Financial derivatives on other underlying transactions	**48,000,000.00**	**3,475,449.84**	**-**	**79,400**	**3,500**	**-**
Options	48,000,000.00	3,475,449.84	-	79,400	3,500	-
Forwards	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Other	-	-	-	-	-	-
Credit derivatives	**60,000,000.00**	**128,230.94**	**144,493.30**	**60,000**	**572**	**-**
Credit default swaps	60,000,000.00	128,230.94	144,493.30	60,000	572	-
Other	-	-	-	-	-	-
TOTAL	**196,558,608,463.73**	**6,481,167,597.87**	**6,306,405,000.47**	**143,717,759**	**2,262,330**	**2,320,135**

Embedded derivatives from own issues are not included in this table.

Notes to the Financial Statements

Notional amounts of derivatives by residual maturity

(€)

	31.12.2022			
	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
Trading book	**16,425,806,099.61**	**25,911,159,764.17**	**21,973,684,083.05**	**64,310,649,946.83**
Financial derivative contracts on debt instruments and interest rates	4,898,406,604.36	23,691,895,485.20	21,835,258,321.28	50,425,560,410.84
Financial derivative contracts on equity instruments and share indices	14,404,570.76	46,694,435.60	50,013,672.04	111,112,678.40
Financial derivative contracts on exchange rates and gold	9,769,190,397.72	1,908,621,268.97	88,412,089.73	11,766,223,756.42
Financial derivative contracts on other underlying transactions	1,743,804,526.77	263,948,574.40	-	2,007,753,101.17
Credit derivatives	-	-	-	-
Banking book	**49,496,210,731.41**	**44,013,674,846.32**	**38,738,072,939.17**	**132,247,958,516.90**
Financial derivative contracts on debt instruments and interest rates	45,484,606,873.49	43,795,124,696.32	38,693,667,939.17	127,973,399,508.98
Financial derivative contracts on equity instruments and share indices	356,085,976.82	138,550,150.00	16,405,000.00	511,041,126.82
Financial derivative contracts on exchange rates and gold	3,655,517,881.10	-	-	3,655,517,881.10
Financial derivative contracts on other underlying transactions	-	30,000,000.00	18,000,000.00	48,000,000.00
Credit derivatives	-	50,000,000.00	10,000,000.00	60,000,000.00
TOTAL	**65,922,016,831.02**	**69,924,834,610.49**	**60,711,757,022.22**	**196,558,608,463.73**

The carrying amounts of derivatives as of 31 December 2022 (in €) are included in the following balance sheet items:
- • Other assets – trading book €2,366,366,407.68 (31.12.2021: €927,152 thousand)
- • Other assets – bank book €264,078,569.00 (31.12.2021: €167,586 thousand)
- • Other liabilities – trading book €2,343,092,139.61 (31.12.2021: €968,418 thousand)
- • Other liabilities – bank book €88,967,226.45 (31.12.2021: €356,419 thousand)

(IN TSD €)

	31.12.2021			
	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
Trading book	**12,425,601**	**18,673,757**	**17,304,404**	**48,403,762**
Financial derivative contracts on debt instruments and interest rates	3,472,609	16,631,170	17,239,103	37,342,882
Financial derivative contracts on equity instruments and share indices	62,309	71,295	65,301	198,905
Financial derivative contracts on exchange rates and gold	8,265,272	1,960,789	-	10,226,061
Financial derivative contracts on other underlying transactions	625,410	10,504	-	635,914
Credit derivatives	-	-	-	-
Banking book	**27,735,757**	**29,209,805**	**38,368,435**	**95,313,996**
Financial derivative contracts on debt instruments and interest rates	21,778,320	28,791,217	38,239,485	88,809,021
Financial derivative contracts on equity instruments and share indices	138,139	368,588	70,950	577,677
Financial derivative contracts on exchange rates and gold	5,787,898	-	-	5,787,898
Financial derivative contracts on other underlying transactions	31,400	-	48,000	79,400
Credit derivatives	-	50,000	10,000	60,000
TOTAL	**40,161,357**	**47,883,562**	**55,672,840**	**143,717,759**

4.32. Contingent liabilities

Contingent liabilities of UniCredit Bank Austria AG shown below the line in item 1 on the liabilities side amounted to €9,435,621,383.83, an increase of €643,688,796.35 or 7.3% compared with 31 December 2021 (31.12.2021: €8,791,933 thousand).

Notes to the Financial Statements

4.33. Letters of comfort and undertakings

In addition to the contingent liabilities shown below the balance sheet in item 1 on the liabilities side, the following letters of comfort and undertakings exist:

Letters of comfort for a total amount of €292,877,435.78 (31.12.2021: €383,086 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 is a member of the uniform protection scheme "Einlagensicherung Austria Ges.m.b.H.".

4.34. Commitments

	31.12.2022 (IN €)	31.12.2021 (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)	12,229,021,634.68	12,060,936
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	**12,229,021,634.68**	**12,060,936**

4.35. Return on assets

The return on assets which is the ratio of profit/loss after tax ("annual surplus/annual deficit") to total assets as at the balance sheet date, was 0.65% for the reporting year (31.12.2021: 0.18%).

Notes to the Financial Statements

5. Notes to the profit and loss account

5.1. Current interest rate environment

As a consequence of several increases of the benchmark interest rates in the Euro-area, the ECB ended the low interest rate situation from the first half of 2022, which in recent years has resulted partially in income from financial liabilities and expenses from financial assets, especially in interbank market but also in dealings with the European Central Bank. Income received by UniCredit Bank Austria AG for deposits (liabilities) in the amount of €218,444,196.52 (2021: €239,345 thousand) is reported under "interest and similar income". Interest and similar income includes a positive one-off effect of €78,713,453.00 from the retroactive change in conditions related to the TLTRO refinancing operation, due to the ECB decision of 27 October 2022 (for details see 2.2.11. Targeted Longer-Term Refinancing Operations (TLTRO). Expenses relating to loans and receivables (assets) totalling €78,263,090.21 (2021: €137,808 thousand) are reported under "Interest income and similar expenses". In addition, custody fees have not been charged since August 2022 due to the development of the yield curve.

5.1.1. Interest expenses for subordinated liabilities

In the reporting year, the total amount of expenses for subordinated liabilities and supplementary capital was €7,226,215.84 (2021: €13,100 thousand). The decline in interest expenses for subordinated liabilities and supplementary capital is largely attributable to repayments or repurchases of such instruments in the financial year 2021, which was partially offset by higher interest expenses due to the changed interest rate level in the financial year 2022. In connection with the additional Tier 1 capital issued in December 2021 in the amount of €600,000,000.00, interest expenses of €28,504,718.98 were also incurred (2021: €1,718 thousand).

5.2. Income from shares in group companies

Income from shares in group companies decreased by €34,465,386.65 to €119,658,405.79 in the reporting year 2022. The item "Income from shares in group companies" included income from profit-pooling arrangements in the amount of €61,411,061.01 (2021: €93,428 thousand).

5.3. Net commission income

Net commission income slightly decreased to €498,091,077.32 in reporting year 2022 (2021: €504,254 thousand). While net fee and commissions income from asset management produced a decrease over the previous year's figure, the contribution from payment-related transaction business improved in reporting year 2022.

5.4. Income/expenses from financial operations

Income/expenses from financial operations increased to €115,635,154.31 (2021: €84,396 thousand). The net increase is especially attributable to the development of XVA and hedges - in the course of the rise in interest rates.

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 2022 is €667,553,628.90 (2021: €110,407 thousand). The item mainly includes as at 31 December 2022 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 €593,699,165.47 (2021: €34,796 thousand), as well as the calculation of employee severance payments of €27,438,618.10 (2021: €7,337 thousand). The increase in the aforementioned income is mainly due to the change in the discount rate from 1.00% as of 31 December 2021 to 3.80% as of 31 December 2022.

Notes to the Financial Statements

5.6. Staff expenses

5.6.1. Wages and salaries

This item includes reversals of personnel restructuring expenses provisioned in previous years as well as the discounting impact of long-term personnel restructuring provisions in the amount of €8,655,669.84 (2021: €0 thousand). This item also includes expenses for anniversary bonuses in the amount of €207,443.08 (2021: €2,274 thousand). In the reporting year 2021, restructuring expenses of €266,100 thousand were recognized in this item in connection with the "UniCredit Unlocked" strategic plan initiated by UniCredit.

5.6.2. Allocation to pension provisions

As in financial year 2021, income was generated from the reversal of provisions for pensions in 2022, which is reported under "Other operating income".

5.6.3. Expenses for severance payments

The item “Expenses for severance payments and payments to severance-payment funds” shows expenses of €14,605,901.31 (2021: €13,583 thousand). In the financial years 2022 and 2021, income from the reversal of provisions for severance payments from defined benefit plans was reported under "Other operating income".

5.6.4. Expenses for retirement benefits

In the financial year 2022, expenses for current pension fund contributions in the amount of €9,983,027.69 (2021: €11,321 thousand) were recognized in this item. In addition, the item includes costs from the defined benefit pension obligations in the amount of €32,751,974.08 (2021: €22,505 thousand), which were booked in the balance sheet as a pension provision.

5.7. Other operating expenses

Other operating expenses are primarily typical bank expenses not relating to the lending business, in particular expenses for provisions for legal risks, as well as contributions relating to the Deposits Guarantee Schemes amounting to €16,143,449.20 (2021: €57,813 thousand) and the EU Bank Resolution Fund amounting to €67,536,675.44 (2021: €49,920 thousand). The change in the contribution for the Deposit Guarantee Schemes is mainly due to the compensation for the underfunding of the Deposit Guarantee Schemes as a result of the departure of members of the ESA in the financial year 2021. Furthermore, the item includes one-off expenses for contracts with expected lower economic benefits in future periods in the amount of €22,051,668.13 (2021: €15,016 thousand).

5.8. Net expense/income from the sale and valuation of financial assets

In the reporting year, write-downs of investments and interests in affiliated companies in the amount of €16,803,361.84 (2021: €16,092 thousand) were recognized. These write-downs also affected affiliated companies among other things, due to distributions at €13,502,949.21 (2021: €14,766)

In the 2022 financial year, as the reasons for impairment in the past no longer apply, write-back from investments and interests in affiliated companies in the amount of €39,990,872.33 (2021: €28,285 thousand) were recognized.

Within net income/expenses from the valuation and disposal of investments, interests in affiliated companies accounted for a balance of €4,684,908.06 (net income 2021: €6,807 thousand). No income (2021: €0) was realized from the sale of shares in profit-pooling arrangements.

5.9. Taxes on income

The taxes expenses on income and earnings recognized in the result in the reporting year amount to plus €235,704,660.27 (income 2021: €446 thousand). The current tax income amounts to €16,924,243.10 (income 2021: €8,477 thousand). Deferred taxes for 2022 show an expense balance of €252,628,903.37 for 2022 (expense in 2021: €8,031 thousand)

Current taxes
The current tax income as at 31 December 2022 amounted to €16,924,243.10 (income 2021: €8,477 thousand). This consists mainly of income in the amount of €18,149,050.17 (income in 2021: €16,038 thousand) on the basis of cleared tax contributions to group members, expenses arising from

Notes to the Financial Statements

current corporation taxes totaling €0.00 (expenses in 2021: €8,500 thousand), as well as expenses for accrued final compensation payments to group members totaling €2.779,010.22 (expense 2021: €4,678 thousand), expenses from corporate taxes of the previous period amounting to €2,245,769.12 (income 2021: €5,709 thousand) as well as income from foreign withholding taxes refunded in the amount of €3,979,401.62 (expense 2021: €1 thousand)). Furthermore, a current tax expense for the foreign branches in Poland and Romania was recognized in the amount of €174,104.42 (expense 2021: €0 thousand). The change from the previous year is mainly due to the lower current corporate tax expenses.

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 139 companies as group members all of which are Austrian companies (10 companies with profit and loss transfer agreements and 129 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 2022 amounts €334,590,205.87 (2021: €586,827 thousand). The change in deferred taxes was recognised in the **profit** and loss account, totaling €252,236,687.85 (2021 expense: €8,031 thousand).

The movement in deferred tax balances is largely attributable to changes in provisions for social capital, differences in the valuation of receivables, differences in the valuation of securities, 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.

The change in deferred tax assets due to the change in the tax rate resulted in a reduction through the profit and loss account in the reporting year amounting to €28,354,563.00.

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 2022 financial year resulted in expenses of €20,296,296.98 (expenses in 2021: €1,476 thousand). This includes the bank levy in the amount of €21,384,446.41 (expense in 2021: €1,749 thousand). The change in the bank levy is due to the increased net income for financial year 2021 compared with financial year 2020.

5.11. Movements in reserves

Without release from retained earnings in the 2022 financial year (2021: release of €109 thousand).

5.12. Audit costs

Information on the costs of the audit of the financial statements (pursuant to Section 238 (1) 18 of the Austrian Business Code) is provided in the table below.

In the financial year 2022, there was a change from Deloitte Audit Wirtschaftprüfungs GmbH to KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft.

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	2022 (IN €)	2021 (IN € THOUSAND)
Fees for the audit of the financial statements and the consolidated financial statements		
KPMG Austria	1,333,719.58	-
Deloitte Network[1)]	1,879,904.92	1,498
Austrian Savings Bank Auditing Association	-	1,638
Other services involving the issuance of a report		
KPMG Austria	913,658.45	-
Deloitte Network[1)]	69,125.13	5
Austrian Savings Bank Auditing Association	-	904
Tax consulting services	**-**	**-**
Deloitte Network	-	-
Austrian Savings Bank Auditing Association	-	-
Other services	**-**	**-**
KPMG Austria	-	-
Deloitte Network	1,026,263.26	872
Austrian Savings Bank Auditing Association	5,896.80	-
TOTAL	**5,228,568.14**	**4,917**

1) The amounts include VAT. To ensure comparability with 2022, the published prior-year figures for Deloitte have been adjusted.

5.13. Proposal for the distribution of profits

The Management Board proposes to the Annual General Meeting to distribute a dividend of €1.01 per eligible share from the net profit of UniCredit Bank Austria AG for the financial year 2022 in the amount of €817,612,330.66, on the share capital of €1,681,033,521.40. With 231,228,820 shares, the distribution therefore amounts to €233,541,108.20.

6. Information on staff and corporate bodies

6.1. Staff

The average number of employees (full-time equivalent) in the financial year was 3,902 (2021: 4,131).

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 an amount of €8,453,116.97 (2021: €7,826 thousand) was spent. This figure includes €253,617.27 (2021: €271 thousand) to pension funds for active members and €361,958.02 (2021: €16 thousand) to pension funds for former members of the Executive Management Board.

In the financial year 2022, other employees and their surviving dependents for severance payments and pensions in the amount of €544,811,379.36 (2021, income: €11,509 thousand) is reported under this item, with the change compared to the previous year being significantly affected by the change in the discount rate.

6.3. Emoluments of Management Board members and Supervisory Board members

The emoluments paid by UniCredit Bank Austria AG to Management Board members in the financial year 2022 (excluding payments into pension funds) totalled €1,779,543.36 (comparable emoluments in 2021 totalled €1,692 thousand). Of this total, €1,250,223.33 (2021: €1,283 thousand) related to fixed salary components and €529,320.03 were variable salary components (2021: €409 thousand). Moreover, a provision was made for variable remuneration for 2022 in the amount of €1,677,000 (subject to malus) (2021: €516 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 2022 financial year amounted to €2,709,781.11 (2021: €2,662 thousand) and are partly (2022: €1,649,253.76; 2021: €2,428 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.

Notes to the Financial Statements

Payments to former members of the Management Board and their surviving dependants (excluding payments into pension funds) totalled €7,977,395.02 (of this total, €4,101,715.11 were paid to former Management Board members of Creditanstalt AG, which merged with Bank Austria in 2002, and their surviving dependants; €1,845,721.03 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 previous year was €7,891 thousand. Emoluments paid to this group of persons for activities in subsidiaries amounted to €285,131.00 (2021: €848 thousand).

The emoluments of the Supervisory Board members in UniCredit Bank Austria AG active in the financial year 2022 totalled €292,952.48 (2021: €297 thousand).

6.4. Loans and advances to Management Board members and Supervisory Board members

Loans to members of the Management Board amounted to €1,007,364.98 (2021: €895 thousand), utilised overdraft facilities were €29,311.34 (2021: €38 thousand). Repayments during the financial year totalled €41,762.59 (2021: €59 thousand).
Loans to members of the Supervisory Board amounted to €290,649.31 (2021: €309 thousand). Overdraft facilities utilised by Supervisory Board members totalled €19,013.80 (2021: €35 thousand). Repayments during the business year totalled €33,568.71 (2021: €43 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 share-based remuneration incentives of the UniCredit Group which relate to the receipt of shares of the parent company UniCredit S.p.A.

The economic value of the remuneration incentive is determined by UniCredit S.p.A, uniformly for the entire Group (Hull & White valuation model) 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 €2,384,058.33 (2021: €2,461 thousand).

In 2022, 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 after the balance sheet date.

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 2022 – 31 December 2022

Chairperson:	**Gianfranco BISAGNI**	
Deputy Chairperson:	**Aurelio MACCARIO**	**since 11 July 2022**
	Ranieri De MARCHIS	until 31 May 2022
Members:	**Livia ALIBERTI AMIDANI**	
	Richard BURTON	
	Herbert PICHLER	
	Eveline STEINBERGER	
	Doris TOMANEK	**since 18 July 2022**

Delegated by theEmployees‘ Council:

	Adolf LEHNER Chairperson of the Employees' Council	
	Christoph BURES Member of the Employees' Council	**since 19 July 2022**
	Judith MARO Member of the Employees' Council	**since 1 January 2022**
	Mario PRAMENDORFER Member of the Employees' Council	until 30 June 2022
	Roman ZELLER Member of the Employees' Council	

Notes to the Financial Statements

Management Board of UniCredit Bank Austria AG

1 January 2022 – 31 December 2022

Chairperson/Chief Executive Officer:	**Robert ZADRAZIL**	
Members:	**Daniela BARCO**	
	Philipp GAMAUF	**since 1 March 2022**
	Dieter HENGL	**since 10 March 2022**
	Gregor HOFSTÄTTER-POBST	until 28 February 2022
	Georgiana LAZAR	
	Emilio MANCA	**since 1 September 2022**
	Marion MORALES ALBIÑANA-ROSNER	**since 1 April 2022**
	Wolfgang SCHILK	
	Günter SCHUBERT	until 31 August 2022

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UniCredit Bank Austria AG
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Vienna, 21 February 2023
The Management Board

Robert Zadrazil CEO – Chief Executive Officer (Chairperson)	Daniela Barco Retail
Philipp Gamauf CFO – Chief Financial Officer	Dieter Hengl Corporates
Georgiana Lazar People & Culture	Emilio Manca COO – Chief Operating Officer
Marion Morales Albiñana-Rosner Wealth Management & Private Banking	Wolfgang Schilk CRO – Chief Risk Officer

Auditors‘ Report

UniCredit Bank Austria AG

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 2022, the income statement for the financial year then ended, and the notes thereto.

In our opinion, the financial statements comply with legal requirements and give a true and fair view of the assets and the financial position of UniCredit Bank Austria AG, Vienna as of 31 December 2022, and its financial performance for the year then ended in accordance with the Austrian Commercial Code and the banking regulations.

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 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, Vienna in accordance with the Austrian Commercial Code and banking and professional 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.

- **Recoverability of loans and advances to customers**

Risk for the Financial Statements

Loans and advances to customers are disclosed net of allowances for expected credit losses, with a total amount of EUR 66.7 bn. The loan loss allowances amount to EUR 1.4 bn.

In the notes to the financial statements, the management describes the approach for determining loan loss allowances in section "2.2.3 Loans and advances to customers“.

As part of its credit monitoring activities, the Bank determines whether impairment losses need to be recognized for defaulted loans. This also includes an assessment of whether customers are able to meet contractual obligations in full.

For defaults of individually significant loans and advances to customers, the expected credit loss (ECL) is calculated per customer. This involves estimating probability-weighted scenarios, expected cash flows and expected returns from the realization of collateral, in order to determine the need for impairment.

For non-performing loans and advances to customers that are not individually significant, the expected credit losses are determined collectively, based on a statistical valuation model. The need for impairment is determined automatically, dependent on the customer segment, the amount of the loan receivable, the collateral available, the rating and the duration of the default.

A portfolio allowance is recognized for the expected credit loss of performing loans and advances to customers, using the 12-month ECL. In the event of a significant increase in credit risk, the ECL is calculated based on the total duration. Estimates and assumptions are required in determining the expected credit loss for these levels. These estimates and assumptions include, among other things, default probabilities as well as loss rates that consider present and future-oriented information.

These models have been adapted for performing foreign currency loan receivables and repayment vehicle loan receivables, with final maturity in the retail segment, in order to adequately reflect the specific risk characteristics of these portfolios.

So that the ECL model appropriately reflects the current geopolitical risks (characterized by high inflation as well as increased energy costs and higher interest rates etc.), it was supplemented by a management overlay. This accounts for associated expected credit defaults that cannot be modeled.

The risk to the financial statements arises from the fact that the determination of the credit losses is largely based on assumptions and estimates, for which there is significant judgement and estimation uncertainty.

Our Audit Response

In auditing the recoverability of loans and advances to customers, we performed the following significant audit procedures:

- We have analyzed the existing documentation relating to the processes for monitoring and provisioning of loans and advances to customers. We then assessed whether the procedures described therein are appropriate for identifying defaults and adequately determining impairment losses for loans and advances to customers.
- We identified relevant key controls in the process and assessed their design and implementation. We also tested the effectiveness of these controls on a sample basis.
- For a sample of receivables from customers, we examined whether there were objective indicators of default. The sample selection was both random and risk-oriented, with particular consideration of rating grades and industries with an increased risk of default.
- For defaults of individually significant loans and advances to customers, the Bank's assumptions were tested on a sample basis for appropriateness, which considers reasonableness, consistency and the amount of future returns.
- For performing as well as individually non-significant non-performing loans and advances to customers, with the assistance of specialists, we analyzed the bank's applied method and its compliance with the requirements of the relevant accounting regulations. Furthermore, in considering the Bank's internal validations, we tested the models, their mathematical functions as well as the parameters used therein, to determine whether they are appropriate for calculating credit losses.
- With the support of specialists, we specifically assessed the impact of the current volatile economic situation on customer default probabilities. We also inspected the selection and measurement of forward-looking estimates and scenarios as well as their impact in the parameter estimations. Furthermore, we assessed the determination and rational of model adjustments made, the management overlay for geopolitical risks and underlying assumptions with regard to their appropriateness.

Other Information

Management is responsible for the other information. The other information comprises the information in the annual report 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. The annual report 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 as soon as it is available 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.

Auditors‘ Report

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 and for them to give a true and fair view of the assets, the financial position and the financial performance of UniCredit Bank Austria AG, Vienna in accordance with the Austrian Commercial Code, the Banking Act and other regulatory requirements. 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, Vienna 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) No. 537/2014 and in accordance with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the 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 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 management’s 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, Vienna 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.

Auditors' Report

- We 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.
- We also 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.
- 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.

We conducted our audit in accordance with laws and regulations applicable with respect to the management report.

Opinion

In our opinion, the management report is prepared in accordance with the applicable legal requirements, contains appropriate disclosures pursuant to section 243a UGB, and it is consistent with the financial statements.

Statement

In the light of the knowledge and understanding of UniCredit Bank Austria AG, Vienna 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), Sparkassen-Prüfungsverband (auditing board) acts as statutory auditor of UniCredit Bank Austria AG, Vienna.

By resolution of the annual general shareholders' meeting on 12 April 2021, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, was appointed as additional auditor for the financial year ending on 31 December 2022. In accordance with the above, the Supervisory Board engaged KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, as additional auditor on 15 June 2021.

On 7 April 2022, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna was appointed as additional auditor for the financial year ending on 31 December 2023. On 22 April 2022, it was engaged by the Supervisory Board as additional auditor.

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, has been the additional auditor since the financial year ending 31 December 2022.

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.

Auditors' Report

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.
KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, provided the following services, which were not disclosed in the annual financial statements or the management report, in addition to the audit of the financial statements, for the audited company and for the companies controlled by it:

- Regulatory confirmations for subsidiaries

Engagement Partner

The engagement partner responsible for the audit is Gerhard Margetich on behalf of Sparkassen-Prüfungsverband (auditing board) and Bernhard Mechtler on behalf of KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna.

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UniCredit Bank Austria AG, Vienna

Vienna, 21 February 2023

Sparkassen-Prüfungsverband
Auditing Board
(Bank Auditor)

Gerhard Margetich Certified Public Accountant	Stephan Lugitsch Certified Public Accountant

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna

Bernhard Mechtler
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 2022

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, 21 February 2023

The Management Board

Robert Zadrazil
CEO – Chief Executive Officer
(Chairperson)

Daniela Barco
Retail

Philipp Gamauf
CFO – Chief Financial Officer

Dieter Hengl
Corporates

Georgiana Lazar
People & Culture

Emilio Manca
COO – Chief Operating Officer

Marion Morales Albiñana-Rosner
Wealth Management & Private Banking

Wolfgang Schilk
CRO – Chief Risk Officer

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 Financial Report was produced by UniCredit Bank Austria AG, Rothschildplatz 1, 1020 Vienna (publisher and media owner).

Editor:
Accounting & Regulatory Reporting

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 (Chairperson), Daniela Barco, Philipp Gamauf, Dieter Hengl, Georgiana Lazar, Emilio Manca, Marion Morales Albiñana-Rosner, Wolfgang Schilk.

Supervisory Board of media owner:
Gianfranco Bisagni (Chairperson of the Supervisory Board), Aurelio Maccario (Deputy Chairperson), Livia Aliberti Amidani, Christoph Bures, Richard Burton, Adolf Lehner, Judith Maro, Herbert Pichler, Eveline Steinberger, Doris Tomanek, Roman Zeller.

Interests held in the media owner pursuant to Section 25 of the Austrian Media Act:
UniCredit S.p.A. holds 99.996 % of the shares in the media owner (information on the shareholder structure of UniCredit S.p.A. is available at https://www.unicreditgroup.eu/en/governance/shareholders/shareholders-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 "AVZ *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 Financial Report is prepared for the convenience of our English-speaking readers. It is based on the German original, which is the authentic version and takes precedence in all legal respects