

2023 Half-Yearly Financial Report

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 **Bank Austria**
Member of  **UniCredit**

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Bank Austria at a glance

Income statement figures and performance ratios

	1H23	1H22 RECAST	(€ million) +/-
Net interest	757	439	72.3%
Dividends and other income from equity investments	147	67	>100%
Net fees and commissions	366	378	-3.0%
Net trading, hedging and fair value income/loss	(16)	18	n.a.
Operating income	1,268	909	39.6%
Operating costs	(518)	(534)	-3.0%
Operating profit	750	374	>100%
Net write-downs of loans and provisions for guarantees and commitments	29	49	-40.2%
Net operating profit	780	424	84.0%
Profit (loss) before tax	704	320	>100%
Net Profit attributable to the owners of the parent company	565	288	95.7%
Cost/income ratio	40.9%	58.8%	-17.9 PP
Cost of risk	-9 bp	-15 bp	+6 bp

Statement of financial position and RWA

	30.06.2023	31.12.2022	(€ million) +/-
Total assets	113,692	107,332	+5.9%
Loans and receivables with customers	65,712	66,219	-0.8%
Deposits from customers	58,969	62,703	-6.0%
Direct funding	71,078	72,271	-1.7%
Equity	9,881	9,434	+4.7%
Risk-weighted assets (overall)	34,008	35,607	-4.5%

Capital ratios

	30.06.2023	31.12.2022	+/-
Common Equity Tier 1 capital ratio	18.4%	17.4%	+1.0 PP
Tier 1 capital ratio	20.1%	19.1%	+1.1 PP
Total capital ratio	22.3%	21.1%	+1.2 PP
Leverage ratio	5.7%	6.0%	-0.3 PP

Staff

(Full-time equivalent)	30.06.2023	31.12.2022	+/-
Austria in total	4,906	4,959	(54)

Offices

	30.06.2023	31.12.2022	+/-
BA AG - Retail branches	104	106	(2)

Notes:

- The income statement of Bank Austria Group for 2023 and the comparative figures shown in summarised form in this table reflect UniCredit's managerial view. The amounts relating to 1H22 differ from the ones published at that time mainly for the reclassification from "Net trading, hedging and fair value income/loss" to "Net fees and commissions" of mark-up fees on client hedging activities and for the integration of UniCredit Services (UCS) into Bank Austria
- RWA are total regulatory risk-weighted assets
- Capital ratios pursuant to Basel 3 according to the current state of the transitional provisions and based on all risks
- Staff numbers (2022 and 2023) including Austrian part of UniCredit Direct Services (UCDS)
- n. m = not meaningful; PP = percentage point(s); bp = basis point(s)

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Economic environment – market developments

Tightening of monetary policy takes effect

The slowdown in the global economy from mid-2022 continued in the first half of 2023. However, the global economy proved very resilient to the multiple crises and so the start of the year was generally stronger than expected. This was partly due to the revival of the Chinese economy, the fading of the terms-of-trade shock in Europe, strong private consumption in the U.S., and a general pickup in tourism. However, signs of an economic slowdown intensified towards the middle of the year. Sentiment indicators declined in many economies. The change in the structure of consumption following the end of the pandemic from goods more strongly to services weighed on the manufacturing sector. The weakness of the manufacturing sector also already reflected the effects of monetary tightening by central banks. There is also increasing evidence of a spillover of the slowdown in interest-sensitive manufacturing to the services sector, which in many countries has begun to suffer from reduced purchasing power following the sharp rise in inflation.

The energy and food price crisis resulting from the conflict in Ukraine had a varying impact in the individual parts of the global economy and, in combination with the effects of the opening of the economies after the pandemic subsided, had a major impact on economic development. In the US, economic momentum slowed only moderately with only minor effects from the comparatively low energy price increases. By contrast, the energy price crisis in Europe and the greater impact of the war in Ukraine on foreign trade had a more pronounced dampening effect on the economy. In the US, economic growth in the first half of the year at around 2% was only just below the prior-year GDP increase of 2.1%. In the euro zone, economic growth fell from 3.4% in 2022 to just 0.6% in the first half of 2023.

The tightening of monetary policy, which continued around the globe in the first half of 2023, had a major impact on the sluggish development of the global economy. The US Federal Reserve, which had already started its interest rate hike cycle in March 2022, increased the Fed funds target rate in a total of ten steps to an interest rate range of 5.00 to 5.25% by the end of June 2023, with a clear slowdown in pace since the beginning of the year. In addition, the Fed tightened monetary policy by reducing its balance sheet by up to \$95 billion per month but is behind the original plan here after a pause forced by the banking crisis triggered by Silicon Valley Bank. Meanwhile, the ECB also started reducing its balance sheet total. Since March 2023, the portfolio of securities has been reduced by €15 billion per month. The ECB continued the interest rate hike cycle, launched in the middle of the previous year, in the first half of the year with smaller steps of 25 basis points each. At the end of June 2023, the refinancing rate was 4.00% and the deposit rate 3.50%. Since the start of interest rate hikes in the euro area and with the expectation that an interest rate turnaround in Europe will occur later than in the USA, thus further narrowing the interest rate differential, the euro has appreciated against the US dollar. After US\$1.05 to one euro on average in 2022, the exchange rate rose to 1.08 in the first half of 2023. The still ongoing tightening of monetary policy is related to stubborn inflation, which was reflected in a rising core inflation rate in the euro area until mid-2023, while headline inflation is on the retreat following the easing of commodity prices, in particular energy and food prices, which has now set in. However, at 5.5% year-on-year, inflation in the euro area in mid-2023 remained above the 3.0% level in the USA. In view of the rise in key interest rates and the inflation trend, 10-year US Treasuries were trading at 3.8% at mid-year. Long-term yields in Europe remain lower, with the ten-year Austrian federal bond trading at around 3.10% at the end of June 2023. Despite rising interest rates and heightened economic concerns, equity markets held up well. Amid high volatility, the Dow Jones index rose by almost 3% in the year to date. Most European stock exchanges performed even more favorably, with the Euro-Stoxx 50 up almost 13%. However, the Vienna Stock Exchange index, the ATX, lost around 1.5% from the beginning of the year to mid-2023.

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Economic situation and market development in Austria

The Austrian economy was unable to escape the unfavorable global influences in the first half of 2023 and continued the stagnation phase that began in mid-2022. Despite dissipating supply problems and falling raw material prices, economic activity in the production sector cooled significantly. The service sector, supported among other things by the revival in tourism, developed positively but increasingly lost momentum as only slowly falling inflation, which still stood at 8% in June 2023, weighed on consumers' purchasing power. Due to a static overhang, GDP growth in the first half of 2023 was around 1% year-on-year. Despite the weak economy, the situation on the labor market remained largely stable. Due to tight supply, the seasonally adjusted unemployment rate, which had fallen to 6.3% on average in 2022, rose only to 6.4% at the end of June 2023.

Credit growth in Austria was dampened in the first half of 2023 by the weak economy and tighter monetary policy. Average credit growth fell to below 4%. While corporate loan growth slowed only slightly, loans to households weakened significantly. In particular, the sharp decline in new business in housing loans, which was partly due to legislative changes, played an important role. Despite higher interest rates, deposits began to stagnate. Corporate deposit growth was impacted by weak economic development. Inflation-related losses in purchasing power and the incipient reduction of savings surpluses from the pandemic period halted household deposit growth.

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Business development in the first half of 2023

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

(€ million)

	RECAST ²⁾		CHANGE		RECONCILIATION		BANK AUSTRIA GROUP	
	1H23	1H22	+/- €	+/- %	1H23	1H22	1H23	1H22
Net interest	757	439	318	72.3%	-	-	757	439
Dividends and other income from equity investments	147	67	81	>100%	-	-	147	67
Net fees and commissions	366	378	(12)	-3.0%	-	(29)	366	349
Net trading, hedging and fair value income/loss	(16)	18	(34)	n.a.	-	29	(16)	47
Net other expenses/income	14	6	7	>100%	-	2	14	8
Operating income	1,268	909	360	39.6%	-	2	1,268	910
Payroll costs	(281)	(289)	8	-2.8%	-	15	(281)	(275)
Other administrative expenses	(212)	(219)	8	-3.5%	-	(20)	(212)	(239)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(26)	(26)	0	-0.6%	-	0	(26)	(25)
Operating costs	(518)	(534)	16	-3.0%	-	(4)	(518)	(539)
Operating profit	750	374	376	>100%	-	(2)	750	372
Net write-downs of loans and provisions for guarantees and commitments	29	49	(20)	-40.2%	-	-	29	49
Net operating profit	780	424	356	84.0%	-	(2)	780	421
Provisions for risks and charges	(1)	(5)	4	-89.4%	-	-	(1)	(5)
Systemic charges	(75)	(98)	23	-23.9%	-	-	(75)	(98)
Integration/restructuring costs	0	6	(6)	-96.3%	-	-	0	6
Net income from investments	(1)	(7)	7	-91.3%	-	-	(1)	(7)
Profit (loss) before tax	704	320	384	>100%	-	(2)	704	317
Income tax for the period	(140)	(31)	(109)	>100%	-	(0)	(140)	(31)
Non-controlling interests	1	0	1	>100%	-	0	1	0
Net profit or loss - attributable to the owners of the parent company	565	288	276	95.7%	-	(2)	565	286

1) Condensed income statement of Bank Austria as presented in this table is a reclassified format corresponding to the format used for segment reporting and reflects UniCredit's managerial view

2) The amounts relating to 1H22 differ from the ones published at that time mainly for the reclassification from "Net trading, hedging and fair value income/loss" to "Net fees and commissions" of mark-up fees on client hedging activities and for the integration of UniCredit Services (UCS) into Bank Austria

n.m. = not meaningful

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Details of the income statement

The following commentary on Bank Austria's performance is based on the income statement structure used for segment reporting. Segment reporting is based on the segmentation logic of UniCredit Group and deviates slightly from a Bank Austria-internal view. The comparative figures for the first half of 2022 are recast to reflect the current structure and methodology. The recasts mainly relate to the reclassification from "Net trading, hedging and fair value income/loss" to "Net fees and commissions" of mark-up fees on client hedging activities and the integration of UniCredit Services (UCS) into Bank Austria in the second half of 2022.

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

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

Operating income reached €1,268 million in the first half of 2023, a substantial increase of 40% from the prior-year figure of €909 million. This growth was mainly driven by net interest income, which showed a particularly favorable development in the current interest rate environment. Dividends and similar income from investments accounted for using the equity method also improved significantly.

Net interest, which is clearly the largest item among Bank Austria's operating income, rose by 72% to € 757 million, significantly above the previous year's figure of € 439 million. This reflects an improvement in margins, especially in the deposit area, supported by the rise in market interest rates due to the ECB's interest rate increases.

Dividends and other income from equity investments reached €147 million, more than doubling the previous year's figure of €67 million; this item mainly includes pro-rata income from major investments accounted for using the equity method such as the 3-Banken Group and Oesterreichische Kontrollbank, all of which made higher contributions in the reporting year.

At €366 million, **net fees and commissions** were 3% below the prior-year figure. In particular, investment fees decreased due to the difficult market environment while payment-related transaction business (especially card business) increased.

Net trading, hedging and fair value income was negative at €-16 million, significantly lower than the prior-year positive figure of €18 million. This was due to declining valuation effects in the reporting period and lower income from hedging transactions.

The income statement item **balance of other operating income and expenses** includes items not allocated to the above-mentioned income items. In the first half of 2023 there was income of €14 million (compared with €6 million in the prior year).

Bank Austria continues to focus on very restrictive cost management. **Operating costs** were reduced by 3% to € 518 million (previous year: € 534 million) in the first half of 2023 - despite inflationary pressure. This relates to lower expenses in all major cost items.

Payroll costs amounted to €281 million, down €8 million or 3% from the prior-year period. Compared with June 30, 2022, there was a significant reduction in personnel capacities (FTE) of -285 (-5%) at the reporting date.

Other administrative expenses decreased by 3% to €212 million, also reflecting the continued clear focus on cost management.

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Depreciation and amortization remained stable at €26 million.

Operating profit was €750 million, doubling the prior-year figure of €374 million and reflecting the developments mentioned above.

The **net write-downs of loans and provisions for guarantees and commitments** showed a positive contribution of €29 million in the first half of 2023 - due to net write-backs both in Corporates (€+17m) and in Retail (€ +11m) - after an also positive contribution of €49 million in the previous year.

Cost of risk, expressed as the ratio of net write-downs of loans and provisions for guarantees and commitments to average loan volumes in basis points/bp (see also the glossary of alternative performance measures in the Notes), gives a figure of -9 bp (-15 bp in the previous year). The following cost of risk was reported for the Divisions: Retail -11 bp (previous year: +29 bp), Wealth Management & Private Banking -41 bp (previous year: -43 bp) and Corporates -8 bp (previous year: -32 bp).

In the first half of 2023, an operating result (**net operating profit**) of €780 million was achieved, exceeding the prior-year figure of €424 million by 84%. The individual customer business areas contributed to the operating performance as follows: Retail +€276 million (previous year +€35 million), Wealth Management & Private Banking +€73 million (previous year +€25 million) and Corporates +€458 million (previous year +€322 million).

An amount of €-1 million (prior year: €-5 million) was shown under **provisions for risks and charges** in the reporting period.

At -€75 million, **systemic charges** were lower than in the first half of 2022 (€-98 million). Of the total amount, €63 million related to allocations to the deposit guarantee fund and the resolution fund, and €11 million to the bank levy.

Net income from investments included an expense of €-1 million (prior year: €-7 million). Among other things, this includes valuation and disposal gains/losses on real estate and impairment losses on individual investments accounted for using the equity method.

The above items resulted in a **profit before tax** of €704 million. The significant increase compared with the prior-year figure of €320 million was mainly due to significantly higher operating income (especially net interest income) and substantial cost savings.

Income tax for the period amounted to €-140 million (previous year: €-31 million).

Overall, Bank Austria thus achieved a profit (**consolidated profit after tax attributable to the owners of Bank Austria**) of € 565 million in the first half of 2023, almost double the figure of € 288 million in the same period of the previous year.

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Financial position and capital resources

Bank Austria Group's balance sheet at 30 June 2023 reflects the target structure which was to be strategically achieved through an **Austrian universal bank** focused on traditional commercial banking business with customers. **Loans and receivables with customers** is the largest item on the asset side by far with a proportion of more than 50%. The Corporates division accounted for around two-thirds of total lending volume, underlining Bank Austria's leading position as a major lender to the Austrian business sector. Furthermore, the bank holds an important position in lending to Austrian retail customers. **Deposits from customers** represent more than half of liabilities and equity. Approximately 60% consist of deposits from the Retail and Wealth Management & Private Banking divisions and constitute a solid refinancing basis for Bank Austria.

Reclassified statement of financial position ¹⁾

(€ million)

	30.06.2023	31.12.2022	CHANGE	
			+/- € MILLION	+/- %
Assets				
Cash and cash balances	491	938	(447)	-47.6%
Financial assets held for trading	2,092	2,426	(334)	-13.8%
Loans and receivables with banks	20,975	15,054	+5,921	+39.3%
Loans and receivables with customers	65,712	66,219	(507)	-0.8%
Other financial assets	20,696	18,771	+1,925	+10.3%
Hedging instruments	1,851	1,960	(109)	-5.6%
Other assets	1,874	1,965	(90)	-4.6%
TOTAL ASSETS	113,692	107,332	+6,360	+5.9%
Liabilities and equity				
Deposits from banks	24,429	16,603	+7,826	+47.1%
Deposits from customers	58,969	62,703	(3,734)	-6.0%
Debt securities in issue	12,048	9,509	+2,540	+26.7%
Financial liabilities held for trading	2,081	2,410	(329)	-13.7%
Hedging instruments	1,824	1,958	(134)	-6.9%
Other liabilities	4,459	4,716	(256)	-5.4%
<i>o/w pensions and other post-retirement benefit obligations</i>	2,874	2,956	(82)	-2.8%
Equity	9,881	9,434	+447	+4.7%
TOTAL LIABILITIES AND EQUITY	113,692	107,332	+6,360	+5.9%

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

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

Total assets

(€ million)

	30.06.2023	31.12.2022
Cash and cash balances	491	938
Item 10. Cash and cash balances	491	938
Financial assets held for trading	2,092	2,426
Item 20. Financial assets at fair value through profit or loss: a) Financial assets held for trading	2,092	2,426
Loans to banks	20,975	15,054
Item 40. Financial assets at amortised cost: a) Loans and advances to banks	22,532	16,864
less: Reclassification of debt securities in Other financial assets	(1,557)	(1,810)
Loans to customers	65,712	66,219
Item 40. Financial assets at amortised cost: b) Loans and advances to customers	67,452	67,785
less: Reclassification of debt securities in Other financial assets	(2,214)	(2,117)
less: Reclassification of leasing assets IFRS16 in Other financial assets	(13)	(13)
Item 20. Financial assets at fair value through profit or loss: c) Other financial assets mandatorily at fair value	558	638
less: Reclassification of debt securities in Other financial assets	(71)	(74)
Other financial assets	20,696	18,771
Item 20. Financial assets at fair value through profit or loss: b) Financial assets designated at fair value	104	119
Item 30. Financial assets at fair value through other comprehensive income	14,133	12,168
Item 70. Equity investments	2,604	2,470
+ Reclassification of debt securities from Other financial assets mandatorily at fair value - Item 20 c)	71	74
+ Reclassification of debt securities from Loans to banks - Item 40 a)	1,557	1,810
+ Reclassification of debt securities from Loans to customers - Item 40 b)	2,214	2,117
+ Reclassification of leasing assets IFRS16 from Loans to customers - Item 40 b)	13	13
Hedging instruments	1,851	1,960
Item 50. Hedging derivatives	3,856	4,093
Item 60. Changes in fair value of portfolio hedged items (+/-)	(2,005)	(2,133)
Other assets	1,874	1,965
Item 90. Property, plant and equipment	868	860
Item 100. Intangible assets	5	5
Item 110. Tax assets	661	764
Item 120. Non-current assets and disposal groups classified as held for sale	1	3
Item 130. Other assets	339	333
TOTAL ASSETS	113,692	107,332

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Total liabilities and equity

	(€ million)	
	30.06.2023	31.12.2022
Deposits from banks	24,429	16,603
Item 10. Financial liabilities at amortised cost: a) Deposits from banks	24,429	16,603
Deposits from customers	58,969	62,703
Item 10. Financial liabilities at amortised cost: b) Deposits from customers	59,286	63,007
less: Reclassification of leasing liabilities IFRS16 in Other financial liabilities	(318)	(305)
Debt securities issued	12,048	9,509
Item 10. Financial liabilities at amortised cost: c) Debt securities in issue	12,048	9,509
Financial liabilities held for trading	2,081	2,410
Item 20. Financial liabilities held for trading	2,081	2,410
Hedging instruments	1,824	1,958
Item 40. Hedging derivatives	3,623	3,930
Item 50. Value adjustment of hedged financial liabilities (+/-)	(1,799)	(1,972)
Other liabilities	4,459	4,716
Item 30. Financial liabilities designated at fair value	60	60
Item 60. Tax liabilities	24	32
Item 70. Liabilities associated with assets classified as held for sale	(0)	(0)
Item 80. Other liabilities	882	966
Item 100. Provisions for risks and charges	3,175	3,352
of which: pensions and other post-retirement benefit obligations	2,874	2,956
+ Reclassification of leasing liabilities IFRS16 from Deposits from customers	318	305
Shareholders' equity:	9,881	9,434
Item 120. Valuation reserves	(1,984)	(2,105)
Item 140. Equity instruments	600	600
Item 150. Reserves	4,856	4,270
Item 160. Share premium	4,133	4,133
Item 170. Share capital	1,681	1,681
Item 190. Minority shareholders' equity (+/-)	31	32
Item 200. Profit (Loss) of the year (+/-)	564	823
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	113,692	107,332

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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".

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Compared to 31 December 2022, there was an increase in **total assets** of €6.4 billion (+5,9%) to €113.7 billion as at 30 June 2023.

Loans and receivables with banks increased by €5.9 billion to €21.0 billion.

Loans and receivables with customers decreased by €0.5 billion to €65.7 billion, with retail loans decreasing due to difficult conditions for new business. Gross non-performing loans decreased by €0.1 billion to €2.0 billion compared to the end of 2022. The gross NPL ratio (3.1%) slightly improved compared to the year-end 2022, the net value of the NPL ratio (1.6%) remained at the level of 31 December 2022.

Other financial assets increased by €1.9 billion to €20.7 billion, primarily due to the expansion of the securities portfolio.

Deposits from banks showed a significant increase of €7.8 billion to €24.4 billion compared to year-end 2022.

Deposits from customers fell by €3.7 billion to €59.0 billion compared to the 2022 reporting date. The decrease mainly concerned deposits in the Corporates Division.

Debt securities in issue increased clearly (+€2.5 billion) to €12.0 billion, mainly driven by three large issues. These included two Mortgage Covered Bonds (including Bank Austria's second Green Bond in benchmark format) and a senior non-preferred bond.

The excellent refinancing base from non-banks was documented by the consolidated item "**direct funding**" (deposits from customers + own issues + financial liabilities measured at fair value), which amounted to €71.1 billion as at 30 June 2023. This resulted in a coverage of loans to non-banks by deposits from non-banks and own issues of around 108%.

At the end of the first half of 2023, **total financial assets (TFA)**, the sum of all customer investments) amounted to €123.7 billion, of which €27.7 billion were **assets under management (AuM)**, fund and asset management products), €35.3 billion were **assets under custody (AuC)**, direct investments in the capital market/custody business) and €60.7 billion were **deposits from customers** (incl. building society savings and balances with severance funds).

TFA relate to volumes in the Retail, Wealth Management & Private Banking, Corporates (excl. Leasing) and Corporate Center Divisions, i.e. investments in leasing were not included in this key figure.

The **provisions** included in **Other liabilities** amounted to around €3.2 billion in the first half of 2023, down -€0.2 billion compared to the end of 2022. The largest item of which was provisions for risks and charges for post-retirement benefit obligations, which amounted to €2.9 billion (31 December 2022: €3.0 billion). As at 30 June 2023, the discount rate for social capital was 4.05%, an increase of 0.25 percentage points compared to the 2022 year-end rate of 3.80%.

As at 30 June 2023, reported **equity** was €9.9 billion, an increase of €0.4 billion compared to year-end 2022, mainly due to the half-year profit of €565 million.

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Capital resources and risk-weighted assets

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

From 28 June 2021, all of the regulatory provisions of Regulation (EU) 2019/876 (CRR II) are applied and were reflected in the calculation of the capital ratios as at 30 June 2023 in addition to the provisions that were already directly applicable when the Regulation came into force on 27 June 2019, as well as the provisions of Regulation (EU) 2020/873 amending Regulation (EU) 575/2013 and (EU) 2019/876 due to certain adjustments made as a result of the COVID-19 pandemic.

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

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

Bank Austria Group's **eligible own capital** amounted to €7.6 billion as of June 30, 2023 (an increase of €0.1 billion compared to December 31, 2022). Additional Tier 1 (AT1) capital remained unchanged at €0.6 billion compared with year-end 2022.

Common Equity Tier 1 capital (CET1) amounted to €6.2 billion (year-end 2022: €6.2 billion).

Compared with year-end 2022, **risk-weighted assets (RWA)** decreased from €35.6 billion to €34.0 billion.

The €1.2 billion decrease in credit risk was due to the implementation of capital efficiency measures, rating improvements in the customer business, and the use of the modified local LGD models.

Market risk decreased by €0.4 billion.

Mainly due to the RWA reduction, capital ratios improved as shown in the table below. The ratios continue to significantly exceed the statutory requirements.

Capital ratios (based on all risks)

	30.06.2023	31.12.2022
Common Equity Tier 1 (CET1) capital ratio	18.4%	17.4%
Tier 1 capital ratio	20.1%	19.1%
Total capital ratio	22.3%	21.1%

The **leverage ratio** pursuant to the Delegated Regulation (EU) 2015/62, based on the current status of transitional arrangements, was 5.7% as at 30 June 2023.

Permanent establishments

There are no significant permanent establishments.

Management Report

Outlook

Economic environment 2023

The global economy has started 2023 relatively strongly in view of the large number of challenges. However, momentum is likely to slow in the second half of the year as business surveys in many countries weaken and there are early signs that weakness may spread from the interest-sensitive manufacturing sector to the services sector. This reflects the lagged effects of monetary tightening, most of which have yet to materialize. Overall, we expect global GDP growth of 2.8% in 2023. The US is likely to enter recession in the second half of the year, especially as tighter monetary policy is reinforced by stress in the banking sector and the buffer from excess household savings is greatly reduced. GDP growth is expected to fall to 1.3% in 2023, down from 2.1% a year earlier. The euro zone is expected to record only slight growth in the second half of the year, after the slight recession at the turn of the year. Economic activity is expected to be somewhat supported by the fading of the terms-of-trade shock, particularly in energy prices, while high uncertainty appears to be preventing households from tapping into their pandemic savings. At just 0.5%, economic growth in 2023 will be significantly lower than in the USA.

For the second half of 2023, we expect headline inflation in the USA and the euro area to decline quite rapidly, driven by base effects, lower energy and food prices, and easing cost pressures, the result of improved supply chains and softening demand. The decline in services inflation will take more time, both because of the lagged pass-through of energy prices to core prices and because labor markets remain tight and short-term inflation expectations are elevated, creating some wage pressures. Inflation in both the US and the euro area should be in the range of around 3% year-on-year towards the end of 2023. With inflationary pressures easing, monetary tightening by central banks is likely to peak in the fall at the latest. The key interest rate of the US Federal Reserve should reach the highest level of the cycle at 5.50%, the ECB's refinancing rate probably 4.50% and the deposit rate 4.00%. An interest rate cut does not appear likely in the USA until the first quarter of 2024 at the earliest and in the euro area not before the second half of 2024.

The outlook for Austria

The economic situation in Austria has deteriorated since the beginning of the year. Sentiment indicators do not point to any improvement in the trend in the coming months. For domestic industry in particular, the outlook is subdued in view of a sharp weakening of demand and the need to adjust production and personnel capacities. For the time being, there are no signs of any positive impetus for exports, as the situation has also deteriorated in the most important European partner countries, such as Germany and Italy in particular, as well as in most Central and Eastern European trading partners. The construction industry is struggling with weak orders in building construction, especially in residential construction due to higher interest rates and changes in regulations for home loans. In view of persistent inflation and the associated drop in real incomes, a very pessimistic mood has taken hold among consumers, which is spreading to the service sector.

The potential recovery of the Austrian economy, supported by the resolution of supply chain problems and the decline in raw material prices, is being delayed. With the gradual decline in inflation and an improvement in the global export environment, stagnation should be overcome in the course of the second half of the year. However, tighter monetary policy will severely limit the revival of both consumption and investment, allowing only a moderate pace of recovery. Thanks to a statistical overhang, economic growth of 0.7 percent should nevertheless result in 2023. However, current economic data signal that the risks to this growth forecast are increasingly trending downward. The relatively tight labor supply will limit any negative impact of the weak economy on the labor market. The average unemployment rate for 2023 is expected to be 6.4%, only slightly above the 6.3% of the previous year. While the development of fuel and food prices will noticeably dampen inflation in the second half of the year, the pass-through of higher costs to many service prices is likely to ensure only a slow decline in inflation in Austria, given the high pricing power of suppliers and comprehensive fiscal measures. After 8.6% in the previous year, inflation should fall to an average of 7.6% in 2023.

Management Report

The development of financing and also deposits in the second half of 2023 will be strongly influenced by the continued weak economic momentum and higher interest rates. In principle, the trends seen in the first half of the year should continue. The momentum in corporate loans is expected to weaken further, and loans to households are even expected to decline by the end of the year due to the unfavorable conditions for residential construction. The positive trend in consumer loans is also likely to end in the second half of the year. Deposit growth is expected to slow somewhat in the second half of 2023. Despite rising interest rates, inflation-related losses in purchasing power are likely to limit household deposit growth, and corporate deposit momentum should also not increase despite the postponement of investments due to the deterioration in the weak economy.

Medium and long-term objectives

As defined in the Group's **"UniCredit Unlocked"** strategic plan for Bank Austria, the bank's focus will be on further improving the revenue base with strict cost control and thus on profitable growth, with double-digit ROAC and further maintaining regulatory capital ratios (CET1 ratio) at a high level. This is based on initiatives to strengthen the business with a clear focus on our customers, supported by the integration of technology and digitalization, the further simplification of processes, and the inclusion of sustainability in all relevant activities. Furthermore, the Bank's funding position will be further strengthened by the Moody's rating upgrade in July 2023 (long-term deposit rating A2, senior unsecured bond rating A3).

UniCredit group has started evaluating a possible cross-border merger of UniCredit Bank Slovenia with Bank Austria in 2Q23 and thus a transformation of UniCredit Bank Slovenia into a full branch of Bank Austria in Slovenia. Slovenia is an important part of UniCredit Group's growth plan in Central Europe, and even better exploiting the potential of this market is an important key to implementing the **"UniCredit Unlocked"** multi-year plan. In particular, the focus is on ways to optimize and improve current business activities, further strengthen sales, and optimize products and services. The aim of this evaluation is to define a new and simpler organizational model in order to provide even better services to all customers in both countries, with UniCredit Bank in Slovenia continuing to operate under the brand name **"UniCredit Bank"**. The evaluation process is expected to be completed in the second half of 2023. The aim is to draw up a detailed merger plan, which will then have to be approved by the relevant bodies and supervisory authorities.

Supporting the transformation of companies towards the 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 for 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 the COVID-19 pandemic was a turbo for digitization, the current crisis situation will further accelerate the overall economic transformation toward increased use of renewable energies and a sustainable way of doing business.

This development could also have strong positive economic effects in the coming years, as a potential analysis by the Federal Environment Agency commissioned by the Austrian financial sector shows: This is because in order to achieve the Austrian 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 in the period 2022 - 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 safeguard 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 employee pension funds.

Management Report

On one hand, the ongoing transformation of the economy offers great opportunities for innovation, but on the other hand it requires high investments - because around 80% of the investments required to achieve the climate targets relate 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 and photovoltaic projects to the use of waste heat in industrial plants. The range of financing instruments extends from sustainable loans to green 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 the extensive **ESG (Environment, Social, Governance) expertise** of UniCredit as a European banking group, which has its own experienced "Sustainable Finance Advisory" team. The bank thus combines sustainability expertise with knowledge of capital market transactions to deepen customer dialogue on ESG-related issues and facilitate access to the European green finance market. Last year, as UniCredit, we assisted the **Republic of Austria** in **issuing the first green federal bonds** as lead bank and structured the *Green Bond Framework*. This green bond program of the Republic is so exceptional that the Republic was recently named "**Sustainable Finance Issuer of the Year 2022**" by the renowned trade magazine International Financial Review (IFR). IFR calls Austria a "pioneer in ESG financing" and highlights "the significantly broader and innovative range of green products". In addition, Bank Austria successfully placed its **first green bond of €500 million** on the capital market in the previous year. The bond proceeds are earmarked for the financing or refinancing of environmentally friendly buildings. In February 2023, **another green bond for €750 million** was successfully issued.

The backbone of the Austrian economy are above all the numerous small and medium-sized enterprises. 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 large (listed) companies, but also of SMEs - and indeed all ESG topic areas: from the 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 an analysis of where the respective company stands with regard to ESG criteria, which ESG goals 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 sustainable 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 CO₂ emissions, improve the working situation of their employees or ensure sustainable corporate governance. 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 sector: 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. The *GoGreen accounts* are certified with the Austrian Eco-label.

Bank Austria has set clear **priorities in the area of ESG / sustainability** for the current year 2023:

- Further alignment of the business with the goals of the **Net-Zero Banking Alliance**, which UniCredit Group joined in 2021, i.e. analysis of the portfolio and definition of Net-Zero targets
- Further reducing its own emissions to achieve **Net-Zero by 2030** - between 2008 and the end of 2022, Bank Austria has already reduced its greenhouse gas emissions by around 85%, with a bundle of measures in all key areas such as business travel, waste, paper, water and energy consumption
- Further expansion of its **range of green products and services**
- Further strengthening its social commitment with a focus on **financial education**
- Comprehensive internal **ESG and sustainability training initiative** for all employees and managers

Management Report

Recognition for the ongoing transformation of the bank's core business

In parallel, Bank Austria is also systematically driving forward the transformation of its own core business 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 banking study** published in October 2022, experts of 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 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.

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 Bank Austria has reduced its footprint by 80% or more since 2008, depending on the area - from business trips to waste, paper, water and energy consumption to CO₂ emissions overall. Sustainability and efficiency are not mutually exclusive, quite the opposite: Over the years, the company has made enormous savings in CO₂ emissions, but also in costs and time, especially in business travel. The bank continues to set itself ambitious targets: Having already reduced its energy consumption by 61% 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 adapting the cooling and heating systems and the lighting in the bank's buildings.

The basis for these positive developments is the **environmental management system according to ISO 14001:2015** implemented in 2011. In June 2023, Bank Austria's compliance with the standard and improvement of its environmental performance were again confirmed by external auditors and the ISO certificate was awarded for another three years.

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

Initiatives for further digitization 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 "*UniCredit Unlocked*" plan.

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

- 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 proportion of digital active users is even to be raised 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 is being 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 corporate customer segment, the new, purely digital "**Corporates Direct**" service model was established for customers with less complex product and service needs. Here, customers have access to advisors who 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 capacity for corporate customers with more complex product and service needs.
- In the area of **corporate customer loans**, the corporate loan workflow tool (CoALA 2.0 - Compact Automated Loan Application) is being further developed with the aim of accelerating the lending and review process and making it even more efficient and, from the customer's point of view, shortening the time to loan approval in particular.

Management Report

- 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, it improves the customer experience through faster positive completion.
- **New customers** can open a complete account package, including a debit card and internet banking access, within 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.
- In the credit card product area, a new **automated process for approving credit cards** was implemented: A data-driven decision model and a streamlined process now enable credit card offers for pre-selected customers - and thus a significantly shortened and simplified process with a reduced number of manual entries and processing steps up to approval.
- The **discontinuation of the MobileTAN SMS procedure** in June 2023 is an important step in the direction of digitalization and increased security in internet banking, as this signature method, which was introduced more than 15 years ago, is no longer state of the art. With the MobileTAN Push procedure, Bank Austria customers have a modern procedure at their disposal that significantly increases security. The CardTAN procedure and solutions for people with visual impairments and elderly people are offered as possible alternatives.

Management Report

Development of business segments

Retail

(€ million)

	1H23	1H22 RECAST ¹⁾	CHANGE	
			+/- € million	+/- %
Operating income	536	338	198	58.6%
Operating costs	(271)	(275)	4	-1.6%
Operating profit	266	63	202	>100%
Net write-downs of loans	10	(28)	38	n.m.
Net operating profit	276	35	241	>100%
Profit (loss) before tax	254	7	247	>100%
Total Financial Assets ²⁾	42,132	42,566	(435)	-1.0%
Loans to customers	19,360	19,841	(481)	-2.4%
Deposits from customers	27,763	28,287	(524)	-1.9%
Ø Risk-weighted assets (RWA) ³⁾	10,214	7,362	2,852	38.7%
ROAC ⁴⁾	29.1%	0.5%	+28.6 PP	n.m.

1) Segment reporting is shown in UniCredit's managerial view. Comparative figures for the previous year were recast to reflect the current structure and methodology (see section Segment Reporting in the Notes to the consolidated financial statements)

2) Total Financial Assets = sum of total financial assets held by customers, i.e. sum of deposits from customers (including deposits with building societies and balances with severance funds), of assets under management (AuM, i.e. fund and asset management products) and of assets under custody (AuC, i.e. direct capital market investments/safe-custody business)

3) Average risk-weighted assets (all risks) under Basel 3

4) Allocated capital calculated at 13.00% common equity tier 1 (CET1) target ratio (2023 and 2022)

n.m. = not meaningful

PP = percentage points

These comments also apply to the segment tables on the following pages.

Operating profit

Operating income was significantly above the previous year's level (€198 million, 58.6%), driven by higher net interest, mainly due to improved margins on deposits, while Trading and Net fees & commissions remained stable. Operating costs (€-271 million) were reduced by 1.6%, with savings being achieved mainly in payroll costs due to FTE optimization. In total, an operating profit of €266 million (€63 million in 1H22) was achieved.

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

Net releases of €10 million resulted mainly from net write-backs in the performing portfolio.

Profit (loss) before tax

Taking into account the developments outlined above and the non-operating expenses of €-22 million (primarily, systemic charges), profit before tax in the first half of 2023 reached €254 million (previous year's profit: €7 million).

Loans to customers/customer deposits

At €19.4 billion, the loan volume was €-0.5 billion below the previous year's level, impacted by housing loan business due to the economic environment and stricter lending regulations. Customer deposits also decreased by €-0.5 billion to €27.8 billion, mainly in sight deposits.

The **Retail Division** serves retail customers with an investment volume of up to € 1 million and professionals and business customers with an annual turnover of up to €1 million. This division is also responsible for the subsidiaries operating in the credit card business.

With the newly implemented service model in Retail, Bank Austria has created the basis for an organization with greater customer proximity, faster decision-making, intensified cooperation and high innovative strength. These simplifications significantly reduce the complexity of the business and ensure greater ownership across all customer segments - with clearly defined roles and responsibilities. Strong collaboration between digital and physical channels enables us to realize the full customer potential with shared responsibilities and strong collaboration within teams to serve our customers in a hybrid way. This represents another important step towards the further development of Bank Austria's retail network.

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The accelerated change in customer behavior and customer needs was again taken into account in the first half of 2023 by systematically **expanding digital offerings and services**. In addition to the traditional internet banking channel, all key products and services can now be handled directly on customers' smartphones via mobile banking - without the need to visit a branch. The option of signing contracts using the secure TAN procedure has been extended to all key transactions, thus also ensuring paperless end-to-end processing. The mobileTAN SMS procedure, which can no longer be regarded as an up-to-date solution due to the security-related changes on the internet, has now been replaced by the app-based mobileTAN Push procedure. This changeover was very well received by customers and was successfully completed. As a result, the number of MobileBanking app users, which increased again in the first half of 2023, will be able to conduct all key transactions themselves - from simple account transactions to consumer loans and securities transactions - around the clock, every day of the week, regardless of time and location and still in a secure manner. Bank Austria's customers are supported by a strong cooperation between digital and physical channels - on the one hand by experienced customer advisors supported by a broad network of digital ambassadors and on the other hand by a strong central team of experts in the contact center. In addition, Bank Austria is the first and only bank in Austria to offer a cell phone for seniors at a discounted price. The mobile banking app is also pre-installed in this Bank Austria Edition.

In the area of **ESG (Environmental, Social & Governance)**, we were able to further strengthen our position as market leader 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 ideally positioned. The *GoGreen* account is now the most frequently chosen account model. 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.

With its broad range of sustainable products, Bank Austria's Retail Division thus offers its customers a unique opportunity to contribute to sustainability in the Austrian market. In addition, we were recognized as a "trailblazer" in the latest WWF Bank Study 2022.

Both, in consumer lending and in construction and housing finance, we continue to focus on 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. In addition, the successful integration of the financing business of Bank Austria Finanzservice (BAF) into Bank Austria as of 1 April 2023, further reduced complexity in order to position ourselves even more strongly in the market in the area of construction and residential financing.

Management Report

Wealth Management & Private Banking

(€ million)

	1H23	1H22 RECAST	CHANGE	
			+/- € million	+/- %
Operating income	130	86	44	51.5%
Operating costs	(59)	(63)	4	-6.0%
Operating profit	71	23	48	>100%
Net write-downs of loans	2	2	(0)	-12.0%
Net operating profit	73	25	48	>100%
Profit (loss) before tax	66	26	40	>100%
Total Financial Assets	25,548	25,573	(25)	-0.1%
Loans to customers	874	927	(53)	-5.7%
Deposits from customers	7,250	7,601	(351)	-4.6%
Ø Risk-weighted assets (RWA)	700	616	84	13.6%
ROAC	107.1%	54.6%	+52.5 PP	n.m.

Operating profit

In the first half of 2023, the operating income of the Wealth Management & Private Banking (WM & PB) division improved by 52% to €130 million, mainly resulting from the significant improvement on net interest.

Operating costs decreased by €4 million to €59 million, due to savings on payroll and administrative costs leading to an improvement of the cost/income ratio by -28pp to 45%. Strict cost management remains in place. In total, an operating profit of €71 million was achieved (€+48m compared with the previous year).

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

Net write-backs in the performing portfolio totalled +€2 million (stable compared to the previous year: €+2 million).

Profit (loss) before tax

After taking into account the systemic charges, profit before tax in the first half of 2023 was €66 million, i.e. significantly above the previous year's figure of €26 million.

Loans to customers/customer deposits

At the end of the first six months of the year, the loan volume was €0.9 billion (30 June 2022: €0.9 billion), which is slightly below previous year's level; deposits from customers decreased from €7.6 billion in June 2022 to €7.3 billion.

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

The **Wealth Management segment** is concentrated in **Schoellerbank**, which is regarded as a specialist in asset management and pension planning. For three decades now, its core competence has been wealth management, with the experts always investing their customers' money according to the motto "investing instead of speculating". 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 Total Financial Assets of around €12 billion - when managing their entire wealth. Within the framework of the holistic advisory approach, comprehensive solutions are offered such as financial planning, investment concepts for corporate customers, succession and retirement planning with the involvement of notaries or lawyers, intergenerational discussions for guidance on the regulation of wealth transfer, support in real estate transactions or a dedicated foundation competence center.

With **Schoellerbank Invest**, the bank also has its own in-house investment company that launches customized special funds for particularly wealthy customers.

The many years of experience and competence have not only earned this traditional bank, founded in 1833, many satisfied and loyal customers, but also many important awards in the financial industry: Schoellerbank has been **the most awarded private bank in Austria** for years, with frequent recognitions in independent international industry tests, thus repeatedly underlining its role as the country's leading wealth manager. With eight locations, Schoellerbank - a wholly owned subsidiary of UniCredit Bank Austria - is the only private bank with a presence throughout Austria.

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The **Private Banking** segment focuses on wealthy private clients and foundations of UniCredit Bank Austria AG.

Currently, about 12,000 customers with Total Financial Assets of about €13 billion are being served.

Our customers are advised in 15 private banking locations throughout Austria. A separate competence center in Vienna handles the financial affairs of foundations. A special feature of Bank Austria Private Banking is the individualized 360-degree service approach, which covers the entire range of banking services and products - from investment financing, construction and housing loans to high-quality investment solutions. The experts in Private Banking Asset Management are responsible for market assessment and its implementation in the respective asset management solutions.

This market opinion also forms the basis for our **UNIVERS** advisory service. In addition, our Credit Advisory and Wealth Planning experts support the Private Banking advisors in special financing issues and in the context of holistic financial and succession planning.

Management Report

Corporates

(€ million)

	1H23	1H22 RECAST	CHANGE	
			+/- € million	+/- %
Operating income	613	434	179	41.1%
Operating costs	(172)	(183)	11	-6.1%
Operating profit	441	252	190	75.5%
Net write-downs of loans	17	71	(54)	-76.0%
Net operating profit	458	322	136	42.2%
Profit (loss) before tax	429	279	151	54.1%
Loans to customers	44,848	43,584	1,264	2.9%
Deposits from customers	22,875	25,119	(2,244)	-8.9%
Ø Risk-weighted assets (RWA)	18,487	20,847	(2,361)	-11.3%
ROAC	26.5%	14.7%	+11.8 PP	n.m.

Operating profit

Operating income in the first half of 2023 improved significantly to €613 million compared with the previous year (€434 million). Here, interest income increased significantly by 62% year on year, mainly thanks to NII on deposits driven by interest rate environment. Net commission income increased by 2% compared with the same period of the previous year, driven by services in the financing business and in cash management. Trading result declined, on the other hand, mainly due to valuation effects.

Operating costs were reduced by €11 million to €172 million, mainly due to savings on administrative expenses. In total, an operating profit of €441 million (+75% compared to the previous year) was achieved.

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

Net-write backs resulted in a positive contribution of €17 million in the first half of 2023 (previous year: €71 million).

Profit (loss) before tax

After taking into account systemic charges, profit before tax in the first half of 2023 was €429 million, i.e. 54% above the previous year's figure of €279 million.

Loans to customers/customer deposits

At the end of the first half of the year, the loan volume stood at €44.8 billion (30 June 2022: €43.6 billion), well above the previous year's figure. At €22.9 billion, deposits from customers were below to their 2022 level (€25.1 billion) with significant growth in term deposits (+100%).

UniCredit Group is one of the **largest lenders in Europe** and usually among the top 3 banks in its respective markets. **Bank Austria is the leading corporate bank in Austria** and holds a long-established leading position in corporate finance in general, ESG finance, syndicated finance and real estate business. **Awards** from renowned trade journals as "*Best Investment Bank*" in Austria, "*Best Bank for Treasury and Cash Management*" as well as "*Market Leader in Trade Finance*" testify to its strength and performance.

A **special focus** is placed on **products and services related to sustainability issues ("ESG")** and the range of offerings is continuously expanded. Our advisory expertise (e.g. "*ESG-Branchenbarometer*", ESG industry barometer) is at the forefront here; in addition, Bank Austria offers a sustainable loan ("*Nachhaltigkeitskredit*"), a particularly attractive offering for companies that already have an ESG rating. However, the particular dynamics of the ESG framework and the comparatively still low level of preparedness of Austrian companies in terms of availability and disclosure of ESG data represent a major challenge. We therefore continue to focus on an ongoing and intensive dialog with our customers - from one-on-one discussions to customer events and specialist congresses.

By advising the **Republic of Austria** on the preparation of the first Green Investor Report, we were able to set a further milestone - following the development of a framework ("*Green Bond Framework*") and the **issuance of the first "Green Bond"** with a volume of €4 billion. We are thus making a very visible and significant contribution to the Austrian real economy and the transition to a more climate-friendly economy.

Management Report

Our mostly **international large corporates** (including financial institutions and the public sector) have repeatedly demonstrated their ability to weather geopolitical and economic crises. Following the predominantly excellent corporate results in 2022, it is expected that the current subdued economic growth and significant rise in interest rates will be reflected in the 2023 results at an overall still satisfactory level. In addition to investments in securing energy supply and supply chains, an increase in sustainability investments, particularly for greenhouse gas reduction, is also visible. In close strategic dialog, we support our multinational clients in leading arranging positions in Austria as well as in the Nordic and Iberian regions with innovative solutions in the areas of financing, capital markets, transactional banking and corporate treasury risk management. We have thus been able to further expand our leading role as an advisory bank with a now strengthened sector focus.

The steadily increasing cost of financing in the course of the first half of 2023, coupled with rising costs and prices, present the **public sector** with a very challenging environment for ensuring the high quality of Austria's public services. As the most important public investors, Austrian municipalities maintained their demand for financing at the high level of the previous year, and Bank Austria's Public Sector was able to maintain its position as Austria's leading provider of municipal finance with further improved acceptance rates and stable high market shares.

Commercial real estate customers and also non-profit developers are facing major challenges in a difficult economic market environment. In addition to the significant rise in interest rates, it is above all the reluctance of investors in all segments that is presenting real estate companies with difficult tasks. Equity, sufficient liquidity and professional interest rate risk management are key factors for success. From a strong position of a conservative existing portfolio, Bank Austria's Real Estate business segment is providing its customers with comprehensive support even in these challenging times and has already been able to implement considerable business volumes with customers with strong credit ratings in 2023.

Business performance in the **Small & Medium Corporates customer segment** was very satisfactory in the first half of 2023.

The excellent result continues to be driven by contributions from the deposit business, as our credit standing and capital strength make us a sought-after investment address. This strength in creditworthiness and a consistently implemented pricing strategy enabled us to achieve excellent results in demand and term deposits in the first half of 2023 as well, despite increased pressure from competitors.

The cooling economy and the significant rise in interest rates and prices are currently leading to a decline in investment activity by our customers and will further weaken demand for investment loans. We therefore expect the second half of the year to be challenging for our lending business. Efforts to acquire new customers continued to make progress in the first half of 2023 and support the expansion of our market share. This is supported by the expanded services in our online onboarding.

The area of digital products and business processing was further expanded through our **"Corporates Direct" service offering**, which is impressing the steadily growing number of customers with its fast and simple processing.

In 2023, work will continue on **developing and improving digital processes** in corporate banking. The **online account opening** for corporate customers has been functionally expanded and its content improved. The introduction of a **new CRM system**, which has already begun, will provide the sales team with even better support in staying close to our customers and their needs.

With a nationwide presence throughout Austria and highly competent and reliable relationship managers, **Bank Austria** remains **THE strategic financial partner for Austrian companies**. Continuously increasing customer satisfaction and strong profitability despite the crisis speak for themselves.

Consolidated financial statements in accordance with IFRSs

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Notes

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

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

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.

The above distinction between zero and dash will be applied from the 2023 financial reports onwards, therefore there may be differences to published prior periods.

Consolidated income statement

Consolidated income statement

(€ million)

ITEMS	AS AT	
	30.06.2023	30.06.2022
10. Interest income and similar revenues	2,038	662
<i>of which: interest income calculated with the effective interest method</i>	1,568	465
20. Interest expenses and similar charges	(1,223)	(204)
30. Net interest margin	815	457
40. Fees and commissions income	449	457
50. Fees and commissions expenses	(109)	(108)
60. Net fees and commissions	340	349
70. Dividend income and similar revenues	4	4
80. Net gains (losses) on trading	25	80
90. Net gains (losses) on hedge accounting	0	(3)
100. Gains (Losses) on disposal and repurchase of:	(16)	16
a) financial assets at amortised cost	(12)	-
b) financial assets at fair value through other comprehensive income	(6)	16
c) financial liabilities	1	(1)
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss:	(3)	(49)
a) financial assets/liabilities designated at fair value	2	(19)
b) other financial assets mandatorily at fair value	(5)	(29)
120. Operating income	1,164	854
130. Net losses/recoveries on credit impairment	25	16
a) financial assets at amortised cost	25	16
b) financial assets at fair value through other comprehensive income	(0)	0
140. Gains/Losses from contractual changes with no cancellations	0	0
150. Net profit from financial activities	1,189	870
160. Net premiums	-	-
170. Other net insurance income/expenses	-	-
180. Net profit from financial and insurance activities	1,189	870
190. Administrative expenses:	(617)	(620)
a) staff costs	(330)	(280)
b) other administrative expenses	(287)	(340)
200. Net provisions for risks and charges:	4	32
a) commitments and financial guarantees given	5	33
b) other net provisions	(1)	(1)
210. Net value adjustments/write-backs on property, plant and equipment	(41)	(40)
220. Net value adjustments/write-backs on intangible assets	(1)	(1)
230. Other operating expenses/income	27	21
240. Operating costs	(628)	(608)
250. Gains (Losses) of equity investments	146	51
260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	(3)	3
270. Goodwill impairment	-	-
280. Gains (Losses) on disposals of investments	0	2
290. Profit (Loss) before tax from continuing operations	704	317
300. Tax expenses (income) for the period from continuing operations	(140)	(31)
310. Profit (Loss) after tax from continuing operations	564	286
320. Profit (Loss) after tax from discontinued operations	-	-
330. Profit (Loss) for the period	564	286
340. Minority profit (loss) of the year	1	0
350. Profit (loss) for the period	564	286

Consolidated statement of comprehensive income

Earnings per share (in €, basic and diluted)

POSITIONS	AS AT	
	30.06.2023	30.06.2022
Earnings per share from profit (loss) after taxes from continuing operations	2.44	1.24
Earnings per share from profit (loss) after taxes from discontinued operations	-	-

Consolidated statement of comprehensive income

ITEMS	AS AT	
	30.06.2023	30.06.2022
10. PROFIT (LOSS) FOR THE PERIOD	564	286
Other comprehensive income after tax not reclassified to profit or loss	41	481
20. Equity instruments designated at fair value through other comprehensive income	1	4
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	2	2
60. Intangible assets	-	-
70. Defined-benefit plans	19	465
80. Non-current assets and disposal groups classified as held for sale	(0)	-
90. Portion of valuation reserves from investments valued at equity method	20	10
Other comprehensive income after tax reclassified to profit or loss	87	(526)
100. Foreign investments hedging	-	-
110. Foreign exchange differences	-	-
120. Cash flow hedging	(19)	(10)
130. Hedging instruments (non-designated items)	-	-
140. Financial assets (different from equity instruments) at fair value through other comprehensive income	110	(514)
150. Non-current assets and disposal groups classified as held for sale	-	-
160. Part of valuation reserves from investments valued at equity method	(4)	(3)
170. Total other comprehensive income after tax	128	(46)
180. Comprehensive income (Item 10+170)	692	240
190. Minority profit (loss) of the year	1	0
200. Parent Company's consolidated comprehensive income	693	240

Consolidated statement of financial position

Consolidated balance sheet

(€ million)

ASSETS	AMOUNTS AS AT	
	30.06.2023	31.12.2022
10. Cash and cash balances	491	938
20. Financial assets at fair value through profit or loss:	2,755	3,183
a) financial assets held for trading	2,092	2,426
b) financial assets designated at fair value	104	119
c) other financial assets mandatorily at fair value	558	638
30. Financial assets at fair value through other comprehensive income	14,133	12,168
40. Financial assets at amortised cost:	89,984	84,649
a) loans and advances to banks	22,532	16,864
b) loans and advances to customers	67,452	67,785
50. Hedging derivatives	3,856	4,093
60. Changes in fair value of portfolio hedged items (+/-)	(2,005)	(2,133)
70. Equity investments	2,604	2,470
80. Insurance reserves charged to reinsurers	-	-
90. Property, plant and equipment	868	860
100. Intangible assets	5	5
<i>of which: goodwill</i>	-	-
110. Tax assets:	661	764
a) current	68	54
b) deferred	594	710
120. Non-current assets and disposal groups classified as held for sale	1	3
130. Other assets	339	333
TOTAL ASSETS	113,692	107,332

Consolidated statement of financial position

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT	
	30.06.2023	31.12.2022
10. Financial liabilities at amortised cost:	95,764	89,119
a) deposits from banks	24,429	16,603
b) deposits from customers	59,286	63,007
c) debt securities in issue	12,048	9,509
20. Financial liabilities held for trading	2,081	2,410
30. Financial liabilities designated at fair value	60	60
40. Hedging derivatives	3,623	3,930
50. Value adjustment of hedged financial liabilities (+/-)	(1,799)	(1,972)
60. Tax liabilities:	24	32
a) current	19	27
b) deferred	6	6
70. Liabilities associated with assets classified as held for sale	(0)	(0)
80. Other liabilities	882	966
90. Provision for employee severance pay	-	-
100. Provisions for risks and charges:	3,175	3,352
a) commitments and guarantees given	160	177
b) post-retirement benefit obligations	2,874	2,956
c) other provisions for risks and charges	141	220
110. Technical reserves	-	-
120. Valuation reserves	(1,984)	(2,105)
130. Redeemable shares	-	-
140. Equity instruments	600	600
150. Reserves	4,856	4,270
160. Share premium	4,133	4,133
170. Share capital	1,681	1,681
180. Treasury shares (-)	-	-
190. Minority profit (loss) of the year	31	32
200. Profit (Loss) for the period (+/-)	564	823
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	113,692	107,332

Consolidated statement of changes in equity

Statement of changes in Equity as at 30.06.2023

(€ million)

	BALANCE AS AT 31.12.2022	ALLOCATION OF PROFIT FROM PREVIOUS YEAR		CHANGES IN THE PERIOD					COMPREHENSIVE INCOME SHAREHOLDERS' EQUITY GROUP AS AT 30.06.2023
				CHANGES IN RESERVES	SHAREHOLDERS' EQUITY TRANSACTIONS				
		RESERVES	DIVIDENDS AND OTHER ALLOCATIONS		CHANGES IN CONSOLIDATION SCOPE	OTHER	TOTAL		
Issued capital:									
a) ordinary shares	1,681	-	-	-	-	-	-	-	1,681
b) other shares	-	-	-	-	-	-	-	-	-
Share premium	4,133	-	-	-	-	-	-	-	4,133
Reserves:									
a) other reserve	4,272	823	(234)	(3)	-	-	-	-	4,857
b) foreign currency reserve	(2)	-	-	-	-	-	-	-	(2)
Revaluation reserves:	(2,105)	-	-	(8)	-	-	-	128	(1,984)
a) Cashflow Hedge Reserve	42	-	-	-	-	-	-	(19)	23
b) Revaluation Reserve FA @FVTOCI	(523)	-	-	-	-	-	-	111	(412)
c) Revaluation Reserve associates and joint ventures	42	-	-	(8)	-	-	-	17	50
d) Revaluation reserve tangible assets	75	-	-	-	-	-	-	1	76
e) Pension and similar liabilities IAS 19	(1,741)	-	-	-	-	-	-	19	(1,723)
f) Revaluation reserve: non - current assets classified held-for-sale	1	-	-	-	-	-	-	-	1
Equity instruments	600	-	-	-	-	-	-	-	600
Net profit or loss for the period	823	(823)	-	-	-	-	-	564	564
Shareholders' Equity Group	9,402	-	(234)	(11)	-	(0)	(0)	693	9,850
Shareholders' Equity minorities	32	-	(0)		-	-	-	(1)	31
Total Shareholders' Equity	9,434	-	(234)	(11)	-	(0)	(0)	692	9,881

Consolidated statement of changes in equity

Statement of changes in Equity as at 30.06.2022

(€ million)

	BALANCE AS AT 31.12.2021	ALLOCATION OF PROFIT FROM PREVIOUS YEAR		CHANGES IN THE PERIOD					SHAREHOLDERS' EQUITY GROUP AS AT 30.06.2022
				CHANGES IN RESERVES	SHAREHOLDERS' EQUITY TRANSACTIONS			COMPREHENSIVE INCOME	
		RESERVES	DIVIDENDS AND OTHER ALLOCATIONS		CHANGES IN CONSOLIDATION SCOPE	OTHER	TOTAL		
Issued capital:									
a) ordinary shares	1,681	-	-	-	-	-	-	-	1,681
b) other shares	-	-	-	-	-	-	-	-	-
Share premium	4,135	-	-	-	-	(3)	(3)	-	4,132
Reserves:									
a) other reserve	4,280	115	(60)	(7)	-	-	-	-	4,328
b) foreign currency reserve	(1)	-	-	(0)	-	-	-	-	(2)
Revaluation reserves:	(1,902)	-	-	1	-	-	-	(46)	(1,946)
a) Cashflow Hedge Reserve	0	-	-	-	-	-	-	(10)	(9)
b) Revaluation Reserve FA @FVTOCI	179	-	-	-	-	-	-	(510)	(331)
c) Revaluation Reserve associates and joint ventures	17	-	-	0	-		-	8	24
d) Revaluation reserve tangible assets	71	-	-	0	-	-	-	2	73
e) Pension and similar liabilities IAS 19	(2,169)	-	-	0	-	-	-	465	(1,704)
f) Revaluation reserve: non - current assets classified held-for-sale	1			-		-	-	-	1
Equity instruments	600							-	600
Net profit or loss for the period	115	(115)	-	-	-	-	-	286	286
Shareholders' Equity Group	8,908	-	(60)	(6)	-	(3)	(3)	240	9,079
Shareholders' Equity minorities	31	-	(0)	(0)				(0)	31
Total Shareholders' Equity	8,939	-	(60)	(6)	-	(3)	(3)	240	9,110

Consolidated statement of cash flows

Consolidated statement of cash flows (indirect method)

	AS AT	
	30.06.2023	30.06.2022
A. OPERATING ACTIVITIES		
1. Non-cash items included in net profit and adjustments to reconcile net profit to cash flows from operating activities:	709	331
- profit (loss) for the period (+/-)	564	286
- gains/losses on financial assets held for trading and on other financial assets/liabilities at fair value through profit or loss (-/+)	(4)	(26)
- gains (losses) on hedge accounting (-/+)	(0)	3
- net losses/recoveries on impairments (+/-)	36	50
- net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-)	46	38
- net provisions for risks and charges (incl. personnel) and other expenses/income (+/-)	(149)	(97)
- unpaid duties, taxes and tax credits (+/-)	138	30
- impairments/write-backs after tax on discontinued operations (+/-)	-	-
- other adjustments (+/-)	78	48
2. Liquidity generated/absorbed by financial assets:	(7,070)	(4,131)
- financial assets held for trading	12	11
- financial assets designated at fair value	17	18
- other financial assets mandatorily at fair value	74	72
- financial assets at fair value through other comprehensive income	(1,850)	(2,845)
- financial assets at amortised cost	(5,372)	(1,806)
- other assets	49	418
3. Liquidity generated/absorbed by financial liabilities:	6,146	4,369
- financial liabilities at amortised cost	6,645	4,809
- financial liabilities held for trading	0	-
- financial liabilities designated at fair value	0	12
- other liabilities	(500)	(451)
Net liquidity generated/absorbed by operating activities	(215)	569
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by:	73	53
- sales of equity investments	-	-
- collected dividends on equity investments	45	36
- sales of property, plant and equipment	27	17
- sales of intangible assets	0	-
- sales of subsidiaries and business units (less cash disposed)	-	-
2. Liquidity absorbed by:	(56)	(43)
- purchases of equity investments	(12)	-
- purchases of property, plant and equipment	(44)	(42)
- purchases of intangible assets	(1)	(1)
- purchases of subsidiaries and business units (less cash acquired)	-	-
Net liquidity generated/absorbed by investment activities	17	10

Consolidated statement of cash flows

(€ million)

	AS AT	
	30.06.2023	30.06.2022
C. FUNDING ACTIVITIES		
- issue/purchase of equity instruments	-	-
- payouts on equity instruments	(14)	(14)
- dividend distribution to shareholders and non controlling interests	(234)	(60)
- sale/purchase of minority control	-	-
- Proceeds from issues of subordinated liabilities	-	-
- Payments for repayment of subordinated liabilities	-	-
Net liquidity generated/absorbed by funding activities	(248)	(74)
NET LIQUIDITY GENERATED/ABSORBED IN THE YEAR	(447)	505
CASH AND CASH EQUIVALENTS AT END OF PREVIOUS PERIOD	938	456
Cash flows from operating activities	(215)	569
Cash flows from investment activities	17	10
Cash flows from funding activities	(248)	(74)
Effects of changes in scope of consolidation	-	-
Effects of exchange rate changes	-	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	491	961
PAYMENTS FOR TAXES, INTEREST AND DIVIDENDS		
Income taxes received (+)/ paid (-) from operating activities	(2)	(2)
Interest received	2,038	662
Interest paid	(1,223)	(204)
Dividends received	45	36

Notes to the consolidated financial statements

Basis for the preparation of the financial statements

The interim consolidated financial statements for the first half of 2023 (January 2023 to June 2023) include the financial statements of UniCredit Bank Austria AG and its subsidiaries and the Group's interests in associates and jointly controlled entities (collectively referred to as Bank Austria). The interim consolidated financial statements were prepared in Euro, the reporting currency of the Group.

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

The interim consolidated financial statements of Bank Austria for the first half of 2023 are unaudited and have not been reviewed by the auditors. It comprises the balance sheet with comparative figures as of 31 December 2022, and the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement with comparative figures as of 30 June 2022, the segment reporting and explanatory notes. The explanatory notes describe events and transactions that are relevant to understanding the changes in the financial position, the results of operations and the cash flows of the Group since the consolidated financial statements for the year ended 31 December 2022.

The interim consolidated financial statements do not contain all the information and data required for the consolidated financial statements for a financial year. The interim consolidated financial statements are to be read in conjunction with the audited consolidated financial statements of Bank Austria 2022, which were prepared using the same accounting principles.

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

Accounting and valuation methods

Compared to the consolidated financial statements of Bank Austria as of 31 December 2022, there were no significant changes to the accounting principles in the interim financial statements 2023 which resulted from the application of new or amended standards.

Application of amended and new IFRS or IAS

Application of amended financial reporting standards and accounting methods

Changes to IFRS 9, IAS 39, IFRS 7 and IFRS 16 "Interest Rate Benchmark Reform"

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

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

Notes to the consolidated financial statements

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 summarized as follows:

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

In order to analyze the interest rate benchmark reform further and the necessary preparations for this from a business, operational and legal perspective, Bank Austria set up a correspondingly comprehensive project back in 2019, in which the necessary steps are being taken in connection with the impact of the benchmark reform, including the findings and new market standards (European Working Group on risk free rates). In the first half of 2021, the reconciliation mechanism for the loan portfolio covered by the interest rate benchmark reform was established and the corresponding contractual, technical, and procedural changes were initiated. These have been implemented gradually by February 2022 as scheduled. Only exemptions are the reformed EURIBOR which may still be used as reference interest rate as well as some USD LIBORs (overnight, 1, 3, 6 and 12 months) which continued to exist until 30 June 2023. No new USD LIBOR transactions were concluded in the first half year of 2023.

Following the final discontinuation of almost all LIBOR (*London Interbank Offered Rate*) rates in 2023, USD LIBOR rates were discontinued as of 30 June 2023. Existing contracts are continuously converted to the new benchmark indices, or the synthetic USD LIBOR is used for the "legacy business".

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

IFRS 17 Insurance contracts

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

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. The amendment must be applied for the first time to financial years starting on or after 01 January 2023.

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.

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

The changes mentioned above do not have any material impact on Bank Austria.

Notes to the consolidated financial statements

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 recognized.

The amendments to IAS 12 were endorsed on 11 August 2022 and must be applied for annual financial years beginning on or after 1 January 2023. The amendments have no effect on Bank Austria.

As of 30 June 2023, the IASB issued the following accounting standards whose application is subject to completion of the endorsement process by the competent bodies of the European Commission, which is still ongoing:

Amendments to IAS 1 Presentation of Financial Statements

On 31 October 2022, the IASB finalized 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 EFRAG-endorsement advice was given on 30 March 2023, the endorsement date still has to be determined. 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 EFRAG-endorsement advice was given on 30 March 2023, the endorsement date still has to be determined.

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.

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules

On 23 May 2023, the International Accounting Standards Board (IASB) published amendments to IAS 12 to provide a mandatory temporary exception to the requirements regarding deferred tax assets and liabilities resulting from the OECD Pillar Two legislation on global minimum taxation.

The objective of the amendments is to introduce the temporary exception for the recognition of deferred tax assets and liabilities resulting from the Pillar Two Model Rules before the legislation comes into force. The amendments also introduce new disclosure requirements to illustrate the exposure to income tax arising from the tax reform and on the fact that the exception has been applied.

The temporary exception shall be applied immediately upon issue of the Amendments and retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8").

The disclosure requirements shall be applied for annual reporting periods beginning on or after 1 January 2023. An entity is not required to apply the disclosure requirements in interim financial reports for any interim period ending on or before 31 December 2023.

For entities applying EU-IFRS, the obligation only applies after the corresponding endorsement.

Notes to the consolidated financial statements

Amendments on IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier finance Arrangements

On 25 May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to add disclosure requirements to enhance transparency and usefulness of existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements in the sense of supply chain financing, financing of trade payables, or reverse factoring arrangements.

The amendments supplement the disclosure of terms and conditions, on an entity's liabilities, cash flows and exposures to liquidity risk as resulting from supplier finance arrangements as well as ranges of payment due dates.

The amendments are applicable for annual reporting periods beginning on or after 1 January 2024. Bank Austria does not expect any material impact from these changes.

Other topics

"3-Banken" impairment test

As of 30 June 2023, the investments held by Bank Austria in Oberbank AG (Oberbank), Bank für Tirol und Vorarlberg Aktiengesellschaft (BTV) and BKS Bank AG (BKS), collectively referred to as the "3-Banken group", were tested for impairment in accordance with IAS 36.

With regard to Oberbank, the pro rata market capitalization was higher than the carrying amount, resulting in no impairment requirement.

In the case of BTV and BKS, the pro rata market capitalization is lower than the respective carrying amount. The required impairment test was performed on the basis of a discounted cash flow valuation model. For this purpose, the expected cash flows were discounted using an appropriate cost of equity determined on the basis of the long-term risk-free interest rate, the credit risk premium for Austria and an appropriate beta.

The basis for the impairment test as of 30 June 2023, was the business plan approved by the BTV and BKS management as of the end of 2022, and the published business development as of the first quarter of 2023 was taken into account.

The impairment test carried out in the first half of 2023 resulted in an overall impairment requirement of €-0.8 million (of which €-24.5 million for BKS and a reversal of €23.7 million for BTV).

As the parameters and data used for impairment testing are significantly influenced by the overall economic environment and market conditions, which can change rapidly and unpredictably, the results of future impairment tests could differ from those taken into account in the interim financial statements as of 30 June 2023.

Tax loss carryforwards

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. With regard to the tax loss carryforwards attributable to the spin-off CEE segment, an appropriate allocation of the loss carryforwards was made, which is to be regarded as recoverable. On the basis of the tax assessment, tax loss carryforwards were capitalized of 31 December 2022.

The deferred tax amount of the capitalized losses as of 30 June 2023 was €283 million (€178 million as of 30 June 2022), which must be considered as being of value on the basis of the assumptions as of 30 June. 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.

Notes to the consolidated financial statements

Information on fair value

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

The determination of the fair values for the various holdings of financial instruments in the interim consolidated financial statements was disclosed in detail as at 31 December 2022, and remains valid.

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

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

(€ million)

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	AMOUNTS AS AT 30.06.2023			AMOUNTS AS AT 31.12.2022		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets at fair value through profit or loss	104	2,515	136	120	2,862	202
a) Financial assets held for trading	-	2,082	10	0	2,424	2
b) Financial assets designated at fair value	104	-	-	119	-	-
c) Financial assets mandatorily at fair value	-	432	126	-	438	200
2. Financial assets at fair value through other comprehensive income	11,755	1,790	588	9,659	1,895	614
3. Hedging derivatives	-	3,856	-	-	4,093	-
4. Property, plant and equipment	-	-	366	-	-	372
5. Intangible assets	-	-	-	-	-	-
Total	11,859	8,161	1,089	9,779	8,850	1,188
1. Financial liabilities held for trading	0	2,052	29	-	2,385	25
2. Financial liabilities designated at fair value	-	59	1	-	59	1
3. Hedging derivatives	-	3,619	5	-	3,930	-
Total	0	5,730	35	-	6,375	26

For the first half of the 2023 financial year, transfers of assets valued at fair value of €90 million were made from Level 1 to Level 2, no transfers were made from Level 2 to Level 1.

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

The sensitivity analysis for Level 3 positions with respect to the unobservable model input is based on the following categories of model inputs:

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

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

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

Notes to the consolidated financial statements

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

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

		(€ million)	
FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	AS AT 30.06.2023	RANGE OF FAIR VALUE FLUCTUATION WHEN APPLYING PLAUSIBLE ALTERNATIVE VALUATION ASSUMPTIONS	
	FAIR VALUE ASSETS LEVEL 3		
1. Financial assets at fair value through profit or loss	136	+/-	24.3
a) Financial assets held for trading	10	+/-	24.2
b) Financial assets designated at fair value	-	+/-	-
c) Financial assets mandatorily at fair value	126	+/-	0.1
2. Financial assets at fair value through other comprehensive income	588	+/-	0.2
3. Hedging derivatives	-	+/-	-
4. Property, plant and equipment	366	+/-	-
5. Intangible assets	-	+/-	-
Total	1,089	+/-	24.5
1. Financial liabilities held for trading	29	+/-	23.8
2. Financial liabilities designated at fair value	1	+/-	0.1
3. Hedging derivatives	5	+/-	24.1
Total	35	+/-	48.0

In course of continued development of Group Fair Value Level methodology of financial instruments, enhancements with regards to interest rate options were applied in the first half of the 2023 financial year. In general, the Level of these instruments depends on the materiality of sensitivities at unobservable volatility surface's buckets segmented per underlying currency, maturity, and strike level.

The methodology implied the shift to Level 3 for long-term Floor instruments exposed to high sensitivities.

¹ The sensitivity related to the LGD of the CVA adjustment of counterparties in default according to internal guidelines amounts to less than €0.03 million.

Notes to the consolidated financial statements

Group of consolidated companies and changes in the group of consolidated companies of Bank Austria Group in the first half of 2023

	CONSOLIDATED COMPANIES	COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD	TOTAL
Opening balance	172	13	185
Additions	-	-	-
Newly established companies	-	-	-
Acquired companies	-	-	-
Other changes	-	-	-
Changes in UniCredit Group	-	-	-
Disposals	4	-	4
Companies sold or liquidated	4	-	4
Mergers	-	-	-
Changes in UniCredit Group	-	-	-
CLOSING BALANCE	168	13	181

The number of Bank Austria companies decreased from 185 to 181 in the first half of the year 2023.

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

Notes to the income statement

1.1 Interest income and similar revenues: breakdown

ITEMS/TYPES	AS AT 30.06.2023				(€ million)
	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL	AS AT 30.06.2022 TOTAL
1. Financial assets at fair value through profit or loss	3	7	229	238	157
1.1 Financial assets held for trading	-	0	229	229	137
1.2 Financial assets designated at fair value	1	-	-	1	1
1.3 Other financial assets mandatorily at fair value	2	7	-	9	20
2. Financial assets at fair value through other comprehensive income	104	-	X	104	52
3. Financial assets at amortised cost	14	1,450	X	1,464	413
3.1 Loans and advances to banks	7	386	X	394	12
3.2 Loans and advances to customers	7	1,063	X	1,071	401
4. Hedging derivatives	X	X	206	206	(89)
5. Other assets	X	X	26	26	7
6. Financial liabilities	X	X	X	1	122
TOTAL	121	1,456	461	2,038	662
<i>of which: interest income on impaired financial assets</i>	-	28	-	28	18
<i>of which: interest income on financial lease</i>	X	36	X	36	20

B.1.2 Interest expenses and similar charges: breakdown

ITEMS/TYPES	AS AT 30.06.2023				(€ million)
	DEBTS	SECURITIES	OTHER TRANSACTIONS	TOTAL	AS AT 30.06.2022 TOTAL
1. Financial liabilities at amortised cost	(612)	(156)	X	(768)	(105)
1.1 Deposits from central banks	(95)	X	X	(95)	-
1.2 Deposits from banks	(265)	X	X	(265)	(13)
1.3 Deposits from customers	(252)	X	X	(252)	(30)
1.4 Debt securities in issue	X	(156)	X	(156)	(61)
2. Financial liabilities held for trading	-	-	(235)	(235)	(137)
3. Financial liabilities designated at fair value	-	(1)	-	(1)	(0)
4. Other liabilities and funds	X	X	(2)	(2)	(0)
5. Hedging derivatives	X	X	(218)	(218)	106
6. Financial assets	X	X	X	(0)	(68)
TOTAL	(612)	(157)	(455)	(1,223)	(204)
<i>of which: interest expenses on lease liabilities</i>	(4)	X	X	(4)	(4)

Notes to the income statement

B.2.1 Fees and commissions income: breakdown

(€ million)		
TYPE OF SERVICES/VALUES	AS AT 30.06.2023	AS AT 30.06.2022
a) Financial Instruments	18	21
1. Placement of securities	-	-
1.1 Underwriting and/or on the basis of an irrevocable commitment	-	-
1.2 Without irrevocable commitment	-	-
2. Reception and transmission of orders	2	2
2.1 Reception and transmission of orders of financial instruments	2	2
2.2 Execution of orders on behalf of customers	-	-
3. Other fees related to activities linked to financial instruments	16	19
of which: proprietary Trading	-	-
of which: individual portfolio management	16	19
b) Corporate Finance	6	6
1. M&A advisory	-	-
2. Treasury services	-	-
3. Other fee and commission income in relation to corporate finance activities	6	6
c) Fee based advice	10	10
d) Clearing and settlement	-	-
e) Collective portfolio management	68	73
f) Custody and administration of securities	46	36
1. Custodian Bank	-	31
2. Other fee and commission income in relation to corporate finance activities	46	5
g) Central administrative services for collective investment	-	-
h) Fiduciary transactions	-	-
i) Payment services	43	42
1. Current accounts	0	0
2. Credit cards	0	0
3. Debits cards and other card payments	12	11
4. Transfers and other payment orders	22	23
5. Other fees in relation to payment services	8	7
j) Distribution of third party services	31	37
1. Collective portfolio management	22	25
2. Insurance products	8	10
3. Other products	1	1
of which: individual portfolio management	-	-
k) Structured finance	-	-
l) Loan securitization servicing activities	-	-
m) Loan commitment given	-	-
n) Financial guarantees	19	18
of which: credit derivatives	0	0
o) Lending transaction	29	38
of which: factoring services	2	2
p) Currency trading	1	15
q) Commodities	-	-
r) Other fee income	178	161
of which: management of sharing multilateral trading facilities	-	-
of which: management of organized trading systems	-	-
TOTAL	449	457

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

Notes to the income statement

2.2 Fees and commissions expenses: breakdown

(€ million)

SERVICES/VALUES	AS AT 30.06.2023	AS AT 30.06.2022
a) Financial instruments	(1)	(1)
<i>of which: trading in financial instruments</i>	(1)	(1)
<i>of which: placement of financial instruments</i>	-	(0)
<i>of which: individual Portfolio management</i>	(0)	(0)
- own portfolio	(0)	(0)
- third party portfolio	-	-
b) Clearing and settlement	-	-
c) Portfolio management: collective	(9)	(9)
1. Own portfolio	(2)	(2)
2. Third party portfolio	(7)	(7)
d) Custody and Administration	(14)	(18)
e) Collection and payments services	(74)	(62)
<i>of which: debit credit card service and other payment cards</i>	(68)	(58)
f) Loan securitization servicing activities	-	-
g) Loan commitment given	(5)	(0)
h) Financial guarantees received	(2)	(1)
<i>of which: credit derivatives</i>	-	-
i) Off - site distribution of financial instruments, products and services	(2)	(13)
j) Currency trading	(1)	(0)
k) Other commission expenses	(3)	(4)
TOTAL	(109)	(108)

Notes to the income statement

3.1 Dividend income and similar revenues

(€ million)

ITEMS/REVENUES	AS AT 30.06.2023		AS AT 30.06.2022	
	DIVIDENDS	SIMILAR REVENUES	DIVIDENDS	SIMILAR REVENUES
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily at fair value	0	-	0	-
C. Financial assets at fair value through other comprehensive income	4	-	4	-
D. Equity investments	0	-	-	-
TOTAL	4	-	4	-
TOTAL DIVIDENDS AND SIMILAR REVENUES		4		4

Dividends are recognised in the income statement when distribution is approved.

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	0	0	-	(0)	0
1.1 Debt securities	0	-	-	-	0
1.2 Equity instruments	-	-	-	-	-
1.3 Units in investment funds	-	0	-	(0)	0
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	-	0	-	(0)	(0)
2.1 Debt securities	-	-	-	-	-
2.2 Deposits	-	-	-	-	-
2.3 Other	-	0	-	(0)	(0)
3. Financial assets and liabilities: exchange differences	X	X	X	X	17
4. Derivatives	9	-	(2)	-	7
4.1 Financial derivatives	9	-	(2)	-	7
- On debt securities and interest rates	9	-	0	-	9
- On equity securities and share indices	0	-	(0)	-	0
- On currency and gold	X	X	X	X	(0)
- Other	0	-	(2)	-	(2)
4.2 Credit derivatives	0	-	-	-	0
of which: economic hedges linked to the fair value option	X	X	X	X	-
TOTAL 30.06.2023	9	0	(2)	(0)	25
TOTAL 30.06.2022	67	0	(0)	(0)	80

Notes to the income statement

5.1 Fair value adjustments in hedge accounting

(€ million)

P&L COMPONENT/VALUES	AS AT 30.06.2023	AS AT 30.06.2022
A. Gains on		
A.1 Fair value hedging instruments	372	1,382
A.2 Hedged financial assets (in fair value hedge relationship)	-	-
A.3 Hedged financial liabilities (in fair value hedge relationship)	34	294
A.4 Cash-flow hedging derivatives	-	-
A.5 Assets and liabilities denominated in currency	-	-
Total gains on hedging activities (A)	406	1,676
B. Losses on		
B.1 Fair value hedging instruments	(361)	(1,383)
B.2 Hedged financial assets (in fair value hedge relationship)	(44)	(296)
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)	(405)	(1,680)
C. Net hedging result (A – B)	0	(3)
<i>of which: net gains (losses) of hedge accounting on net positions</i>	-	-

The trend in the item “C. Net hedging result (A – B)” is mainly attributable to the evolution of the interest rate curves in the markets in 1H22.

6.1 Gains (Losses) on disposal/repurchase

(€ million)

ITEMS/P&L ITEMS	AS AT 30.06.2023			AS AT 30.06.2022		
	GAINS	LOSSES	NET PROFIT	GAINS	LOSSES	NET PROFIT
A. Financial assets						
1. Financial assets at amortised cost	-	(12)	(12)	-	-	-
1.1 Loans and advances to banks	-	-	-	-	-	-
1.2 Loans and advances to customers	-	(12)	(12)	-	-	-
2. Financial assets at fair value through other comprehensive income	2	(7)	(6)	16	(0)	16
2.1 Debt securities	2	(7)	(6)	16	(0)	16
2.2 Loans	-	-	-	-	-	-
Total assets (A)	2	(19)	(17)	16	(0)	16
B. Financial liabilities at amortised cost						
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities in issue	1	(0)	1	0	(1)	(1)
Total liabilities (B)	1	(0)	1	0	(1)	(1)
TOTAL FINANCIAL ASSETS/LIABILITIES			(16)			16

Notes to the income statement

7.1 Net gains (losses) on other financial assets/liabilities at fair value through profit or loss: a) financial assets/liabilities designated at fair value

(€ million)

TRANSACTIONS/P&L ITEMS	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A + B) + (C + D)]
1. Financial assets	2	-	(0)	(0)	2
1.1 Debt securities	2	-	(0)	(0)	2
1.2 Loans	-	-	-	-	-
2. Financial liabilities	0	-	-	-	0
2.1 Debt securities	0	-	-	-	0
2.2 Deposits from banks	-	-	-	-	-
2.3 Deposits from customers	-	-	-	-	-
3. Financial assets and liabilities in foreign currency: exchange differences	X	X	X	X	-
TOTAL 30.06.2023	2	-	(0)	(0)	2
TOTAL 30.06.2022	87	-	(98)	(8)	(19)

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	1	(8)	(0)	(5)
1.1 Debt securities	0	-	(1)	-	(0)
1.2 Equity securities	-	0	-	-	0
1.3 Units in investment funds	0	0	(0)	(0)	(0)
1.4 Loans	2	1	(7)	(0)	(4)
2. Financial assets: exchange differences	X	X	X	X	-
TOTAL 30.06.2023	2	1	(8)	(0)	(5)
TOTAL 30.06.2022	1	1	(31)	(1)	(29)

Notes to the income statement

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

AS AT 30.06.2023												(€ million)
TRANSACTIONS/INCOME ITEMS	WRITE-DOWNS						WRITE-BACKS				TOTAL	AS AT
	STAGE 1	STAGE 2	STAGE 3		POCI ASSETS		STAGE 1	STAGE 2	STAGE 3	POCI ASSETS		30.06.2022
			WRITE-OFF	SPECIFIC WRITE-DOWNS	WRITE-OFF	SPECIFIC WRITE-DOWNS						
												TOTAL
A. Loans and advances to banks	(0)	(0)	-	(3)	-	-	0	6	2	-	4	(10)
- Loans	(0)	(0)	-	(3)	-	-	0	6	2	-	4	(10)
- Debt securities	(0)	(0)	-	-	-	-	0	0	-	-	0	0
B. Loans and advances to customers	(48)	(162)	(5)	(70)	-	(2)	54	186	67	1	21	26
- Loans	(48)	(162)	(5)	(70)	-	(2)	54	186	67	1	20	26
- Debt securities	(0)	-	-	-	-	-	0	0	-	-	0	(1)
TOTAL	(48)	(162)	(5)	(74)	-	(2)	54	192	69	1	25	16

9.1 Staff expenses: breakdown

TYPE OF EXPENSES/VALUES	(€ million)	
	AS AT 30.06.2023	AS AT 30.06.2022
1) Employees	(334)	(295)
a) Wages and salaries	(209)	(210)
b) Social charges	(52)	(54)
c) Severance pay	-	-
d) Social security costs	-	-
e) Allocation to employee severance pay provision	-	-
f) Provision for retirements and similar provisions	(59)	(24)
- Defined contribution	-	(0)
- Defined benefit	(59)	(24)
g) Payments to external pension funds	(7)	(7)
- Defined contribution	(6)	(7)
- Defined benefit	(1)	(1)
h) Costs arising from share-based payments	(2)	(1)
i) Other employee benefits	(6)	1
2) Other staff	(6)	(5)
3) Directors and Statutory Auditors	(0)	(0)
4) Early retirement costs	-	-
5) Recoveries of payments for second employees to other companies	16	25
6) Early retirement costs	(6)	(4)
TOTAL	(330)	(280)

Notes to the income statement

10.1 Other administrative expenses

(€ million)		
TYPE OF EXPENSES/SECTORS	AS AT 30.06.2023	AS AT 30.06.2022
1) Indirect taxes and duties	(10)	(12)
1a. Settled	(10)	(12)
1b. Unsettled	(0)	-
2) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)	(63)	(87)
3) Guarantee fee for DTA conversion	-	-
4) Miscellaneous costs and expenses	(213)	(241)
a) Advertising marketing and communication	(7)	(7)
b) Expenses relating to credit risk	(3)	(2)
c) Indirect expenses relating to personnel	(3)	(3)
d) Information & Communication Technology expenses	(122)	(130)
Lease of ICT equipment and software	(0)	(0)
Software expenses: lease and maintenance	(3)	(3)
ICT communication systems	(3)	(3)
Services ICT in outsourcing	(110)	(119)
Financial information providers	(5)	(5)
e) Consulting and professional services	(7)	(9)
Consulting	(5)	(7)
Legal expenses	(2)	(2)
f) Real estate expenses	(24)	(19)
Rentals of premises	(1)	(1)
Utilities	(11)	(6)
Other real estate expenses	(12)	(12)
g) Operating costs	(46)	(71)
Surveillance and security services	(1)	(1)
Money counting services and transport	(3)	(3)
Printing and stationery	(2)	(2)
Postage and transport of documents	(8)	(9)
Administrative and logistic services	(25)	(49)
Insurance	(2)	(2)
Association dues and fees and contributions to the administrative expenses deposit guarantee funds	(6)	(5)
Other administrative expenses - other	1	(1)
TOTAL (1+2+3+4)	(287)	(340)

Notes to the income statement

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

(€ million)

	AS AT 06.30.2023		
	PROVISIONS	SURPLUS REALLOCATIONS	TOTAL
Loan commitments	(20)	28	8
Financial guarantees given	(23)	20	(4)

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

(€ million)

	AS AT 06.30.2022		
	PROVISIONS	SURPLUS REALLOCATIONS	TOTAL
Loan commitments	(24)	45	21
Financial guarantees given	(10)	22	12

12.1 Net provisions for risks and charges: breakdown

(€ million)

ASSETS/P&L ITEMS	AS AT 30.06.2023			AS AT 30.06.2022 TOTAL
	PROVISIONS	REALLOCATION SURPLUS	TOTAL	
1. Other provisions				
1.1 Legal disputes	(12)	9	(3)	(3)
1.2 Staff costs	-	-	-	-
1.3 Other	(1)	3	2	2
TOTAL	(13)	13	(1)	(1)

13.1 Other operating expenses

(€ million)

TYPE OF EXPENSE/VALUES	AS AT 30.06.2023	AS AT 30.06.2022
Costs for operating leases	-	-
Non-deductible tax and other fiscal charges	(0)	(0)
Write-downs on leasehold improvements	(5)	(5)
Costs relating to the specific service of financial leasing	(0)	(0)
Other	(13)	(21)
Total of other operating expenses	(18)	(27)

13.2 Other operating income

(€ million)

TYPE OF REVENUE/VALUES	AS AT 30.06.2023	AS AT 30.06.2022
A) Recovery of costs	0	0
B) Other revenues	45	47
Revenues from administrative services	6	9
Revenues from operating leases	29	25
Recovery of miscellaneous costs paid in previous years	0	4
Revenues on financial leases activities	0	0
Other	10	9
Total of other operating income (A+B)	45	47

Notes to the income statement

14.1 Profit (Loss) from equity investment

(€ million)		
P&L ITEMS/VALUES	AS AT 30.06.2023	AS AT 30.06.2022
A. Income	176	69
1. Revaluations	143	63
2. Gains on disposal	-	0
3. Writebacks	33	5
4. Other gains	-	-
B. Expenses	(30)	(18)
1. Writedowns	(0)	(0)
2. Impairment losses	(30)	(17)
3. Losses on disposal	-	-
4. Other expenses	-	-
NET AMOUNT	146	51

Profit of associated companies amounted to €143 million (€63 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 first half of 2023 (1H23) related to BTV €29 million and CBD International Sp.z.o.o. €4 million (write-backs in 1H22 related to BKS €5 million).

The impairment losses in 1H23 related to BKS -€25 million; BTV -€5 million (impairment losses in 1H22 related to BKS -€10 million, BTV -€5 million and non-consolidated subsidiaries -€2 million).

15.1 Gains and losses on disposal of investments

(€ million)		
P&L ITEMS/SECTORS	AS AT 30.06.2023	AS AT 30.06.2022
A. Property		
- Gains on disposal	1	2
- Losses on disposal	-	-
B. Other assets		
- Gains on disposal	-	0
- Losses on disposal	(1)	0
NET AMOUNT	0	2

16.1 Profit (Loss) after tax from discontinued operations

As in the previous year, there were no discontinued operations in the first half of 2023. Therefore, no data to be disclosed.

Notes to the statement of financial position

1.1 Financial assets held for trading: breakdown by product

ITEMS/VALUES	AMOUNTS AS AT 30.06.2023			AMOUNTS AS AT 31.12.2022		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
A. Financial assets (non-derivatives)						
1. Debt securities	-	0	-	-	0	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	0	-	-	0	-
2. Equity instruments	-	-	-	-	-	-
3. Units in investment funds	-	-	-	0	0	0
4. Loans	-	-	-	-	-	-
4.1 Reverse Repos	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	-	0	-	0	0	0
B. Derivative instruments						
1. Financial derivatives	-	2,082	9	-	2,423	2
1.1 Trading	-	1,989	9	-	2,322	2
1.2 Linked to fair value option	-	93	-	-	101	-
1.3 Other	-	-	-	-	-	-
2. Credit derivatives	-	-	0	-	-	0
2.1 Trading	-	-	-	-	-	-
2.2 Linked to fair value option	-	-	0	-	-	0
2.3 Other	-	-	-	-	-	-
Total (B)	-	2,082	10	-	2,423	2
TOTAL (A+B)	-	2,082	10	0	2,424	2
TOTAL Level 1, Level 2 and Level 3			2,092			2,426

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

ITEMS/VALUES	AMOUNTS AS AT 30.06.2023			AMOUNTS AS AT 31.12.2022		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	-	7	64	-	4	68
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	7	64	-	4	68
2. Equity instruments	-	-	-	-	-	-
3. Units in investment funds	-	-	1	-	0	2
4. Loans	-	426	61	-	434	130
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	426	61	-	434	130
Total	-	432	126	-	438	200
TOTAL Level 1, Level 2 and Level 3			558			638

Notes to the statement of financial position

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

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 30.06.2023			AMOUNTS AS AT 31.12.2022		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	11,755	1,734	475	9,659	1,841	499
1.1 Structured securities	-	-	-	-	-	-
1.2 Other	11,755	1,734	475	9,659	1,841	499
2. Equity instruments	-	56	113	-	54	115
3. Loans	-	-	-	-	-	-
Total	11,755	1,790	588	9,659	1,895	614
TOTAL Level 1, Level 2 and Level 3	14,133			12,168		

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 30.06.2023			AMOUNTS AS AT 31.12.2022		
	BOOK VALUE			BOOK VALUE		
	STAGE 1 AND STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	STAGE 1 AND STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS
A. Loans and advances to Central Banks	17,953	(0)	-	13,308	(0)	-
1. Time deposits	-	-	-	-	-	-
2. Compulsory reserves	17,953	(0)	-	13,308	(0)	-
3. Reverse repos	-	-	-	-	-	-
4. Other	-	-	-	0	-	-
B. Loans and advances to banks	4,522	58	-	3,493	63	-
1. Loans	2,965	58	-	1,683	63	-
1.1 Current accounts	-	-	-	-	-	-
1.2 Time deposits	1,123	-	-	934	-	-
1.3 Other loans	1,842	58	-	749	63	-
- Reverse repos	1,191	-	-	-	-	-
- Lease Loans	-	-	-	-	-	-
- Other	650	58	-	749	63	-
2. Debt securities	1,557	-	-	1,810	-	-
2.1 Structured	-	-	-	-	-	-
2.2 Other	1,557	-	-	1,810	-	-
TOTAL	22,475	58	-	16,801	63	-

The increase in the item "2. Compulsory reserves" is mainly related to the TLTRO repayment for €5.4 billion.

Notes to the statement of financial position

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 30.06.2023			AMOUNTS AS AT 31.12.2022		
	BOOK VALUE		PURCHASED OR ORIGINATED CREDIT- IMPAIRED FINANCIAL ASSETS	BOOK VALUE		PURCHASED OR ORIGINATED CREDIT- IMPAIRED FINANCIAL ASSETS
	STAGE 1 AND STAGE 2	STAGE 3		STAGE 1 AND STAGE 2	STAGE 3	
1. Loans	64,049	1,169	20	64,452	1,208	8
1.1 Current accounts	5,676	107	11	5,228	127	0
1.2 Reverse repos	-	-	-	-	-	-
1.3 Mortgages	14,739	49	1	14,685	50	1
1.4 Credit cards and personal loans, including wage assignment	770	38	1	843	36	0
1.5 Lease loans	1,592	81	-	1,657	74	-
1.6 Factoring	2,513	9	-	2,368	10	-
1.7 Other loans	38,758	885	7	39,671	910	6
2. Debt securities	2,214	-	-	2,117	-	-
2.1 Structured securities	-	-	-	-	-	-
2.2 Other debt securities	2,214	-	-	2,117	-	-
Total	66,264	1,169	20	66,569	1,208	8

Notes to the statement of financial position

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

(€ million)

	AMOUNTS AS AT	
	30.06.2023	31.12.2022
A. Assets held for sale		
A.1 Financial assets	(0)	(0)
A.2 Equity investments	-	-
A.3 Property, plant and equipment	1	3
<i>of which: obtained by the enforcement of collateral</i>	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total (A)	1	3
<i>of which: carried at cost</i>	(0)	(0)
<i>of which: designated at fair value - level 1</i>	-	-
<i>of which: designated at fair value - level 2</i>	0	0
<i>of which: designated at fair value - level 3</i>	1	2
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	-	-
<i>of which: obtained by the enforcement of collateral</i>	-	-
B.6 Intangible assets	-	-
B.7 Other assets	(0)	(0)
Total (B)	(0)	(0)
<i>of which: carried at cost</i>	-	-
<i>of which: designated at fair value - level 1</i>	-	-
<i>of which: designated at fair value - level 2</i>	-	-
<i>of which: designated at fair value - level 3</i>	(0)	(0)
C. Liabilities associated with assets classified as held for sale		
C.1 Deposits	-	-
C.2 Securities	-	-
C.3 Other liabilities	(0)	(0)
Total (C)	(0)	(0)
<i>of which: carried at cost</i>	(0)	(0)
<i>of which: designated at fair value - level 1</i>	-	-
<i>of which: designated at fair value - level 2</i>	-	-
<i>of which: designated at fair value - level 3</i>	-	-
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)	-	-
<i>of which: carried at cost</i>	-	-
<i>of which: designated at fair value - level 1</i>	-	-
<i>of which: designated at fair value - level 2</i>	-	-
<i>of which: designated at fair value - level 3</i>	-	-

Notes to the statement of financial position

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT	
	30.06.2023	31.12.2022
1. Deposits from central banks	1,574	6,838
2. Deposits from banks	22,856	9,765
2.1 Current accounts and demand deposits	2,626	923
2.2 Time deposits	7,904	7,633
2.3 Loans	11,633	261
2.3.1 Repos	11,616	244
2.3.2 Other	18	17
2.4 Liabilities relating to commitments to repurchase treasury shares	-	-
2.5 Lease deposits	-	-
2.6 Other deposits	692	948
TOTAL	24,429	16,603

The decrease in the item "1. Deposits from central banks" is mainly due to the repayment of liabilities under the TLTRO III program in the amount of €5.4 billion in June 2023.

The increase in the item "2.3.1 Repos" is due to the increased volume of transactions using collateral required for the TLTRO in the previous period.

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

(€ million)

TYPE OF TRANSACTION/VALUES	AMOUNTS AS AT	
	30.06.2023	31.12.2022
1. Current accounts and demand deposits	50,045	56,385
2. Time deposits	8,843	6,267
3. Loans	37	13
3.1 Repos	-	-
3.2 Other	37	13
4. Liabilities relating to commitments to repurchase treasury shares	-	-
5. Lease liabilities	318	305
6. Other deposits	43	37
TOTAL	59,286	63,007

Notes to the statement of financial position

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

(€ million)

TYPE OF SECURITIES/VALUES	AMOUNTS AS AT	
	30.06.2023	31.12.2022
A. Debt securities		
1. Bonds	12,048	9,509
1.1 Structured	427	458
1.2 Other	11,621	9,050
2. Other securities	-	-
2.1 Structured	-	-
2.2 Other	-	-
TOTAL	12,048	9,509

7.1 Financial liabilities held for trading: breakdown by product

(€ million)

(e million)

TYPE OF TRANSACTIONS/VALUES	NOMINAL VALUE	AMOUNTS AS AT 30.06.2023			FAIR VALUE	NOMINAL VALUE	AMOUNTS AS AT 31.12.2022			FAIR VALUE
		FAIR VALUE					FAIR VALUE			
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
A. Cash liabilities										
1. Deposits from banks	-	0	0	-	0	-	-	0	-	0
2. Deposits from customers	-	-	0	-	0	-	-	0	-	0
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)	-	0	0	-	0	-	-	0	-	0
B. Derivatives instruments										
1. Financial derivatives	X	-	2,052	29	X	X	-	2,385	24	X
1.1 Trading derivatives	X	-	1,966	29	X	X	-	2,281	24	X
1.2 Linked to fair value option	X	-	86	-	X	X	-	104	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	0	X
2.1 Trading derivatives	X	-	-	-	X	X	-	-	-	X
2.2 Linked to fair value option	X	-	-	-	X	X	-	-	0	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	X	-	2,052	29	X	X	-	2,385	25	X
TOTAL (A+B)	X	0	2,052	29	X	X	-	2,385	25	X

TOTAL Level 1, Level 2 and Level 3

2,081

2,410

Notes to the statement of financial position

8.1 Financial liabilities designated at fair value: breakdown by product

(€ million)

AMOUNTS AS AT 30.06.2023						AMOUNTS AS AT 31.12.2022				
TYPE OF TRANSACTIONS/VALUES	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	-	59	-	59
3.1 Structured	60	-	59	-	X	60	-	59	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
TOTAL	61	-	59	1	60	61	-	59	1	60
TOTAL Level 1, Level 2 and Level 3		60				60				

9.1 Provisions for risks and charges: breakdown

(€ million)

ITEMS/COMPONENTS	AMOUNTS AS AT	
	30.06.2023	31.12.2022
1. Provisions for credit risk on commitments and financial guarantees given	160	177
2. Provisions for other commitments and other guarantees given	-	-
3. Pensions and other post-retirement benefit obligations	2,874	2,956
4. Other provisions for risks and charges	141	220
4.1 Legal and tax disputes	51	51
4.2 Staff expenses	41	119
4.3 Other	48	50
TOTAL	3,175	3,352

The item "4. Other provisions for risks and charges" 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 business, UniCredit S.p.A. issued a guarantee for the bank's pension obligations until 31 December 2028.

Segment reporting

Segment reporting - reconciliation

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

(€ million)	
	30.06.2023
Net interest (reconciled)	757
Item 30. Net interest margin	815
less: Trading interest income (expenses) - Derivatives related to Regulatory Trading Book	(3)
less: Derivatives - economic hedges - interest component	(1)
Interest costs on DBO	(54)
Dividends and other income from equity investments (reconciled)	147
Item 70. Dividend income and similar revenue	4
less: Dividends and similar revenues - on shares and other equity securities - mandatorily at FV	(0)
Profits (losses) of joint ventures and associates	144
Net fees and commissions (reconciled)	366
Item 60. Net fees and commissions	340
Derivative instruments - Client Hedging Markup Fees	27
Net trading, hedging and fair value income/loss (reconciled)	(16)
Item 80. Net gains (losses) on trading	25
Item 100. a) Gains (losses) on disposal and repurchase of financial assets at amortized cost	(12)
Item 100. b) Gains (losses) on disposal and repurchase of financial assets at fair value through other comprehensive income	(6)
Gains (losses) on disposals/repurchases on securities in issue	1
Other operating income and expenses - Gold and Precious Metals Trading	1
Trading interest income (expenses) - Derivatives related to Regulatory Trading Book	3
Derivatives - economic hedges - interest component	1
Item 90. Net gains (losses) on hedge accounting	0
Item 110. a) Net gains (losses) on financial assets/liabilities designated at fair value through profit and loss	2
Item 110. b) Net gains (losses) on other financial assets mandatorily at at fair value through profit and loss	(5)
Dividends and similar revenues - on shares and other equity securities - mandatorily at FV	0
Derivative instruments - Client Hedging Markup Fees	(27)
Net other expenses/income (reconciled)	14
Item 230. Other operating expenses/income	27
less: Recovery of expenses	(0)
less: Other operating expenses and earnings - Gold and Precious Metals Trading	(1)
less: Other operating expenses – amortization on leasehold improvements	-
less: Integration cost - Amortization on leasehold improvements classified as Other assets	5
Impairment on tangible and intangible assets – other operating leases	(17)
Received consideration regarding business relationship	-
OPERATING INCOME (RECONCILED)	1,268

Segment reporting

	30.06.2023
Payroll costs (reconciled)	(281)
Item 190. a) Administrative expenses – staff costs	(330)
less: Integration/restructuring costs	(0)
less: Interest costs on DBO	54
Adjustment of managerial scope of consolidation	(5)
Other administrative expenses (reconciled)	(212)
Item 190. b) Other administrative expenses	(287)
less: Integration/restructuring costs	(0)
less: Ex-ante contributions to resolution funds and deposit guarantee schemes and bank levies	75
Other operating expenses – amortization on leasehold improvements	(5)
Adjustment of managerial scope of consolidation	5
Recovery of expenses	0
Amortisation, depreciation and impairment losses on intangible and tangible assets (reconciled)	(26)
Item 210. Net value adjustments/write-backs on property, plant and equipment	(41)
less: Impairment/write-backs of right of use	0
less: Impairment on tangible and intangible assets – other operating leases	17
less: Impairment on tangible assets: Integration costs	0
Item 220. Net value adjustments/write-backs on intangible assets	(1)
Adjustment of managerial scope of consolidation	(0)
OPERATING COSTS (RECONCILED)	(518)
OPERATING PROFIT	750
Net write-downs on loans and provisions for guarantees and commitments (reconciled)	29
Item 200. a) Net provisions for risks and charges – Commitments and financial guarantees given	5
Impairment losses/write-backs on impairment on loans	25
Modification gains (losses)	0
NET OPERATING PROFIT	780
Provisions for risk and charges (reconciled)	(1)
Item 200. b) Net provisions for risks and charges - Other net provisions	(1)
less: Integration/restructuring costs	(0)
Systemic charges	(75)
Ex-ante contributions to resolution funds and deposit guarantee schemes and bank levies	(75)
Integration/restructuring costs	0
Net income from investments (reconciled)	(1)
Item 250. Gains (losses) on equity investments	146
less: Profits (losses) of joint ventures and associates	(144)
Item 260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	(3)
Item 280. Gains (losses) on disposals of investments	0
Financial assets at amortised cost – Impairment/write-backs on debt securities	0
Financial assets at fair value through OCI - Impairment/write-backs on debt securities	(0)
Impairment/write-backs of right of use	(0)
PROFIT (LOSS) BEFORE TAX	704
Income tax for the period	(140)
PROFIT (LOSS) FOR THE PERIOD	564
Non-controlling interests	1
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	565

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 reclassification from **"Net trading, hedging and fair value income/loss"** to **"Net fees and commissions"** of mark-up fees on client hedging activities;
- 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".

Segment reporting

Description of segment reporting

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

Segment reporting reflects UniCredit's managerial view and deviates slightly from a Bank Austria-internal view. In the segment reporting presented here, an associated company of the German UniCredit Bank AG ("HVB") is included on a pro rata basis, as it is partly attributable to Bank Austria in economic terms.

In order to ensure comparability of 2023 data with 2022, adjustments at segment level were necessary in the prior-year period.

Segment reporting covers the following business segments:

Retail

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

Wealth Management & Private Banking

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

Corporates

In line with the change in the business model at UniCredit Group level, Bank Austria's former Management Board divisions "Corporate & Investment Banking" and "Unternehmerbank" were merged into the new "Corporates" division on 1 January 2022:

It now includes the activities of Small Corporates (with annual revenues of €1–50 million), Medium-Size Corporates (€50–1,000 million) and Large Corporates (over €1 billion).

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

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

Corporate Centre

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

Segment reporting

Segment Reporting 1 - 6 2023 / 1 - 6 2022

(€ million)

		RETAIL	WEALTH MANAGE- MENT & PRIVATE BANKING	CORPORATES	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST) ¹⁾	RECASTING DIFFERENCES ²⁾	BANK AUSTRIA GROUP ²⁾
Net interest	1H23	375	67	437	(122)	757	-	757
	1H22	179	14	270	(23)	439	-	439
Dividends and other income	1H23	3	0	18	126	147	-	147
from equity investments	1H22	2	0	13	52	67	-	67
Net fees and commissions	1H23	158	63	149	(4)	366	-	366
	1H22	159	70	147	2	378	(29)	349
Net trading, hedging and	1H23	(0)	0	(0)	(16)	(16)	-	(16)
fair value income/loss	1H22	(4)	1	6	16	18	29	47
Net other expenses/income	1H23	(0)	(1)	9	6	14	-	14
	1H22	3	1	(2)	4	6	2	8
OPERATING INCOME	1H23	536	130	613	(11)	1,268	-	1,268
	1H22	338	86	434	51	909	2	910
OPERATING COSTS	1H23	(271)	(59)	(172)	(17)	(518)	-	(518)
	1H22	(275)	(63)	(183)	(14)	(534)	(4)	(539)
OPERATING PROFIT	1H23	266	71	441	(28)	750	-	750
	1H22	63	23	252	36	374	(2)	372
Net write-downs of loans and provisions	1H23	10	2	17	0	29	-	29
for guarantees and commitments	1H22	(28)	2	71	4	49	-	49
NET OPERATING PROFIT	1H23	276	73	458	(28)	780	-	780
	1H22	35	25	322	41	424	(2)	421
Provisions for risk and charges	1H23	(2)	0	3	(1)	(1)	-	(1)
	1H22	(2)	(0)	(2)	(1)	(5)	-	(5)
Systemic charges	1H23	(19)	(6)	(32)	(17)	(75)	-	(75)
	1H22	(27)	(8)	(41)	(22)	(98)	-	(98)
Integration/restructuring costs	1H23	(0)	-	-	1	0	-	0
	1H22	3	9	-	(6)	6	-	6
Net income from investments	1H23	(0)	(1)	1	(0)	(1)	-	(1)
	1H22	(3)	-	(1)	(4)	(7)	-	(7)
PROFIT BEFORE TAX	1H23	254	66	429	(46)	704	-	704
	1H22	7	26	279	8	320	(2)	317
Income tax for the period	1H23	(60)	(16)	(99)	35	(140)	-	(140)
	1H22	(1)	(4)	(66)	40	(31)	(0)	(31)
Total profit or loss after tax from	1H23	-	-	-	-	-	-	-
discontinued operations	1H22	-	-	-	-	-	-	-
PROFIT (LOSS) FOR THE PERIOD	1H23	194	51	331	(11)	564	-	564
	1H22	6	22	212	48	288	(2)	286
Non-controlling interests	1H23	1	(0)	(0)	(0)	1	-	1
	1H22	0	-	(0)	0	0	0	0
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	1H23	195	51	330	(11)	565	-	565
	1H22	7	22	212	48	288	(2)	286
Risk-weighted assets (RWA) (avg.)	1H23	10,214	700	18,487	9,926	39,326	-	39,326
	1H22	7,362	616	20,847	10,139	38,965	-	38,965
Loans to customers (eop)	1H23	19,360	874	44,848	630	65,712	-	65,712
	1H22	19,841	927	43,584	560	64,911	-	64,911
Deposits from customers (eop)	1H23	27,763	7,250	22,875	1,080	58,969	-	58,969
	1H22	28,287	7,601	25,119	1,124	62,130	-	62,130
Cost/income ratio in %	1H23	50.4	45.4	28.0	n.m.	40.9	n.m.	40.9
	1H22	81.3	73.1	42.1	n.m.	58.8	n.m.	59.2

1) For segment reporting purposes, the comparative figures for 2022 have been recast to reflect the consolidation perimeter and the segment structure used in segment reporting for 2023.

2) Reconciliation to accounting figures is shown in the column "recasting differences". These mainly relate to the reclassification from "Net trading, hedging and fair value income/loss" to "Net fees and commissions" of mark-up fees on client hedging activities and the integration of UniCredit Services (UCS) into Bank Austria.

n.m. = not meaningful

Risk report

Credit risks

Due to the excellent economic development in 2022, the still low level of unemployment and the slight decline in inflation in the first half of 2023, no significant NPL inflows were recorded despite higher interest rates and a slight weakening of investments. Only moderate increases are expected for the second half of 2023, which, combined with prudent provisioning, also confirms the solid asset quality of the loan portfolio.

No significant impact of the energy crisis / inflation was observed during the first six months. Further developments will be closely monitored, especially regarding higher interest rates. The impact of the Russia / Ukraine crisis on the bank's loan portfolio is negligible. Nevertheless, the situation continues to be monitored on an ongoing basis, with the portfolio being under full control.

COVID-19-related deteriorations on the risk profile of the bank are no longer expected.

Assessment of the loss potential as a result of scenario and methodological adjustments

Scenarios

In line with the IFRS9 standard and group internal regulation, the IFRS9 parameters have been calibrated considering updated macro-economic scenarios as of second quarter 2023.

Specifically, two macroeconomic scenarios were selected to determine the forward-looking component of expected credit losses (ECL):

- Baseline scenario represents the reference central scenario with the highest probability of realization (60%);
- Adverse scenario (Downturn) represents a possible alternative in terms of macro-economic evolution with a lower probability of realization vis-à-vis the baseline (40%).

Compared to fourth quarter 2022, the new macroeconomic scenario shows a better 2023 GDP, while generally lower in 2024-25, higher interest rates and persistent high level of inflation, but lower energy prices.

Besides the update of macroeconomic scenarios, the default rates and recovery rates - underlying IFRS9 PD and LGD point-in-time re-calibration - have been updated accordingly, in line with the ordinary process. This had no material impact on the level of expected credit loss (ECL).

Geopolitical overlay and new LGD model

The geopolitical overlay introduced in Q4 2022, which had led to €123 million of additional allowances, was marginally affected following the limited default in-flows occurred during the first semester 2023 and recalibrated in relation to the evolution underlying portfolio; however, given the not significant evolution of the underlying portfolio, as well as the default ratio, the geopolitical overlay still amounts to €118 million as of 30 June 2023.

Similarly, the method introduced in Q4 for bullet loans continues to be applied unchanged - again the impact on allowances has remained stable (compared to €21 million in Q4 2022 these stand at €22 million in June 2023).

The technical application of the new LGD model also for IFRS9 is planned for the second half of the year. The anticipation of the impact, which had been taken into account by way of a rough estimate as a post-model adjustment (+€8 million ECL in Q4 2022), was renewed at the half-year using the same method (and currently stands at +€7 million ECL).

Risk report

Overall picture of the development of impairment losses

On-balance sheet financial assets due from customers, i.e., the volume exposed to credit risk, amounted to €80,956 million at 30 June 2023 compared with €79,360 million at the end of 2022, of which €67,143 million is attributable to loans and advances to customers in accordance with the reclassified balance sheet for segment reporting purposes before deduction of allowances of €1,431 million (€67,729 million at year end 2022). €13,614 million (€11,433 million at year-end 2022) accounted for risk assets from securities positions.

As of year-end 2022, booked impairments for risk volumes in the performing portfolio (levels 1 and 2) amounted to €565 million and decreased to €534 million as of June 2023. Provisions for non-performing assets (including financial assets with already impaired credit ratings), which amounted to €945 million at year-end 2022, totaled €896 million at the end of June 2023.

Based on loans and advances to customers, impairment losses for levels 1 and 2 decreased from €563 million at year-end to an amount of €532 million as of June 30, 2023. Provisions for non-performing loans and advances (level 3) (including financial assets with credit ratings already impaired upon initial recognition) decreased from €947 million as of year-end 2022 to €898 million as of June 2023.

Non-Performing Loans

With an overall higher volume of on-balance sheet assets due from customers of €80,956 million compared with €79,360 million at the end of 2022, the non-performing volume (before deduction of impairment losses of €1,430 million) decreased in the first half of 2023 from €2,161 million to €2,086 million and thus to a share of 2.6% (2.7% at the end of 2022).

The share of non-performing loans in total loans and advances to customers accounted to 3.1% at June 30, 2023 (3.2% at year-end 2022). The coverage ratio accordingly decreased to 43.0% (from 43.8% at year-end 2022).

Development of credit risk costs

Compared with the cost of risk in the first half of 2022 (€49 million), a surplus (€29 million) was also generated in the first half of 2023, to a lesser extent. The main driver was the non-performing portfolio (€23 million), where the Corporate segment recorded a high level of repayments and economic recoveries, particularly in the second quarter. In the Performing Portfolio (€7 million), there was income from individual customers in the Retail segment, partly offset by cost of risk in the Corporate segment.

Broken down into segments, the development of impairment gains/losses for the non-performing portfolio is as follows: Corporates €22 million, Retail €0.3 million. In the performing portfolio, net releases in the Retail segment (€10 million) and Wealth Management & Private Banking (€2 million) segments were partially offset by net increases in the Corporate segment (€-5 million).

Operational Credit risk strategy taking into account a changed macroeconomic environment

Following the outbreak of the Russia/Ukraine conflict and the resulting changes in the macroeconomic environment, proactive and forward-looking screening of local credit portfolios has become particularly important. The focus of the screening is to identify and mitigate direct and indirect effects of the crisis on loan customers. Particular importance is attached to identifying effects on our customers from macroeconomic developments such as the ECB's changed interest rate policy, inflation and changes in the real estate market, likewise the effects on our customers in connection with ESG are also gaining in importance.

These issues are taken into account in credit decisions, and in the case of automatic credit decisions, the engines used are calibrated accordingly. Customers in identified high-risk industries are monitored with special care in the course of the regular credit reviews.

These specific adjustments are supplemented 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 timely write-downs of uncollectible receivables. This is accompanied by continuous development of the general risk culture in sales, the monitoring and control mechanisms (through the implementation of specific KPIs and optimized management reporting) and the risk processes (including lending process, monitoring process including annual value verification of real estate collateral). Furthermore, the processes for granting sustainable forbearance measures and loan restructuring are continuously improved.

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 the major part of its loan portfolio (advanced IRB approach). Simplifying and further developing local and Group-wide models and, to a lesser extent, the introduction of additional Group-wide models is taking place on an ongoing basis or according to a multi-year plan (model road map). Following the EBA's new guidelines, the amendments for all local PD models entered production in 2021. Ratings were automatically issued immediately for all retail models for use in July 2021. The implementation for corporate models has been carried out through re-ratings of individual customers. The new LGD model was finally deployed as of March 2023, taking into account the obligations of the final supervisory approval. The revision and submission of the local EAD model is planned for 2023. With regard to 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 was also implemented in 2021. For the second half of 2023 we are expecting the implementation of the Groupwide Banking Model after final approval of ECB. Currently the group is working on a revision of the model for multinational corporations (MNC).

Implementation of the advanced IRB approach has been established as a Group-wide programme. Therefore, UniCredit Group is responsible for overall planning, Group-wide issues and decisions, and specifically for the development of Group-wide models, such as for countries, banks and multinational companies. The local IRB models are modelled locally in accordance with Group-wide specifications.

Group standards have for the most part already been prepared and adopted by UniCredit Group in cooperation with the major IRB legal entities and are used as an important instrument for uniform Group-wide implementation, with a view to complying with local legal requirements — some of which differ from country to country — and safeguarding Group interests. These Group standards will continue to be gradually extended and supplemented. Group standards are integrated into business areas both in procedural and organisational terms, where local particularities and legal regulation are considered when ensuring Basel compliance.

All domestic 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.

CHF loan volume

The decrease of the CHF loan volume continued also in the first half of 2023. Compared to the end of 2022, the CHF loan volume (after impairments) was reduced by further €0.26 billion from to €3.7 billion to €3.5 billion. Approximately 4.3% thereof was classified as non-performing. 89% of the CHF gross loan volume is allocated to the segment Retail.

Country risk and sovereign risk

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

Risk report

Breakdown of sovereign debt securities by country and portfolio

(€ million)

COUNTRY/PORTFOLIO	30.06.2023			31.12.2022		
	NOMINAL VALUE	BOOK VALUE	FAIR VALUE	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
Austria	2,745	2,510	2,479	2,023	1,834	1,802
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	60	58	58	60	59	59
Fair value through other comprehensive income	2,593	2,349	2,349	1,859	1,663	1,663
Financial assets at amortised cost	92	103	72	95	105	74
Designated at fair value through profit or loss	-	-	-	9	6	6
Spain	3,137	2,934	2,881	2,711	2,509	2,450
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	2,357	2,135	2,135	1,931	1,710	1,710
Financial assets at amortised cost	780	799	746	780	799	740
Designated at fair value through profit or loss	-	-	-	-	-	-
Italy	1,505	1,472	1,442	1,310	1,260	1,211
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	1,185	1,147	1,147	860	801	801
Financial assets at amortised cost	320	325	295	450	459	410
Designated at fair value through profit or loss	-	-	-	-	-	-

Risk report

COUNTRY/PORTFOLIO	30.06.2023			31.12.2022		
	NOMINAL VALUE	BOOK VALUE	FAIR VALUE	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
Japan	1,252	1,260	1,260	1,398	1,393	1,393
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	1,252	1,260	1,260	1,398	1,393	1,393
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Poland	461	465	465	500	506	505
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	424	428	428	464	470	470
Financial assets at amortised cost	36	36	36	36	36	36
Designated at fair value through profit or loss	-	-	-	-	-	-
France	611	589	544	450	388	339
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	437	412	412	276	210	210
Financial assets at amortised cost	174	178	132	174	178	129
Designated at fair value through profit or loss	-	-	-	-	-	-

Risk report

COUNTRY/PORTFOLIO	30.06.2023			31.12.2022		
	NOMINAL VALUE	BOOK VALUE	FAIR VALUE	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
Romania	230	216	216	277	261	261
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	230	216	216	277	261	261
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Belgium	264	260	260	105	100	100
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	264	260	260	105	100	100
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Other Countries	3,620	3,321	3,277	2,948	2,625	2,579
Held for trading (Net exposures)	115	0	0	115	0	0
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	2,979	2,835	2,835	2,491	2,329	2,329
Financial assets at amortised cost	403	402	359	204	203	158
Designated at fair value through profit or loss	122	83	83	138	92	92
TOTAL	13,824	13,027	12,825	11,723	10,875	10,641

Risk report

Breakdown of sovereign debt securities by portfolio

(€ million)

30.06.2023						
	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	0	58	11,042	1,843	83	13,027
Total portfolio of debt securities	0	71	13,964	3,772	104	17,911
% Portfolio	100.00%	82.44%	79.08%	48.87%	79.75%	72.73%
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	0	59	8,937	1,781	98	10,875
Total portfolio of debt securities	0	72	11,999	3,927	119	16,118
% Portfolio	91.01%	82.88%	74.48%	45.34%	82.40%	67.47%

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

The following table shows the 10 largest sovereign loans by country:

Breakdown of sovereign loans by country

(€ million)

COUNTRY	30.06.2023	31.12.2022
Austria	5,478	5,590
Czech Republic	510	503
Indonesia	154	166
Trinidad and Tobago	134	131
Sri Lanka	98	97
Laos	76	79
Mongolia	75	73
Ghana	74	77
Gabon	61	68
Angola	60	65
Other	337	357
TOTAL SOVEREIGN LOANS	7,057	7,207

Risk report

Legal risks

In the following, UniCredit Bank Austria AG is also referred to as "UCBA" throughout.

The method of recognizing provisions is described in the Annual Financial Statements 2022 under "A.6.7.2 - Other provisions 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, 9 of which are still open, with interest amounting to €4.84 million plus interest. The claims asserted in these proceedings are that UCBA committed certain breaches of duty in its capacity as prospectus controller. The Austrian Supreme Court issued twenty-eight legally binding rulings with regard to the prospectus liability claims asserted in the proceedings. Regarding the proceedings concerning the Primeo Feeder funds, eighteen final decisions of the Austrian Supreme Court were taken in favor of UCBA. In two proceedings, the Supreme Court rejected UCBA's extraordinary appeal and therefore made the decision of the Court of Appeal, which had been issued in favor of the plaintiffs, final. With regard to the Herald Feeder Fund, the Austrian Supreme Court has ruled on the prospectus liability claims five times, twice in favor of UCBA and three times in favor of the plaintiffs. In a prospectus liability case where investments were made in Primeo and Herald, the Supreme Court ruled in favor of UCBA; in two further prospectus liability cases where investments were made in Primeo and Herald, the Supreme Court rejected the plaintiffs' extraordinary appeals, thereby ruling the decisions of the Court of Appeal to be legally binding in favor of UCBA.

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

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

Proceedings in the United States

Actions by the SIPA trustee

In December 2010, the insolvency administrator (the "SIPA Trustee") brought an action for the liquidation of BLMIS as well as other actions against dozens of defendants, including HSBC, UniCredit S.p.A., UCBA and certain affiliates, to a United States Federal Court (the "HSBC Proceedings").

Risk report

In the HSBC Proceedings, the SIPA Trustee filed civil claims and avoidance claims (also known as “clawback claims”) worth several billion US dollars. The civil claims were dismissed in 2011 and no further appeals are pending against this decision. In 2015, the SIPA Trustee dropped the avoidance claims against UniCredit S.p.A and the Alternative Investments Division of Pioneer (“PAI”) in the HSBC Proceedings, waiving the claims, as well as the avoidance claims against UCBA, without waiving the claims; this was done following claim adjustments that did not concern UniCredit S.p.A., PAI or UCBA and were considered by the SIPA trustee to satisfy the relevant claims. A judgement was issued by the Bankruptcy Court on 22 November 2016 which ordered the avoidance claims against BA Worldwide Fund Management Ltd (“BAWFM”) to be rejected. On 9 March 2017, the SIPA Trustee commented on the rejection of the avoidance claims against BAWFM in writing. On 16 March 2017, the SIPA Trustee appealed against the dismissal of the claims. In February 2019, the Court of Appeal annulled the decision of the Bankruptcy Court of 22 November 2016 and ruled that the SIPA trustee could recover the transfers of funds by BLMIS to BAWFM and other similar parties before their insolvency. BAWFM and other defendants requested a new hearing before the Court of Appeals by an “en banc” committee (then by all judges). The Court of Appeal rejected that request in April 2019. At the defendant’s request, the Court of Appeal paused the proceedings so as to prevent the procedure continuing during the appeal process at the Supreme Court. BAWFM and the other defendants submitted a review on 30 August 2019. On 1 June 2020, the Supreme Court rejected this revision. The case was then referred back to the Bankruptcy Court for further proceedings. There is no substantial potential claim for damages and hence no distinctive risk profile for UniCredit Group. Certain current or former related persons named as defendants in the HSBC Proceedings may be granted rights to indemnification by UniCredit S.p.A. and its affiliates.

Possible ramifications

In addition to the aforementioned proceedings and investigations against UCBA, its affiliates and some of their employees and former employees in connection with the Madoff case, additional actions may be brought in connection with this case in the future in the United States, Austria or other countries. Such possible future actions could be brought against UCBA, its affiliates and their employees and former employees. The pending proceedings and possible future actions may have a negative impact on UCBA.

UCBA and its affiliates intend to use all available means to defend themselves against the claims and allegations in connection with the Madoff case. Apart from the aforementioned issues, it is currently not possible to reliably estimate the time horizon and the outcomes of the various actions or to determine the level of responsibility – should responsibility be proven.

B) Alpine Holding GmbH

Alpine Holding GmbH issued one bond in 2010, one in 2011 and one in 2012. In 2010 and 2011, UCBA acted as joint lead manager together with another bank. In June/July 2013, Alpine Holding GmbH and Alpine Bau GmbH became insolvent and bankruptcy proceedings followed. Numerous bondholders then wrote to the banks involved in the bond issues to assert claims. At least as far as UCBA is concerned, the bondholders largely based their claims on the prospectus liability of the joint lead managers and, in fewer cases, also on flawed investment advice provided by the banks that sold the bonds to their customers. Investors have filed civil proceedings, including subpoenas for three class actions by the Federal Chamber of Labour (with claims amounting to some €18.7 million), in which UCBA is named as a defendant in addition to other banks. The significant cause of action is the prospectus liability. These civil proceedings are predominantly still pending at first instance. To date, no legally binding decisions have been issued by the Supreme Court against UCBA concerning prospectus liability. In addition to the aforementioned proceedings against UCBA, further actions against UCBA have been threatened in connection with Alpine bankruptcy, which could be brought in the future. Pending or future actions may negatively affect UCBA. UCBA intends to use all available means to defend itself against these claims. At present, it is not possible to estimate the timing and outcome of the various proceedings or to assess UCBA’s level of responsibility, if any.

Risk report

C) VKI Price Display (17 Charges)

VKI brought an action against UCBA alleging the inadmissibility or contractual invalidity of 17 different charges in the consumer business on the grounds of a violation of good manners or the existence of non-transparent formulation or other violation of statutory provisions. The contested fees relate to the savings account business, the personal loan business, the payment account business, and the credit card business. In the appeal filed by UCBA against the first-instance ruling in favor of the claim, the Vienna Higher Regional Court found that 16.5 of the 17 contested charges were in fact unlawful. The inadmissibility is essentially due to the unclear, non-transparent wording of the individual charges, which does not allow the consumer to identify the scope or the exact reason for charging these charges.

The decision of the Vienna Higher Regional Court became final, so that UCBA may no longer claim these 16.5 charges in future business transactions with consumers.

At the beginning of the proceedings, UCBA, together with the mandated legal representative, examined the fee clauses that were subject of the lawsuit, evaluated the risk of losing the lawsuit and formed a provision that was adequate for the identified risk.

In view of the now legally binding decision of the Vienna Higher Regional Court, the risk of damage was re-examined with regard to the remuneration clauses that were found to be inadmissible. In view of the damage risk identified, the provision already recognized was adjusted accordingly.

Risk report

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 harm 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 change mitigation, 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 considered.

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 CO₂-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 priority sectors (Oil & Gas, Power Generation, Automotive) at Group level were published in January 2023, with targets for other sectors to follow until October 2024.

As recommended by the NZBA, PCAF² and other relevant industry guidance, the baseline for the financed emissions of the credit portfolio was estimated, and the targets were set based on the respective emissions profile on group level (drawn amount), focusing on SME and Large Corporates. The baseline was calculated on the on balance sheet lending drawn exposure at 31/12/2021 for all three priority sectors.

For 2023, Bank Austria defined measurable ESG targets in its Risk Appetite Framework for the first time (new environmental lending exposure and trigger and limit on received collateral that are subject to physical risks), which also reflect the growing importance of ESG objectives.

The risk framework aims at ensuring 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 physical³ and/or transitory⁴ 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 the first half of 2023 UniCredit Group again focused on the further development of instruments, methods, and measures to integrate climate-related risks into the corresponding processes (data retrieval strategy, ESG risks integration also into credit applications for SMEs, reporting, credit risk strategy, stress tests, operational risk / reputational risks, inclusion of transition and physical risks into mortgage risk framework). First initiatives to tackle the biodiversity risk have started on group level and were presented to the main LE's.

² PCAF = Partnership for Carbon Accounting Financials

³ 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).

⁴ Transitory risks are the risks associated with the transition to a low-carbon economy (e.g. introduction of new or stricter CO₂ emission guidelines, enforcement of new technologies or business models, changes in market sentiment or societal preferences).

Risk report

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 includes all corporate clients (including Real Estate) for which GTCC⁵/GCC⁶ is responsible and all positions for which TCC⁷ 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

UniCredit Bank Austria on a quarterly basis conducts an analysis of the potential damage to the collateral in the mortgage portfolio due to acute climate-related events. A summary assessment of how physical risks may affect the overall fair value is carried out and the impact on the market value of the relevant mortgages is 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.

The above-mentioned physical risk measurement was included in the Risk Appetite Framework (RAF) in order to further strengthen the integration of climate and environmental factors into the risk management framework and to improve portfolio monitoring.

Other **focal points in connection with climate risks** include:

- implementation of the Taxonomy Regulation⁸ through the integration of customer and product-specific information in support of the shift towards a CO₂-neutral economy in our processes and IT systems, which started for the corporate segment in July 2023 for a pilot perimeter.
- definition of the baseline scenario for the steel and real estate sector as well as further development of our portfolios' emissions measurements in line with NZBA industry standards and coverage of the remaining industries by October 2024
- embedding of climate risk factors in our 2023 credit risk strategy

⁵ GTCC: Group Transactional Credit Committee

⁶ GCC: Group Credit Committee

⁷ TCC: Transactional Credit Committee

⁸ Regulation = VO/Verordnung (in German)

Additional disclosures

Employees

	HALF YEAR 2023	YEAR 2022
Salaried staff	4,860	4,815
Other employees	-	-
TOTAL ¹⁾	4,860	4,815
of which: in Austria	4,431	4,601
of which: abroad	430	213

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

Due to the integration of UniCredit Services (UCS) as of July 1, 2022, only 50% of UCS employees in Austria, Poland and Romania are included in the average figures for the previous year. This explains the increase in the first half of 2023, particularly for employees abroad.

Events after the reporting date

There are no known significant events after the reporting date.

Additional disclosures

Consolidated own funds and risk-weighted assets

Consolidated capital resources

	30.06.2023	31.12.2022
Paid-in capital instruments (excl. own instruments of Common Equity Tier 1)	1,681	1,681
Reserves (incl. profit) and minority interests	7,016	6,899
Adjustments to Common Equity Tier 1 ¹⁾	(2,534)	(2,565)
Transitional adjustments to Common Equity Tier 1 ²⁾	85	173
Common Equity Tier 1 (CET1)	6,248	6,188
Additional Tier 1 capital and qualifying Additional Tier 1 instruments issued by subsidiaries	602	602
Additional Tier 1 (AT1)	602	602
Tier 1 capital (T1=CET1+AT1)	6,851	6,791
Tier 2 capital (T2)	718	708
Total regulatory capital (TC=T1+T2)	7,569	7,499

1) since 3Q22 Debit Value Adjustment, net of tax is considered (Corporate Tax Rate 2022: 25%, 2023: 24%)

2) in accordance with the CRR accompanying regulation of December 11, 2013, and Regulation (EU) 2020/873 of June 24, 2020, there of 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 (€85 million)

Total risk exposure amount

	30.06.2023	31.12.2022
a) Credit risk pursuant to standardised approach	5,464	5,351
b) Credit risk pursuant to internal ratings-based (IRB) approach ¹⁾	25,125	26,435
c) Other (securitisation and contribution to default fund of a central counterparty (CCP))	38	17
Credit risk	30,627	31,802
Settlement risk	0	0
Position, foreign exchange and commodity risk	292	674
Operational risk	3,078	3,062
Risk positions for credit value adjustments (CVA)	11	68
TOTAL RWAs	34,008	35,607

1) including RWA add-ons

Key performance indicators

	30.06.2023	31.12.2022
Common Equity Tier 1 ratio ¹⁾	18.4%	17.4%
Tier 1 ratio ¹⁾	20.1%	19.1%
Total capital ratio ¹⁾	22.3%	21.1%

1) based on all risks

The calculation of consolidated regulatory capital and consolidated regulatory capital requirements as at 30 June 2023 is based, in conformity with the CRR, on International Financial Reporting Standards (IFRS).

Statement by management

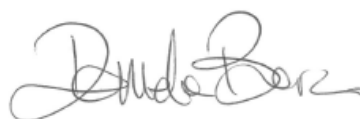
We confirm to the best of our knowledge that the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the half-yearly management report of the group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

Vienna, 28 July 2023

The Management Board



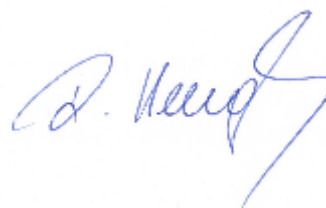
Robert Zadrazil
CEO – Chief Executive Officer
(Chairperson)



Daniela Barco
Retail



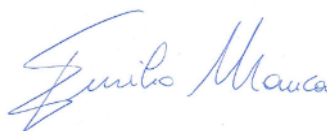
Philipp Gamauf
CFO – Chief Financial Officer



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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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 (2023 and 2022)). 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

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Ratings

	LONG-TERM / DEPOSITS	LONG-TERM / SENIOR UNSECURED	SHORT-TERM	COUNTERPARTY RISK RATING
Moody's ¹⁾	A2	A3	P-1	A1 / P-1
Standard & Poor's ¹⁾	A- / BBB+ ²⁾	BBB+	A-2	A-

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.

²⁾ A- for insured deposits

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

Publisher and media owner:

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Austrian bank routing code: 12000
Company register: FN 150714p
LEI: D1HEB8VEU6D9M8ZUXG17
Data Processing Register Number: 0030066
VAT Number: ATU 51507409

This Half-Yearly 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 Zadrzail (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/shareholder-structure.html>).

"Betriebsratsfonds des Betriebsrats der Angestellten der UniCredit Bank Austria AG, Region Wien" (the Employees' Council Fund of the Employees' Council of employees of UniCredit Bank Austria AG in the Vienna area) and "Privatstiftung zur Verwaltung von Anteilsrechten" (a private foundation under Austrian law; founder: Anteilsverwaltung-Zentralsparkasse; beneficiary: WWTF – Wiener Wissenschafts-, Forschungs- und Technologiefonds) have a combined interest of 0.004 % in the media owner.

Notes:

This report contains forward-looking statements relating to the future performance of Bank Austria. These statements reflect estimates which we have made on the basis of all information available to us at present. Should the assumptions underlying forward-looking statements prove incorrect or should risks – such as those mentioned in this report – materialise to an extent not anticipated, actual results may vary from those expected at present. Market share data are based on the most recent information available at the editorial close of this report.

"Bank Austria" as used in this report refers to the group of consolidated companies. "UniCredit Bank Austria AG" as used in this report refers to the parent company.

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

Disclaimer:

This edition of our Half-Yearly Financial Report is prepared for the convenience of our English-speaking readers. It is based on the German original, which is the authentic version and takes precedence in all legal respects.

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Communities to Progress.

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