Annual Financial Report 2023

Unlocking **transformation,** together.

For our clients, our people, and our communities.

Empowering Communities to Progress.

Bank Austria

Member of UniCredit

Content

Introduction

"2023 was a remarkable year and the product of three years of transformation. There will no doubt be challenges ahead in 2024, but I am confident in the direction our bank is taking."

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

Dear Stakeholders,

2023 was the best year in UniCredit's history and the crowning achievement of our first three years of transformation.

It will be remembered as the year we surpassed the targets we set at UniCredit Unlocked, and emerged as a better, stronger bank as a result. One capable of being the bank for Europe's future.

We are no longer a bank that settles for less. We have built a culture of excellence that puts our clients at the centre and prioritises long-term value creation over short-term gain.

This has been driven by a cultural and industrial transformation, which has redefined the way our bank operates. Before, there was no 'one UniCredit'. There were 13 disparate banks that lacked common principles, values and a clear strategy and were falling short of their potential.

Now our bank is united behind one vision, with all its parts operating in lockstep with the interests of the Group and Europe as a whole. A model that now empowers our people and gives our clients what they are asking for.

2023 was truly the year we came together behind one purpose and vision and executed an ambitious strategy that has propelled us from a laggard to a leader.

Surpassing our targets

Despite a challenging macroeconomic backdrop, 2023 was the year we surpassed targets that some thought impossible a year ago.

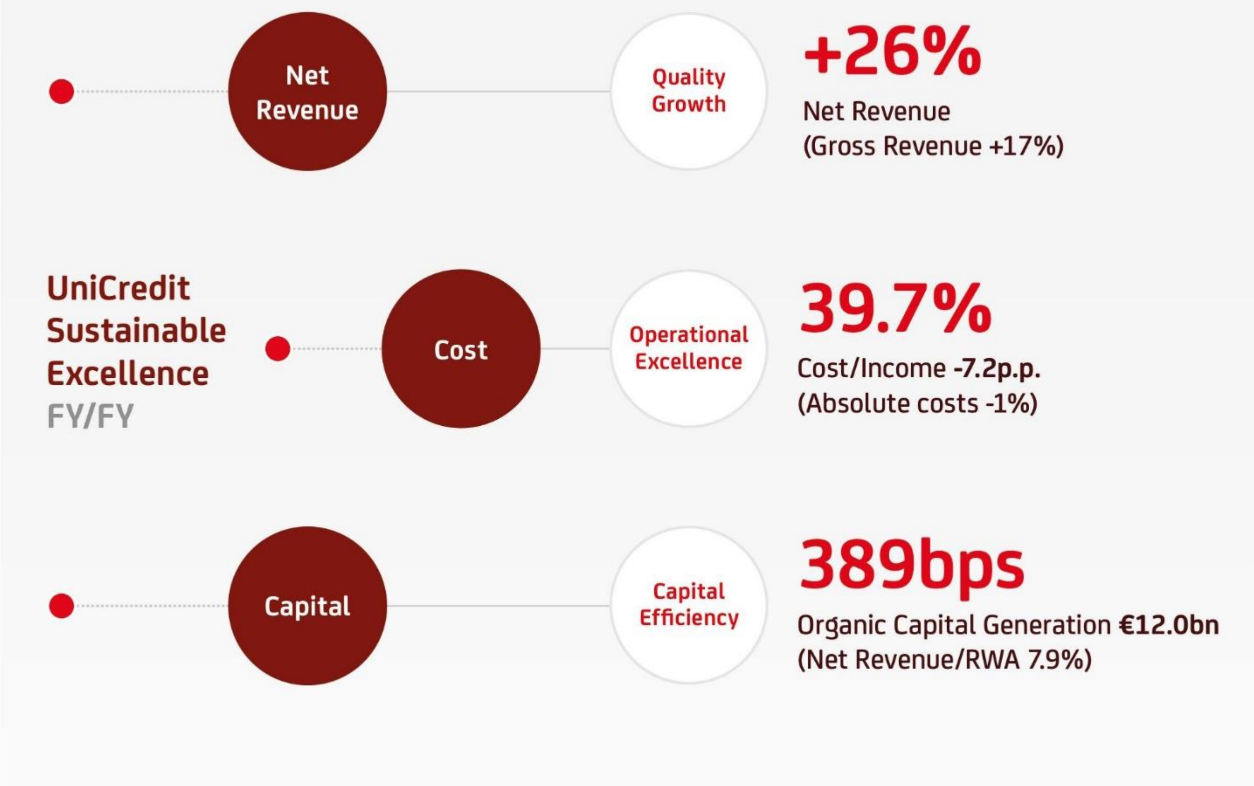
We achieved a RoTE of 16.6% (20.5% when correcting for the excess capital that we carry at 13% CET1).

Our net revenues stood at €23.3 billion – an increase of 26% year on year. This was mostly driven by exceptional net interest income and resilient fees while maintaining a low cost of risk.

We have enhanced our three product factories – corporate solutions, payments solutions, and individual solutions – to deliver best-in-class products for our clients at scale. As a result, our factories generated €9.9 billion in 2023, down 2% despite challenging market conditions.

We are now in our twelfth quarter of year-over-year profitable growth driven by outperformance across each of our three core financial levers, achieving the best results in UniCredit's history.

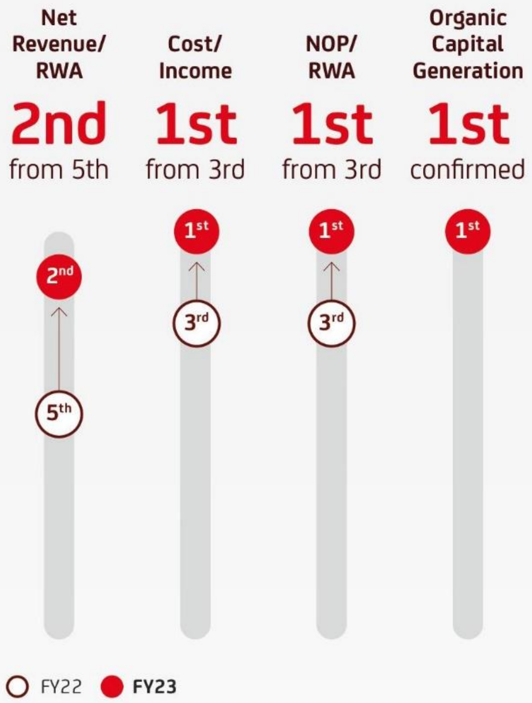
FY23 Highlights across our 3 levers




UniCredit
Credit: Andrea Cherchi

In comparison to our peers, we have best-in-class top-line growth, operating efficiency, and unrivalled organic capital generation. We have one of the highest CET1 ratios, one of the highest RoTE (the highest when corrected for our excess capital at 13%), quality credit portfolio and coverage, and the highest forward-looking precautionary overlays.

Superior performance vs. peers across all levers



Peers and UniCredit stated figures based on publicly available data

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

After three years of transformation, our RoTE has tripled, our net profit is over 2.5x compared to 2017-2019 averages[1], and we have delivered over €27 billion in organic capital generation. We distributed €17.6 billion over three years, which is equal to our market cap at the beginning of 2021.

This year alone we have generated €12 billion in capital organically, underpinning our proposed distribution of €8.6 billion (100% of net profit) in the fourth quarter – €3.0 billion dividends and €5.6 billion share buyback – while reinforcing our CET1 ratio by c.100 basis points to 15.9%.

In 2023 we delivered on the €5.25 billion commitment made in our FY22 shareholder distribution programme, and front-loaded the execution of a €2.5 billion share buyback as part of the FY23 distributions.

At the same time, per-share value creation has reached even greater heights, more than tripling EPS versus our historical run-rate, with DPS nine times higher, and tangible book value per share up almost a half.

The financial targets we have met and exceeded have not been at the detriment of our ESG commitments, which are embedded firmly in our business model.

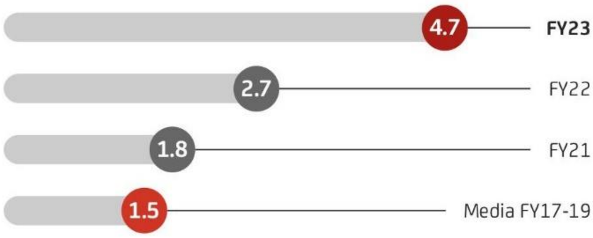
With a unique pan-European footprint, we have a responsibility to pursue a fairer, greener future.

We remain steadfast in our commitment to reach net zero by 2050 and in 2023, we became a single-use plastic-free bank and lent €7.6 billion in environmental loans.

The Social dimension of ESG continues to be a priority for UniCredit, and we are leading by example with €3.8 billion of social financing and €60 million of social contribution.

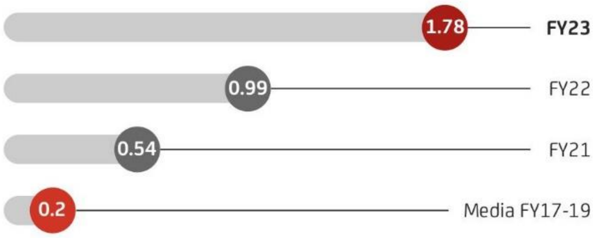
1. For comparison purposes the FY17-19 net profit is the simple average of Net profit recast figures for Group excluding Turkey and Fineco.

Propelled per share values



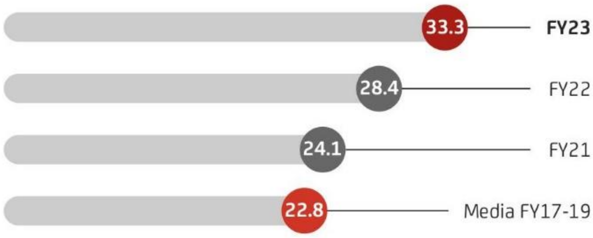
+3.1x

EPS[1] (€)



9.0x

DPS (€)



+46%

TBVPS (€, EoP)

1. Net Profit for FY22 and FY23 is stated net profit adjusted for impacts from DTAs tax loss carry forward resulting from sustainability test. The result is used for cash dividend accrual / total distribution. Underlying net profit for FY21. For comparison purposes the FY17-19 net profit is the simple average of Net profit recast figures for Group excluding Turkey and Fineco.

Our winning approach continues

There will no doubt be challenges ahead in 2024, but I am confident in the direction our bank is taking.

2023 was a remarkable year and the product of three years of transformation.

Every target we've set, we've exceeded, and now we are a leading European bank that is delivering consistently for its stakeholders. This would not have been possible without the belief, trust and hard work of thousands of people who work at UniCredit.

Our challenge now is to go beyond these record results and continue the performance of the past three years.

We must work to sustain our winning approach, defend our record financial performance, and set the stage for the next phase of UniCredit's growth.

We are now a leader in banking and we aspire to become champions. I have no doubt in our ability to do this.

Yours,

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

Introduction

Message from the Chairman of the Supervisory Board of Bank Austria

On 5 February 2024, UniCredit announced "record-breaking results for 2023 – our bank's best year ever, crowning three years of success", with the 12th consecutive quarter of sustainable quality profitable growth across all regions. In fact, in FY23 both Central Europe as a region and UniCredit Bank Austria once again achieved strong revenue as well as disciplined cost and risk management. Our bank continued its Austrian success story of recent quarters and took another important step towards fully unlocking its potential.

I would like to outline some of the highlights of UniCredit Bank Austria's FY23 results:

Our bank generated an operating income of EUR 2.7 billion due to the positive performance in all business segments, with an increase of 33% y/y. Our strong revenues were in particular supported by a substantially higher net interest income, while net fees and commissions showed a rather stable development.

The main drivers for our bank's excellent FY23 results were the sustainable contribution of all business segments due to a very successful execution of "UniCredit Bank Austria Unlocked" activities, rising interest rates, and our continued strict cost management: Operating costs decreased by 1.2% y/y, despite the high 2023 wage drift and fully absorbing inflation headwinds.

After loan loss provisions of EUR -43 million, we achieved a net operating profit of EUR 1.6 billion in FY23 (+72% y/y) and an excellent net profit of EUR 1.1 billion (+36% y/y) which is a new record result for our Austrian business.

As a consequence, our bank's main KPIs improved further, with the cost/income ratio decreasing significantly to 39.2% in FY23 and the return on allocated capital (ROAC) climbing strongly to 20.8%, due to significantly higher profitability. And last but not least, our bank's CET1 ratio improved to an excellent 19.3%, confirming our strong capital base.

I am very pleased that UniCredit Bank Austria's success is not limited to one specific business area, as all areas have delivered tangible results:

Introduction

- Corporate Banking continues to be the market leader in Austria, as also confirmed by external assessments: #1 in syndicated loans (Dealogic) as well as, amongst others, Best Trade Finance Provider (Euromoney 2023), Best Bank for Digital Solutions (Euromoney 2023) and Best ESG Bank in Austria (Euromoney 2023). Moreover, we are the first and only bank in Austria that offers two guarantee products for “Innovation & Digitalisation” and “Sustainability” to support lending to SME clients thanks to the “InvestEU” guarantee agreement with the EIF.
- Retail managed to double fully digital & remote sales vs. 2022 by successfully transforming mobile banking into a sales channel, by implementing all standard products in the app, and due to strong cooperation between our bank’s digital and physical channels. Furthermore, we achieved sustainable growth in market shares in the lending business.
- Private Banking and Wealth Management was able to place structured products including own bonds in the amount of approx. EUR 700 million. In addition to the successful growth cooperation with Corporates, the division intensified its collaboration with Schoellerbank Invest as one pillar of the new group asset management strategy.
- Furthermore, UniCredit Bank Austria kept accelerating its digital transformation by launching several initiatives for further digitalisation and simplification that make our bank faster and more efficient and improve the customer experience significantly. The bank also confirmed its ESG commitments and activities, mentioning the next successful issuance of a green bond in 2023 as just one example.

With this track record, I am more than optimistic that our bank will master all upcoming challenges to test its resilience as we expect 2024 to be a year in which our clients and communities will face economic uncertainty, persistent inflation, and changing interest rates. In this volatile environment, our purpose of ***Empowering Communities to Progress*** towards a more sustainable, inclusive, and fair society is even more important.

I thank all our stakeholders for their trust and urge them to maintain their support as we remain dedicated to transforming our bank into ***the Bank for Europe's Future***.

Gianfranco Bisagni
Chairman of the Supervisory Board of UniCredit Bank Austria AG

Who we are

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

We serve over **15 million customers** worldwide. They are at the heart of what we do in all our markets. UniCredit is organized in four core regions and three product factories, Corporate, Individual and Group Payments Solutions. This allows us to be close to our clients and use the scale of the entire Group for developing and offering the best products across all our markets.

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

Where we operate

15m
customers worldwide

4
coverage regions

13
leading banks

A. Central Europe includes Austria, Czech Republic, Hungary, Slovakia and Slovenia.

B. Eastern Europe includes Bosnia and Herzegovina, Bulgaria, Croatia, Romania, Russia and Serbia.

What we do

At UniCredit we are building the **bank of Europe's future**. A bank that delivers consistently for our stakeholders and empowers people, business and communities across Europe to progress.

This year we were unrelenting in our execution of **UniCredit Unlocked**, a strategic plan which is transforming our bank and enabling us to set a new industry benchmark.

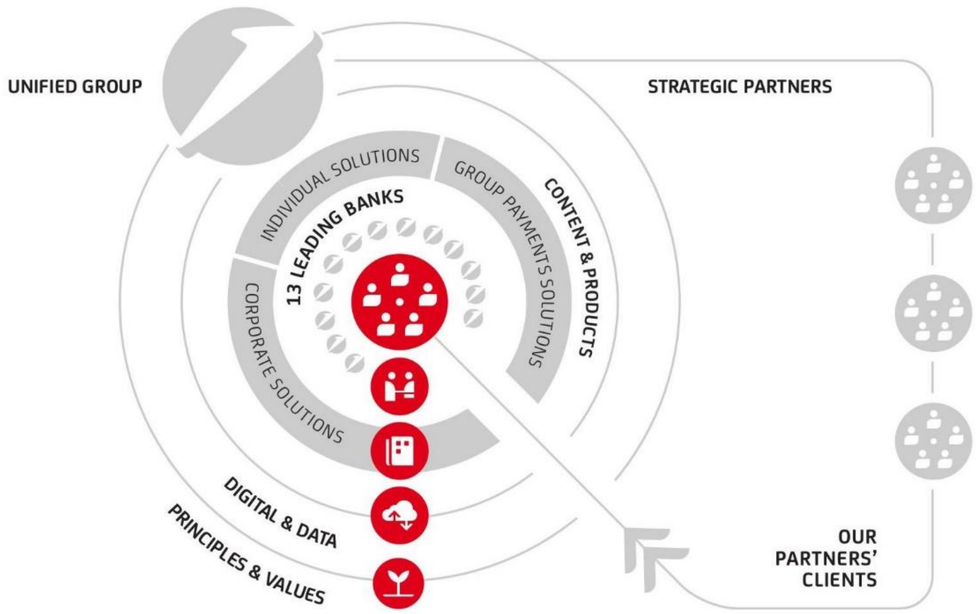
At its core, this is about putting **clients firmly at the centre of all we do**. For our clients we are a gateway to Europe, providing them with best-in-class solutions, strategic advice and innovation.

We deliver **competitive products and services** that create significant value for over one million SMEs, corporate, multinational corporates, financial institution and public sector clients – as well as 15 million retail, private banking, wealth management and family office clients across the Group.

As a result of **three years of transformation**, we have brought our thirteen banks together, leveraging their scale and reach across Europe to deliver competitive value-added services to our clients that are customised to their local needs. The strength of **two outstanding global product factories** – Corporate Solutions and Individual Solutions – is fundamental to this.

Our **simplified business model** and all our decision-making is driven by UniCredit's values of **Integrity, Ownership and Caring**. By embodying these values every day, we have become a true partner to our clients and an engine of social and economic progress in Europe. Today we are operating as one bank, leveraging our **pan European footprint** and the **strength of our workforce** to offer the very best to all our stakeholders: our clients, our people and our communities.

The impact of our transformation is clear – evidenced not only by our **strong financial performance** and **quality growth**, but the value we have unlocked within our bank and for all our stakeholders. This report outlines our achievements in 2023, a year which is the culmination of three years of transformation and has set up UniCredit for future success.



Our unique and diverse talent base

International mindset

International presence in BoD (%)

33

International presence in Group Executive Committee (GEC) (%)

62

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

Data as of 31/12/23

Gender balance

BoD (%)

Female 42 Male 58

GEC (%)

Female 46 Male 54

Leadership team (GEC+GEC-1) (%)

Female 35 Male 65

Our UniCredit Unlocked strategy

UniCredit Unlocked is a unique strategy which delivers for the present while transforming our bank for the future.

UniCredit Unlocked is aimed at reuniting a network of 13 independent banks into a cohesive pan-European leading entity, leveraging local strengths and harnessing collective capabilities through the centralisation of products and technology.

Despite the continued macro challenges and economic and geopolitical uncertainty since day one of UniCredit Unlocked, we have demonstrated **excellent progression and delivered remarkable results in industrial and financial transformation**.

Two years into our strategic plan, **UniCredit is united around a clear purpose and vision: empowering communities to progress while becoming the bank for Europe's future and setting a new benchmark for banking**. It is a transformed bank, moving at unprecedented pace, ready to face and take advantage of the future.

The overarching aims of the UniCredit Unlocked plan are to:

Continuous execution of our **winning strategy** that delivers for our stakeholders

Relentless focus on **industrial transformation**

Balancing three financial levers to steer our **financial plan**

A winning strategy

Our clients
at the centre

- **Streamlined operations and enhanced tools** for fast and leaner processes
- **Decentralised and delegated decision making** to client facing colleagues, within a clear strategy and framework
- **Integrated and diversified service channels** at our clients' disposal, anytime and anywhere
- **Completed best-in-class products offer**, leveraging internal product factories and ecosystem of our partners

Our people
valued and empowered

- **Enhancing empowerment and fostering accountability** at all levels through our culture
- **Unifying the organisation around a common objective, vision and purpose**
- **Investing in people**, through training and hirings in front line, product specialists and tech
- **Building a meritocratic environment** where performance is recognised and rewarded

Our investors
remunerated

- **A unique pan-european champion** made of 13 leading banks, united in One group, leveraging Group solidity and synergies
- **Maintaining balanced focus on sustainable profitability, quality growth, operational and capital excellence and distributions**

Our industrial transformation priorities

1.

Empowering and unifying through our culture

2.

Simplifying and delayering, a new way of working

3.

Rationalising and strengthening partnerships and procurement

4.

Investing in our people and **growing** franchise and product factories

5.

Modernising and enhancing Digital & Data

Our financial levers

Net revenue

Quality growth

Quality instead of volumes maintaining low expected loss (securing low stable CoR) and capital consumption growing in a capital light way

Cost

Operational excellence

Targeted instead of undifferentiated cost reduction – shrinking and optimizing the center while investing to secure the future

Capital

Capital excellence

Thoughtful capital allocation and active portfolio management **boosting returns on RWAs and capital**

Our UniCredit Unlocked strategy

Our industrial transformation priorities

1. Empowering and unifying

A common vision, a unifying culture, and a winning mentality: promoting ownership and empowerment

Our approach:

- **Listening as a foundation:** Extensive listening to our stakeholders equally to define a bottom up unifying culture
- **Living by three values:** set of simple yet powerful values embedded in all we do – Integrity, Ownership and Caring
- **Leading by example with concrete commitment:** Living our Culture and ESG principles day by day through a number of initiatives, guided from the Group and proactively proposed by all the colleagues

Key achievements in 2023:

1st
Culture Day ever, involving over 30k colleagues organised in all countries' banks

25 Culture Champions
And 24 sponsors, representing all Countries and areas to spread a positive cultural change

AA
MSCI improved ESG rating

Leading by example
9 green bonds issued since 2021; Net Zero banking alliance; actively supporting communities

9
Culture Road Shows with 7k colleagues involved, including Group CEO

1st
Bank recognised in LinkedIn Top Companies Italy with a positive, diverse and inclusive environment

400
Ideas collected from our people

€100m
to close gender pay gap and promote diversity and inclusion

2. Simplifying and delayering

A new way of working, creating a lean, fast and efficient organisation cultivating empowerment within a clear framework

Our approach:

- **Leaner structure:** Delayered organisation, tackling visible complexity and unnecessary bureaucracy affecting accountability, daily operations quality and speed, realising significant efficiencies
- **Decisions in the right place:** Empowered people to propose and run the change, simplify tasks and improve automation, freeing up time to focus on value added business activities
- **Acting in a new way:** Everyone embracing a new way of working empowered to take ownership and make decisions and supported by a clear risk and compliance framework

Key achievements in 2023:

400

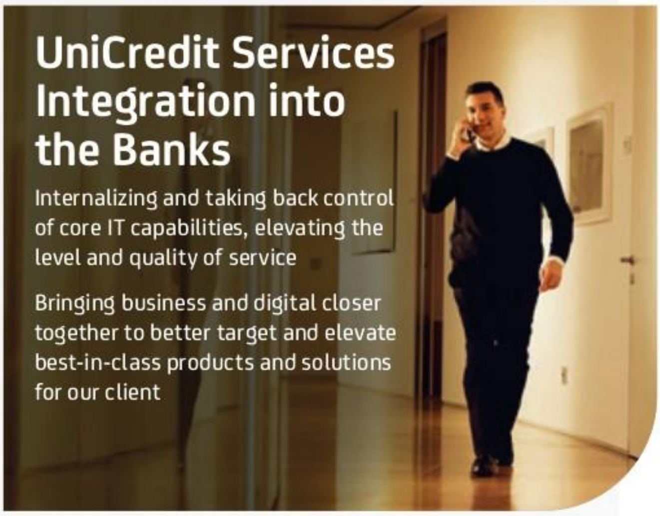
Employees' ideas collected turned into 200 simplification actions

-47%

Reports eliminating duplications

-30%

Reduction in organisational structures



UniCredit Services Integration into the Banks

Internalizing and taking back control of core IT capabilities, elevating the level and quality of service

Bringing business and digital closer together to better target and elevate best-in-class products and solutions for our client

One

Leaner Corporate Center with unified Digital & Data

-57%

Committees streamlining

-25%

Simplification of processes based on E2E customer journeys

Our UniCredit Unlocked strategy

Our industrial transformation priorities

3. Rationalising and strengthening

Partnerships and procurement leveraging Group scale and bargaining power, to rationalise supplier contracts and build long-lasting Group relationships

Our approach:

- **Rationalise:** mindset that encourages rationalisation of old legacy structures, and equity participations, and leverage Group scale and bargaining power to act in best interest of our clients and realise efficiencies
- **Global ecosystem:** Building long-lasting Global partnerships and relationships with top industry players to further improve our clients' journey, choice and to access our partners clients

Key achievements in 2023:

-55%
Rationalisation of insurance partnership (from 9 to 4)

2
Group partnership on AM with Blackrock and Azimut

-20%
Reduction of equity participations

3.5m
Clients accessed through Alpha Bank partnership in Greece

New reinforced partnerships

Allianz, Mastercard, Alpha Bank, Azimut

Renegotiation of contracts

Reopening of legacy contracts with unfavourable conditions and negotiation from center in the best interest of our clients

Milestone – October

Alpha Bank and UniCredit: a long-term partnership

In October, we announced a long-term partnership with Alpha as an opportunity to grow our footprint in Romania, a high growth country in CEE, and create the third-largest bank in Romania by total assets. The partnership will also further boost our product factories' distribution in the Greek market – asset management and unit-linked products.

4. Growing and investing

In our people on the front-line and our distribution channels, in our franchise and building our product factories, to deliver an unmatched and fully-fledged product offering

Our approach:

- **People and franchise:** Investing in our people on the front-line and in our distribution channels to deliver the best tailored offering to our clients and cascade client insights to our product factories
- **Product factories:** Build up and invest in our factories to deliver an unmatched fully-fledged product offering and to capture capital light growth

Key achievements in 2023:

c.30hrs
Training per employee per annum since 2021

c.9k
Hirings in business o/w c.90% in the front-line

18
Key MDs hired in A&CM since end of 2021

>4m
Inbound calls managed by UCD in Italy in 2023, +23% YoY

onemarkets
In-house product factory launched with 21 onemarkets funds issued and almost 4bn already distributed at the end of 2023

Built
3 market leading Product Factories: Individual Solutions, Corporate Solutions, Payment Solutions

Global Corporate Portal
Corporates & SMEs Group-wide served through a single entry point and with number of functionalities and self-service features

Our UniCredit Unlocked strategy

Our industrial transformation priorities

5. Modernising and enhancing

Digital and data, taking back control of core competencies, streamlining and enhancing our digital organisation, and standardising and modernising our digital technology

Our approach:

- **Take back control:** Attracting, engaging, and developing talents through involvement in strategic projects, insourcing key competencies and dedicated learning and development
- **Rationalise:** Streamlining and enhancing our digital organization and operating model, while reducing the sourcing model to curb spending
- **Converge:** Standardise and modernise our infra technology, rationalising the geographical footprint while improving our service quality

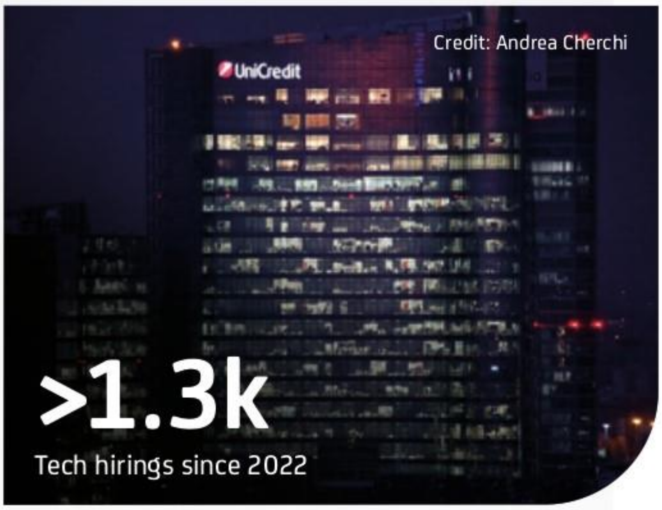
Key achievements in 2023:

>360
Apps decommissioned

75%
Tech/Non Tech Ratio in Digital & Data

48%
Of Data accessible on Global data platform

c.15%
Digital workforce reskilled



Corporate Banking Innovation: Rolled out 3 integrated digital solutions to meet corporate banking needs

Retail banking innovation: Game-changing developments to retail banking customers across mobile banking, cards, investments and loans – making banking quicker, easier and more accessible

5
Data centres consolidated

c.35%
Lower external daily rates, through reduction of # vendors

Our financial levers

Our industrial transformation is steered by our financial results. Optimising the balance of our three financial levers: Costs, Net Revenues and Capital, underpins our UniCredit Unlocked strategy. The three levers operate to produce superior returns, deliver best in class organic capital generation and a solid balance sheet.

It is a virtuous circle differentiated versus our peers and very different from the UniCredit of the past.

Quarter by quarter we are demonstrating great results, confirming our quality profitable growth trajectory. Our results are protected by lines of defense and propelled by investments to secure and boost profitability tomorrow.

Consistently re-enforcing our balance sheet to weather a changing macro environment

Uniquely positioned to strengthen or even increase our profitability leveraging our lines of defence to weather any potential shocks and distribution capacity, and support our long-term growth ambitions.

- **A best-in-class capital position**, with CET1 ratio well above regulatory requirements and ample excess capital
- **A solid liquidity position**, with best-in-class LCR and a self-funded balance sheet
- **A high-quality credit portfolio**, with low NPE ratio, prudent coverage, proactive staging, and vigilant origination

Our three financial levers working together

Cost

Operational excellence

Targeted instead of undifferentiated cost reduction – shrinking and optimizing the center while investing to secure optimal capital allocation

39.7%

Cost/Income

Net revenue

Quality growth

Quality instead of volumes maintaining low expected loss (securing low stable CoR) and capital consumption growing in a capital light

26% y/y

Net Revenue Growth

We can distribute 2x our peers for every unit of revenue without denting capital

16.6%

ROTE

Capital

Capital excellence

Thoughtful capital allocation and active portfolio management boosting returns on RWAs and capital generation

7.9%

Net Rev/RWA

Financial progress

2023 was a record-breaking year for UniCredit and another milestone in our journey to be the bank for Europe's future. Our aim is to deliver sustainable, profitable growth for our shareholders while investing for the future.

- This is the year we grew our net profit to €8.6 billion, up 54%, while continuing to invest in the future and expensing €1.1 billion of integration costs
- We delivered a record return on tangible equity of 16.6%, 5.8 percentage points higher than last year, or 20.5% with a CET1 ratio of 13% adjusting for our notable excess capital
- **We generated €12 billion in capital organically this year**, underpinning our **proposed distribution of €8.6 billion (100% of net profit) – €3.0 billion dividends and €5.6 billion share buyback** – while reinforcing our CET1 ratio by 97bps to 15.9%

2023: UniCredit's best year ever...

12th consecutive quarter of **sustainable quality profitable growth** across all regions, with **top-tier returns**

...crowning three years of success

Exceeding expectations in 2021-23 despite macro challenges, due to relentless execution of our **transformation**

Profitability	FY23	FY21-23[1]
Net profit	8.6bn	>2.6x
Organic Capital Generation	12bn	>27bn
RoTE	16.6%	c.2.5x

1. All delta calculated as FY23 vs. avg FY17-19 (simple average of recast figures of Group excluding Turkey and Fineco for comparison purposes; OCG referring to period FY21-23).

Our progress so far

Creating value for our shareholders

UniCredit is united around a clear Purpose – Empowering Communities to Progress – alongside our Vision of becoming the bank for Europe's future. We are setting a new benchmark for banking.

Under our UniCredit Unlocked strategy, we continue to focus on our transformation as we seek to unlock further value for all our stakeholders.

Surpassing our targets

Our financial ambition when we launched our UniCredit Unlocked strategy was to reach a RoTE of circa 10% by 2024. **Once again this year we outperformed this target – achieving a RoTE of 16.6%** by taking proactive actions on efficient capital generation and cost management alongside the favourable interest rate environment.

In 2023 we also delivered on the €5.25 billion commitment made in our FY22 shareholder distribution programme. Furthermore, we front-loaded a €2.5 billion share buyback as part of the FY23 distribution policy of €8.6 billion.

Vis à vis the initial €16 billion shareholder distribution set out in our UniCredit Unlocked strategy for 2021-2024, **we have already achieved €17.6 billion distributions[1] over FY21-FY23 earnings, with the FY24 distributions of at least 90% of our FY24 net profit** further to come as part of the UniCredit Unlocked horizon. This excellent result was sustained by our superior organic capital generation which in 2023 reached 389 basis points in – well ahead of our UniCredit Unlocked yearly target of c.150 basis points and enabling **us to grow our already best-in-class CET1 ratio of 15.9% already reflecting the full €8.6 billion FY23 distribution**.

Creating shareholder value continues to be our focus, as evidenced by our improved profitability and per-share metrics. **We generated an FY23 EPS[2] of 4.71, which increased by 74% year on year, and a DPS of 1.78 – an increase of 80% year on year**.

1. Pending Shareholder and supervisory approval on the remainder of FY23 distributions.
2. Earning per share (EPS) calculated as Net Profit – i.e. Stated net profit adjusted for impacts from DTAs tax loss carry forward resulting from sustainability test – on avg. number of outstanding shares excluding avg. treasury and CASHES usufruct shares.

Global Bank of The Year 2023: a testament to our ongoing transformation

Milestone – December

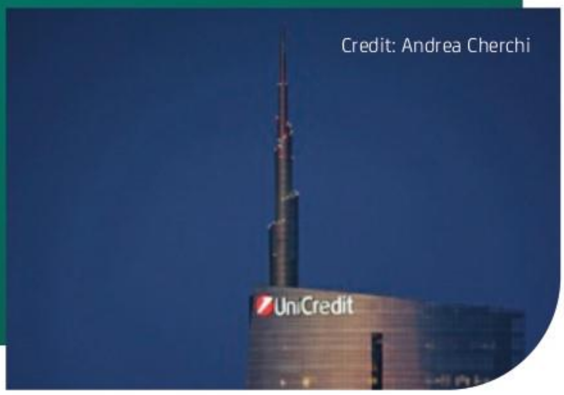
In December, UniCredit was hailed Global 'Bank of the Year' for 2023 at The Banker's annual ceremony in London, in a first for the bank, as well as being named 'Bank of the Year in Western Europe', 'Bank of the Year in Italy' and 'Bank of the Year in Bulgaria'.

Over the last two years, since the launch of its UniCredit Unlocked strategic plan, UniCredit has relentlessly worked on its cultural and industrial transformation, streamlining its systems, **increasing its digital and data capabilities, and embedding ESG principles in everything it does** – in order to become a fundamentally better, stronger bank for the communities it serves.

"We are immensely proud of these achievements. We will continue to raise the bar on behalf of our clients and communities on our path to be the bank for Europe's future."

Andrea Orcel
Group Chief Executive Officer and Head of Italy

Group



Credit: Andrea Cherchi

Our three financial levers

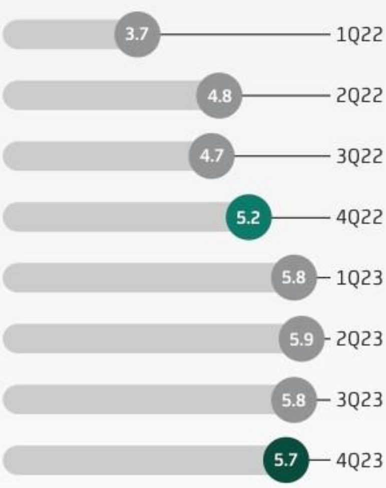
Our financial ambitions are influenced by three interconnecting levers that are largely under our own control: net revenues, costs and capital. By optimising these levers we can drive consistent, sustainable, profitable growth underpinning current and future shareholder distributions.

Net revenue

Our **net revenues stood at €23.3 billion – an increase of 26% year on year**. This was mostly driven by net interest income, up 31% year on year, with resilient fees underscoring the quality and diversification of our product factories despite the challenging macro environment.

Cost of Risk remained very low at 12 basis points in FY23, confirming the robust quality of our credit portfolio and the conservativeness of our staging, provisions, and overlays.

Growing net revenue base achieved quarter after quarter (bn)

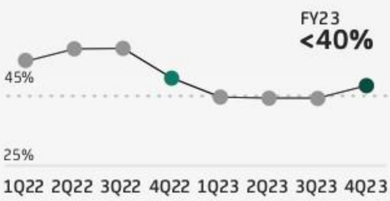


Cost

Our **cost base at year end was €9.5 billion, slightly down year on year** despite high inflation across the UniCredit footprint. This was driven by our disciplined and targeted approach to efficiencies to structurally reduce our cost base while protecting revenue growth.

We continue to self-finance investments that will reduce the Group's structural long-term cost base, streamlining and simplifying our organisation and processes while continuing our hiring and investment strategy.

Leading cost/income ratio in the industry

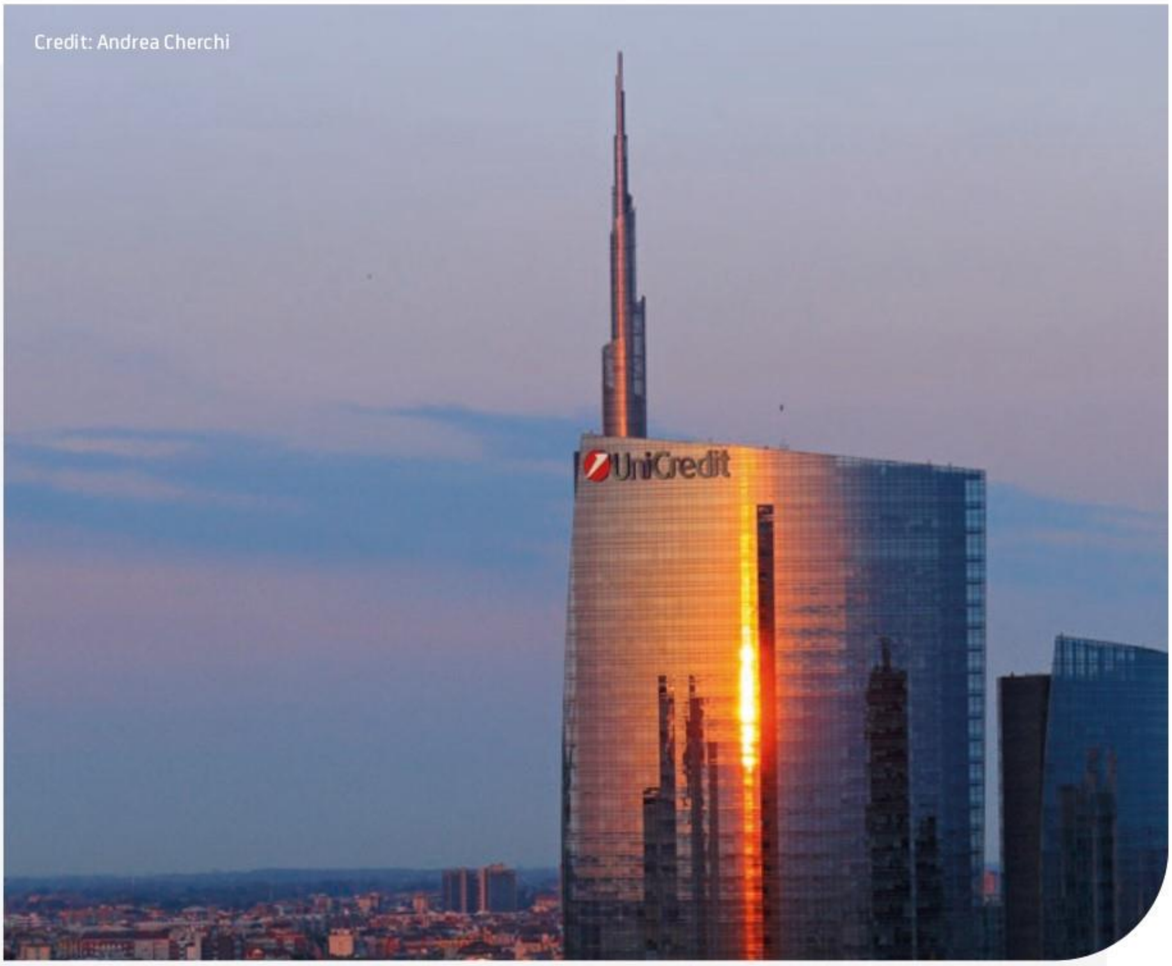


Capital

Our **organic capital generation of 389 basis points** is well above the ambitions laid out in our UniCredit Unlocked strategy, supported by a net profit of €8.6 billion and a €24 billion risk-weighted asset (RWA) efficiencies.

This success has been achieved thanks to, among other things, our proactive portfolio management – focused on capital efficiency while supporting clients.

Net revenue/RWA (%)



Credit: Andrea Cherchi

Driving shareholder returns

Milestone – April

In April, shareholders and the European Central Bank (ECB) approved our share buyback programme for a maximum of €3.343 million. The ECB's approval was based on the significant strength of the Group's capital levels and our best-in-class organic capital generation. Combined with the robustness of our liquidity position, these factors ensure we can weather stress scenarios from a position of strength.

The assessment took into account a capital trajectory under conservative assumptions and updated macroeconomic scenarios. It also considered the historical performance of the bank, which is operating at a new profitability floor; a new run-rate for earnings and distribution from which the business can grow further and continue to deliver strong results for all stakeholders.

Strategic initiatives and best-in-class partnerships

Underscoring our One UniCredit approach and further unifying all our markets, we continue to strengthen our best-in-class product factories. These in-house factories leverage our Group-wide scale and scope, and support an ecosystem of top-class partners.

In June 2023 we signed a landmark agreement with one of those partners: Mastercard. This was the first time any large commercial bank in Europe has put in place a single card multi-market strategy of this scale – allowing UniCredit to focus on emerging payments trends such as Mobile Payments and Wallets. The partnership will also enable us to develop innovative new solutions to satisfy customer needs.

In Greece, our new strategic partnership with Alpha Bank is demonstrating the attractiveness of our products. Alpha Bank's customer base will benefit from access to a wider range of best-in-class product factories provided by UniCredit, creating a model that provides us with further growth potential; accelerating product development and knowledge transfer, giving us a stronger presence in this high-growth market.

We also expect our medium-term growth to be boosted by our strategic initiatives on fees. Our Asset Management strategy – based on rebuilding internal factories – is bringing higher retention of the value chain, more resilient revenue generation, and is expanding our reach. As a further example of the progress and development of our internal asset management capabilities, in 2023 we issued 18 onemarkets funds as well as rolling out our internal investment platform in Central Europe.

Next steps

2024 Direction of travel

Looking to the future, 2024 is a normalization year. We should absorb most or all of the headwinds facing us by further improving the quality of our earnings, our operational and capital efficiency and risk taking, while greatly rewarding the investors willing to embark with us on the next phase of our journey.

» 2024

Direction

Net Revenue
c.22.5bn

OCG
>300bps

RoTE
c.16.5%

Net Profit
Broadly in line with FY23

Double Digit Growth
EPS, DPS

c.10bn[1]
Best ever calendar year distributions

1. o/w c.€7.2 billion FY23 (Total FY23 distributions less part of first tranche SBB executed within 2023 (€1.4 billion)), c.€3 billion Interim FY24. Distribution subject to supervisory and shareholder approvals.

Looking beyond 2024, the second phase of UniCredit Unlocked entails the continuation of its vision and strategy driving further achievements.

We have transformed ourselves, and as such are comfortable committing to delivering significant value, quality and predictability over the long term.

UniCredit's future profitability is underpinned by its **substantial P&L buffers, with c.€1.8 billion overlays and a portfolio covered more than its peers** thanks to proactive staging, we can also leverage on **€1.1 billion integration costs** ensuring future cost efficiencies and providing an ample buffer, we will also benefit from lower systemic charges in excess of €200 million.

Our still ongoing industrial transformation represents an important lever to further increase our top line and further reduce costs. Our best in class capital position and organic capital generation will defend or further propel our distributions also leveraging on a bolted balance sheet.

P&L buffers

c.1.8bn

Overlays

On a **quality portfolio covered 1.5 billion more** than peers[1] ensuring a stable and structurally lower CoR to **protect or propel** in the future

c.1.1bn

Integration costs

In FY23 with **c.20% IRR**[2] to sustain future performance and a further reduction in cost base

>0.2bn

Systemic charges

Reduction in FY24 vs. FY23

Industrial transformation ongoing

Improving revenue quality

Building and investing in our in-house product Factories generating fees

Enhancing client journey

Investing in the **front-line** and **distribution channels**

Improving efficiency

Simplification and automation to further reduce costs and increase speed

Best-in-class capital position

Organic capital generation

Underpinning top tier distributions while continuously accumulating capital

Excess capital

CET1r at 15.9% FY23 significantly above target range allowing for strategic flexibility

Bolted balance sheet

Strong asset quality

A robust portfolio and structurally **low and stable CoR** ensured by vigilant origination and prudent coverage

Leading CET1r

Highest CET1r among peers even after considering distributions

Healthy liquidity ratios

Better liquidity ratios than peers and a self-funded balance sheet with **LCR >145% and LTDr at 86%**

1. Latest Publicly available data as of 3Q23: calculated as the sum of delta between UniCredit and simple average of peers of the ratio for each stage 1, 2 and 3 and multiplied with UniCredit loans of the respective stage; peer group: BBVA, BNP (2Q23), Deutsche Bank, ING, Intesa, Société Générale, Santander.
2. IRR calculated with returns on a 10 years time horizon.

“At UniCredit,

we are **transforming**

to create value

for everyone, everywhere.”

Andrea Orcel
Chief Executive Officer & Head of Italy UniCredit S.p.A.

Management Report

I. Bank Austria Consolidated Financial Statements

Management Report

Management Report

Bank Austria at a glance

Income statement figures and performance ratios

(€ million)

	2023	2022	+/-
Net interest	1,574	1,120	40.5%
Dividends and other income from equity investments	302	130	>100%
Net fees and commissions	740	751	-1.4%
Net trading, hedging and fair value income/loss	6	(24)	n.m.
Operating income	2,656	1,991	33.4%
Operating costs	(1,042)	(1,055)	-1.2%
Operating profit	1,614	935	72.5%
Net write-downs of loans and provisions for guarantees and commitments	(43)	(24)	81.4%
Net operating profit	1,571	912	72.3%
Profit (loss) before tax	1,387	687	>100%
Net Profit attrib. to the owners of the parent company	1,126	826	36.3%
Cost/income ratio	39.2%	53.0%	-13.8 PP
Cost of risk	7 bp	4 bp	+3 bp

Statement of financial position and RWA

(€ million)

	31.12.2023	31.12.2022	+/-
Total assets	102,745	107,332	-4.3%
Loans and receivables with customers	63,997	66,219	-3.4%
Deposits from customers	59,549	62,703	-5.0%
Equity	10,451	9,434	10.8%
Risk-weighted assets (overall)	38,581	39,645	-2.7%

Capital ratios

	31.12.2023	31.12.2022	+/-
Common Equity Tier 1 capital ratio	19.3%	17.4%	+1.9 PP
Tier 1 capital ratio	21.1%	19.1%	+2.1 PP
Total capital ratio	23.3%	21.1%	+2.2 PP
Leverage ratio	6.4%	6.0%	+0.4 PP

Staff

(Full-time equivalent)	31.12.2023	31.12.2022	+/-
Austria in Total	4,747	4,959	(212)

Offices

	31.12.2023	31.12.2022	+/-
BA AG - Privatkundenbank branches	104	106	(2)

Notes:
- The income statement of Bank Austria Group for 2023 and the comparative figures shown in summarized form in this table reflect the "UniCredit Managerial View" and correspond to the structure of the segment report. The amounts for 2022 differ from the figures published at that time primarily due to the reclassification of mark-up fees from customer hedging transactions from net trading income to net fee and commission income and the integration of UniCredit Services (UCS) into Bank Austria (starting from January instead of July)
- RWA are total regulatory risk-weighted assets; shown in "UniCredit Managerial View", previous year recast
- Capital ratios pursuant to Basel 3 according to the current state of the transitional provisions; capital ratios based on all risks
- Staff numbers (2023 and 2022) including Austrian part of UniCredit Direct Services GmbH (UCDS), a subsidiary of the German UniCredit Bank AG („HVB“)
- n. m = not meaningful; PP = percentage point(s); bp = basis point(s)

Management Report

Economic environment – market developments

Global economy in 2023 characterized by further economic slowdown under the influence of tight monetary policy

The war-related disruptions on the energy and food markets and the sharp tightening of monetary conditions to combat high inflation slowed the development of the global economy in 2023 after a relatively good start as the year progressed. The global economy proved to be very resilient in the face of very challenging conditions and did not come to a standstill. However, at around 3%, global growth was lower than in 2022 and was more unevenly distributed, with increasing divergences in the individual economic areas. The slowdown was generally more pronounced in industrialized countries than in emerging and developing countries. One notable exception, however, was China, which had to contend with increasing headwinds from a real estate crisis and dwindling confidence. Within the industrialized countries, the USA surprised with robust consumer development and solid investment activity, which enabled economic growth of 2.4% in 2023 as a whole. In contrast, the economy in the eurozone corrected clearly downwards and was on the verge of stagnation. In addition to the lack of global impetus, which was reflected in subdued export growth that impacted industrialized countries in particular, the weakness in the eurozone was also a consequence of massive losses in purchasing power due to falling real wages, which dampened consumption. In addition, the continued tightening of monetary policy led to a downturn in the credit cycle and curtailed investment in interest-sensitive sectors of the economy. At an estimated 0.5%, the increase in GDP in 2023 was significantly lower than the economic growth of 3.4% in 2022.

In addition to the geopolitical crises, the main reason for the slowdown in the global economy was the tightening of monetary policy, which continued around the world almost until the end of 2023. The US Federal Reserve, which began its cycle of interest rate hikes in March 2022, increased the Fed Funds target rate to an interest rate range of 5.25 to 5.50 percent. Since the last rate hike in July 2023, the key interest rate level has remained unchanged until the end of the year. The Fed also tightened its monetary policy by reducing its balance sheet. The European Central Bank (ECB) has now also started to reduce its balance sheet total. After reducing its portfolio of securities by €15 billion from March 2023, the ECB increased the pace to €25 billion from June. The ECB continued the interest rate hike cycle launched in mid-2022 in 2023, albeit at a slower pace. At the end of 2023, the refinancing rate was 4.50 percent and the deposit rate was 4.00 percent, with no interest rate hikes since September. The apparent end to the cycle of interest rate hikes in both the US and the eurozone is linked to the noticeable decline in inflation. Average inflation fell to 4.1% in the US and 5.4% in the eurozone in 2023, with a significant slowdown to below 3% over the course of the year after high rates at the start of the year.
In view of the higher key interest rates, 10-year US Treasuries were quoted at 3.9% at the end of 2023. Long-term yields in Europe remained lower, with the ten-year Austrian government bond trading at around 2.6% at the end of 2023. Despite rising interest rates and heightened economic concerns, the stock markets held up well. Despite high volatility, the Dow Jones Index rose by almost 14% over the course of the year. Most European stock exchanges performed even better, with the Euro-Stoxx 50 up 17%. The Vienna Stock Exchange index ATX also rose from the beginning of the year to the end of 2023, albeit at a much more modest rate of less than 9%.
As the interest rate differential between the USA and the eurozone narrowed, the euro strengthened slightly against the US dollar over the course of 2023 amid high volatility. After 1.07 at the start of the year, the US dollar exchange rate stood at 1.10 to the euro at the end of 2023. At 1.08, the average exchange rate for 2023 was therefore just above the 1.05 recorded in 2022.

Economic situation and market development in Austria

In spring 2023, the Austrian economy slipped into recession due to sharp declines in industrial production and demand problems in parts of the construction industry. By contrast, demand for services benefited from the ongoing pent-up demand in tourism and the hospitality industry following the end of the pandemic. As the year progressed, the loss of purchasing power due to high inflation had an increasingly strong impact on demand in the services sector and exacerbated the slowdown in the economy as a whole. Towards the end of the year, however, the economy bottomed out on the back of real wage growth as a result of slowly falling inflation, which remained well above the comparable figures for the eurozone at an average of 7.8% and over 5% at the end of the year. Over the year as a whole, GDP in Austria fell by at least 0.5%. Despite the weak economy, the situation on the labor market deteriorated only relatively moderately. The unemployment rate according to AMS (*Arbeitsmarktservice*) rose from an average of 6.3% in 2022 to 6.4% in 2023.

Management Report

Credit momentum in Austria slowed increasingly over the course of 2023 due to the weak economy and tighter monetary policy. Nominal credit growth fell to an average of around 2% year-on-year and the portfolio only just reached the previous year's level at the end of 2023. While growth in corporate loans slowed, loans to private households decreased. The sharp decline in new business in residential construction loans, which was partly due to changes in legislation, played a particularly important role here. Despite higher interest rates, deposits on average stagnated in 2023. Despite inflation-related losses in purchasing power, the trend in deposits from private households was slightly more favorable than for companies, which suffered from the weak economic development.

Management Report

Business developments 2023

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

(€ million)

	RECAST [2)]		CHANGE		RECONCILIATION		BANK AUSTRIA GROUP	
	2023	2022	+/- €	+/- %	2023	2022	2023	2022
Net interest	1,574	1,120	454	40.5%	-	(0)	1,574	1,120
Dividends and other income from equity investments	302	130	172	>100%	-	0	302	130
Net fees and commissions	740	751	(10)	-1.4%	-	66	740	685
Net trading, hedging and fair value income/loss	6	(24)	30	n.m.	-	(66)	6	41
Net other expenses/income	34	14	20	>100%	-	(2)	34	16
Operating income	**2,656**	**1,991**	**666**	**33.4%**	**-**	**(2)**	**2,656**	**1,993**
Payroll costs	(583)	(582)	(1)	0.2%	-	(24)	(583)	(557)
Other administrative expenses	(412)	(421)	8	-2.0%	-	32	(412)	(453)
Recovery of expenses	1	0	0	n.m.	-	-	1	0
Amortisation, depreciation and impairment losses on intangible and tangible assets	(48)	(53)	6	-10.4%	-	(1)	(48)	(52)
Operating costs	**(1,042)**	**(1,055)**	**13**	**-1.2%**	**-**	**7**	**(1,042)**	**(1,062)**
Operating profit	**1,614**	**935**	**679**	**72.5%**	**-**	**5**	**1,614**	**930**
Net write-downs of loans and provisions for guarantees and commitments	(43)	(24)	(19)	81.4%	-	(0)	(43)	(24)
Net operating profit	**1,571**	**912**	**659**	**72.3%**	**-**	**5**	**1,571**	**907**
Provisions for risks and charges	(17)	(20)	3	-15.2%	-	(0)	(17)	(20)
Systemic charges	(79)	(107)	28	-26.1%	-	0	(79)	(107)
Integration/restructuring costs	(179)	20	(199)	n.m.	-	(2)	(179)	22
Net income from investments	92	(117)	209	n.m.	-	0	92	(118)
Profit (loss) before tax	**1,387**	**687**	**700**	**>100%**	**-**	**3**	**1,387**	**684**
Income tax for the period	(259)	139	(398)	n.m.	-	(0)	(259)	139
Non-controlling interests	(2)	(0)	(2)	>100%	-	(0)	(2)	(0)
Net profit or loss - attributable to the owners of the parent company	**1,126**	**826**	**300**	**36.3%**	**-**	**3**	**1,126**	**823**

1) The condensed income statement of Bank Austria Group as presented in this table corresponds to the structure of the segment report. As of 2023, the Bank Austria Group has adapted its segment reporting to the "UniCredit Managerial View" of UniCredit Group, which differs slightly from the previous internal Bank Austria view. The column "Bank Austria Group" only for 2022 still shows the previous internal Bank Austria view.
2) The amounts relating to 2022 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 (starting from January instead of July).

n.m. = not meaningful

Management Report

Details of the 2023 reclassified income statement of Bank Austria Group

The following explanation of Bank Austria's results is based on the income statement in the segment reporting structure. Segment reporting is based on the segmentation logic of UniCredit Group and differs slightly from the internal Bank Austria perspective. The comparative figures for 2022 have been adjusted to the current structure and methodology (recast). The adjustments mainly relate to the reclassification of mark-up fees from customer hedging transactions from net trading income to net fee and commission income and the full-year inclusion of UniCredit Services (UCS) which was integrated into Bank Austria in July 2022.

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

Retail *covers the servicing for individuals (including premium banking customers), the liberal professions and business customers (with an annual turnover of up to €1 million). The* ***Corporates*** *division serves corporate customers of all sizes, including multinational and major international customers with a need for capital market-related services and investment banking solutions. The activities of FactorBank and Leasing are also included, as are financial institutions such as banks, asset managers, institutional clients and insurance companies. Those parts of the bank that are not allocated to a business division, are shown in the* ***Corporate Center*** *segment.*

Multi-year plan – "UniCredit Unlocked"
UniCredit Group continued to successfully pursue the strategic guidelines identified by the "UniCredit Unlocked" Plan, whose objectives are:
- *to grow in the geographical target areas and develop the network of customers, transforming the business model and operating methods of the Group;*
- *to achieve economies of scale from the Group's network of banks, through a technological transformation focused on Digital & Data and operating with a view to sustainability;*
- *driving financial performance through three interconnected levers under full managerial control: streamlining and improvement of efficiency throughout the organization with very rigorous cost management, organic capital generation, increase in revenues net of loan loss provisions to achieve profitability above the cost of capital;*
- *to enable, through the new business model, a high organic generation of capital with a significantly higher and progressively growing distribution to shareholders.*

As integral part of UniCredit Group, also Bank Austria follows the strategy of the "UniCredit Unlocked" Plan. The results achieved in 2023 confirm Bank Austria's strengthened and sustainable profitability.

In 2023, Bank Austria generated **operating income** of €2,656 million, a significant increase of 33% compared to the previous year's figure of €1,991 million. This growth was primarily driven by net interest income, which developed particularly favorably in the current interest rate environment. Dividends and similar income from investments accounted for using the equity method also improved significantly.

Net interest is the largest item among Bank Austria's operating income and recorded an increase of 41% to €1,574 million, clearly exceeding the previous year's figure of €1,120 million. This primarily reflects an improvement in margins, particularly in the deposit area, supported by the rise in market interest rates due to the interest rate hikes by the European Central Bank.

Dividends and other income from equity investments amounted to €302 million and significantly exceeded the previous year's figure of €130 million. This item primarily includes pro-rata earnings from significant equity investments such as the 3-Banken Group and Oesterreichische Kontrollbank.

At €740 million, **net fees and commissions** were only just below the previous year's figure of €751 million. In particular, the payment-related transaction business (especially the card business) and fees from the lending business increased, while income from the securities business came under pressure due to the volatile market environment and fees from customer hedging transactions also declined.

Net trading, hedging and fair value income amounted to €6 million, a clear improvement on the previous year's figure of €-24 million.

The **balance of other operating income and expenses** includes items that are not allocated to the above-mentioned income items. In 2023, this resulted in income of €34 million (compared to €14 million in the previous year).

Management Report

Operating expenses were generally reduced by 1% to €1,042 million in 2023 (previous year: €1,055 million). This underlines the outstanding efficiency of cost management in an environment of high inflation.

Payroll costs amounted to €583 million and were therefore almost unchanged compared to the previous year's figure of €582 million. This meant that payroll costs were maintained at the 2022 level despite high inflationary pressure.

Other administrative expenses fell by 2% to €412 million, also underlining the continued clear focus on cost management.

Depreciation and amortization were also reduced significantly from €53 million to €48 million.

The **operating profit** reached €1,614 million, exceeding the previous year's figure of €935 million by 73%, based on the above-mentioned developments, i.e. rising income and decreasing expenses.

Net write-downs of loans and provisions for guarantees and commitments were affected by opposing effects. There were increases regarding performing loans due to updated LGD models and the building of overlays, amongst others. In particular, due to the impact of the increased interest rates on the commercial real estate and construction sectors, Bank Austria decided to supplement the existing geopolitical overlay with a new Commercial Real Estate Finance overlay in the amount of €-27 million. In the case of non-performing loans, repayments and other reversals were recorded, particularly in the Corporates segment. In total, loan loss provisions of €-43 million were reported in 2023 (of which €-154 million related to stages 1 and 2 and €+111 million to stage 3), compared to expenses of €-24 million in the previous year.

Cost of risk, expressed as a quotient of the credit risk expense and the average credit volume in basis points (bp), was a moderate 7 bp (previous year: 4 bp). The following cost of risk were reported for the Retail and Corporates divisions: Retail 19 bp (previous year: 16 bp), and Corporates 2 bp (previous year: -1 bp).

In 2023, the bank generated an operating result after loan loss provisions (**net operating profit**) of €1,571 million, exceeding the previous year's figure of €912 million by 72%. The individual customer business areas contributed to the operating performance as follows: Retail €502 million (previous year: €163 million), Wealth Management & Private Banking €150 million (previous year: €70 million) and Corporates €836 million (previous year: €645 million).

In the reporting period, an amount of €-17 million (previous year: €-20 million) was reported under **provisions for risks and charges**.

At €-79 million, **systemic charges** were lower than in 2022 (€-107 million). Of the total amount, €-5 million related to allocations to the Deposit Protection Fund, €-51 million to allocations to the Resolution Fund and €-22 million to the Bank Levy.

The **integration/restructuring expenses** item shows a figure of €-179 million (previous year: €+20 million), which is primarily driven by planned restructuring measures as part of the updated multi-year plan.

Net income from investments amounted to €+92 million (previous year: €-117 million). This primarily includes value adjustments on individual equity-accounted investments (€+97 million relating to the 3-Banken Group) as well as valuation and sales results from properties.

The items listed above result in a **profit before tax** of €1,387 million. The significant increase compared to the previous year's figure of €687 million is primarily the result of significantly higher income (above all a clear improvement in net interest and higher income from equity investments), considerable cost savings and the clearly positive net income from net income from investments in the reporting year, while the high allocation to restructuring provisions (following reversals in the previous year) had a reducing effect.

Income tax for the period amounted to €-259 million (previous year: €+139 million), whereby the high positive amount in the previous year was mainly due to a one-off effect in connection with the capitalization of deferred taxes on tax loss carryforwards.

A value of €-2 million was recognized for **non-controlling interests** (minority interests) (previous year's rounded amount: €0 million).

In 2023, net profit (**Group net profit attributable to the owners of Bank Austria**) amounted to €1,126 million, a clear improvement on the figure of €826 million in the same period of the previous year.

Management Report

Financial position and capital resources

The balance sheet as of December 31, 2023, reflects the Bank Austria Group's target structure of an **Austrian universal bank** with traditional corporate customer business. **Loans and receivables with customers** are by far the largest item on the assets side, accounting for more than 60% of total assets. Roughly two-thirds of the lending volume is accounted for by the Corporates division, underlining Bank Austria's leading position as an important lender to the Austrian economy. Moreover, the bank holds a significant position in lending to Austrian retail customers.
Deposits from customers represent more than half of total liabilities. They consist of nearly 60% of deposits in the Retail and Wealth Management & Private Banking business (WM & PB) segments and represent a solid funding base for Bank Austria.

Reclassified statement of financial position [1)]

(€ million)

			CHANGE	
	31.12.2023	31.12.2022	+/- € MILLION	+/- %
Assets				
Cash and cash balances	8,730	13,627	(4,898)	-35.9%
Financial assets held for trading	1,573	2,426	(853)	-35.2%
Loans and receivables with banks	3,158	2,365	+793	+33.6%
Loans and receivables with customers	63,997	66,219	(2,222)	-3.4%
Other financial assets	21,914	18,771	+3,143	+16.7%
Hedging instruments	1,577	1,960	(383)	-19.5%
Other assets	1,797	1,965	(167)	-8.5%
TOTAL ASSETS	**102,745**	**107,332**	**(4,587)**	**-4.3%**
Liabilities and equity				
Deposits from banks	12,466	16,603	(4,138)	-24.9%
Deposits from customers	59,549	62,703	(3,153)	-5.0%
Debt securities in issue	12,259	9,509	+2,750	+28.9%
Financial liabilities held for trading	1,570	2,410	(840)	-34.8%
Hedging instruments	1,694	1,958	(264)	-13.5%
Other liabilities	4,757	4,716	+41	+0.9%
o/w pensions and other post-retirement benefit obligations	*2,914*	*2,956*	*(42)*	*-1.4%*
Equity	10,451	9,434	+1,017	+10.8%
TOTAL LIABILITIES AND EQUITY	**102,745**	**107,332**	**(4,587)**	**-4.3%**

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

Note: The figures of consolidated balance sheet and detail tables relating to 2022 have been restated in order to reflect the change in presentation of excess liquidity through the reclassification from item "Loans to Banks" to item "Cash and cash balances" for an amount equal to €12,689 million. This Reclassification is aligned with the UniCredit Group presentation.

Management Report

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

Total assets

(€ million)

	31.12.2023	31.12.2022
Cash and cash balances	**8,730**	**13,627**
Item 10. Cash and cash balances	8,730	13,627
Financial assets held for trading	**1,573**	**2,426**
Item 20. Financial assets at fair value through profit or loss: a) Financial assets held for trading	1,573	2,426
Loans to banks	**3,158**	**2,365**
Item 40. Financial assets at amortised cost: a) Loans and advances to banks	4,678	4,175
less: Reclassification of debt securities in Other financial assets	(1,520)	(1,810)
Loans to customers	**63,997**	**66,219**
Item 40. Financial assets at amortised cost: b) Loans and advances to customers	65,611	67,785
less: Reclassification of debt securities in Other financial assets	(2,036)	(2,117)
less: Reclassification of leasing assets IFRS16 in Other financial assets	(14)	(13)
Item 20. Financial assets at fair value through profit or loss: c) Other financial assets mandatorily at fair value	509	638
less: Reclassification of debt securities in Other financial assets	(74)	(74)
Other financial assets	**21,914**	**18,771**
Item 20. Financial assets at fair value through profit or loss: b) Financial assets designated at fair value	88	119
Item 30. Financial assets at fair value through other comprehensive income	15,332	12,168
Item 70. Equity investments	2,850	2,470
+ Reclassification of debt securities from Other financial assets mandatorily at fair value - Item 20 c)	74	74
+ Reclassification of debt securities from Loans to banks - Item 40 a)	1,520	1,810
+ Reclassification of debt securities from Loans to customers - Item 40 b)	2,036	2,117
+ Reclassification of leasing assets IFRS16 from Loans to customers - Item 40 b)	14	13
Hedging instruments	**1,577**	**1,960**
Item 50. Hedging derivatives	2,862	4,093
Item 60. Changes in fair value of portfolio hedged items (+/-)	(1,285)	(2,133)
Other assets	**1,797**	**1,965**
Item 90. Property, plant and equipment	839	860
Item 100. Intangible assets	6	5
Item 110. Tax assets	579	764
Item 120. Non-current assets and disposal groups classified as held for sale	-	3
Item 130. Other assets	373	333
TOTAL ASSETS	**102,745**	**107,332**

Management Report

Total liabilities and equity

(€ million)

	31.12.2023	31.12.2022
Deposits from banks	**12,466**	**16,603**
Item 10. Financial liabilities at amortised cost: a) Deposits from banks	12,466	16,603
Deposits from customers	**59,549**	**62,703**
Item 10. Financial liabilities at amortised cost: b) Deposits from customers	59,834	63,007
less: Reclassification of leasing liabilities IFRS16 in Other financial liabilities	(285)	(305)
Debt securities issued	**12,259**	**9,509**
Item 10. Financial liabilities at amortised cost: c) Debt securities in issue	12,259	9,509
Financial liabilities held for trading	**1,570**	**2,410**
Item 20. Financial liabilities held for trading	1,570	2,410
Hedging instruments	**1,694**	**1,958**
Item 40. Hedging derivatives	2,906	3,930
Item 50. Value adjustment of hedged financial liabilities (+/-)	(1,213)	(1,972)
Other liabilities	**4,757**	**4,716**
Item 30. Financial liabilities designated at fair value	61	60
Item 60. Tax liabilities	25	32
Item 80. Other liabilities	1,041	966
Item 100. Provisions for risks and charges	3,345	3,352
of which: pensions and other post-retirement benefit obligations	*2,914*	*2,956*
+ Reclassification of leasing liabilities IFRS16 from Deposits from customers	285	305
Shareholders' equity:	**10,451**	**9,434**
Item 120. Valuation reserves	(1,964)	(2,105)
Item 140. Equity instruments	600	600
Item 150. Reserves	4,845	4,270
Item 160. Share premium	4,135	4,133
Item 170. Share capital	1,681	1,681
Item 190. Minority shareholders' equity (+/-)	34	32
Item 200. Profit (Loss) of the year (+/-)	1,120	823
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**102,745**	**107,332**

Reconciliation principles followed for the reclassified consolidated balance sheet

The main reclassifications made in the reconciliation from the structure of the consolidated financial statements to the reclassified balance sheet presented above, whose amounts are provided analytically in the tables enclosed with this report, involve:

- the inclusion in “Loans to banks” of item “Financial assets at amortised cost: a) loans and advances to banks”, net of debt securities reclassified in “Other financial assets”;
- the inclusion in “Loans to customers” of item “Financial assets at amortised cost: b) Loans and advances to customers”, net of debt securities and of IFRS16 leasing assets reclassified in “Other financial assets”, and of loans related to item “Financial assets at fair value through profit or loss: c) other financial assets mandatorily at fair value”;

Management Report

- the aggregation as “Other financial assets” of items (i) “Financial assets at fair value through profit or loss: b) financial assets designated at fair value and c) other financial assets mandatorily at fair value”, net of loans reclassified in “Loans to banks and to customers”, of (ii) “Financial assets at fair value through other comprehensive income”, of (iii) “Equity investments”, besides reclassifications of (iv) debt securities from item “Financial assets at amortised cost: a) loans and advances to banks and b) loans and advances to customers” and of (v) IFRS16 leasing assets from item “Financial assets at amortised cost: a) loans and advances to banks and b) loans and advances to customers”;
- the inclusion in “Other liabilities” of leasing liabilities pursuant to accounting standard IFRS16 relating to item “Financial liabilities at amortised cost: a) deposits from banks and b) deposits from customers”;
- grouping under “Hedging instruments”, both assets and liabilities, of items “Hedging derivatives” and “Changes in fair value of portfolio hedged items” in the assets and “Value adjustment of hedged financial liabilities” in the liabilities;
- the inclusion of items “Provision for employee severance pay” and “Provisions for risks and charges” under “Other liabilities”.

Compared to December 31, 2022, **total assets** decreased by €4.6 billion (-4%) to €102.7 billion at December 31, 2023.

Cash and cash balances decreased strongly by €4.9 billion to €8.7 billion, mainly in connection with lower central bank balances following the repayment of a further TLTRO tranche.

Loans and receivables with banks increased by €0.8 billion to €3.2 billion.

Loans and receivables with customers decreased – due to higher interest rates and resulting lower loan appetite in all business divisions - by €2.2 billion to €64.0 billion. With €2.3 billion, gross non-performing loans were only slightly above year-end 2022 (€2.2 billion). The gross NPL ratio (3.4%, previous year: 3.2%) and net NPL ratio (2.2%, previous year: 1.8%) were also just above the 2022 level.

Other financial assets increased by €3.1 billion to €21.9 billion. This item includes, among other things, securities held by the Bank.

Deposits from banks decreased by €4.1 billion to €12.5 billion compared with year-end 2022, mainly in connection with the repayment of a further TLTRO tranche.

Deposits from customers decreased by €3.2 billion compared with the year-end 2022 to €59.5 billion, affecting all business divisions.

Debt securities in issue increased by €2.75 billion to €12.3 billion; the increase is primarily due to the issue of two large-volume covered bonds (€1,750 million, including a green mortgage covered bond with a volume of €750 million) and an MREL-eligible senior non-preferred issue totalling €800 million.

As of the end of 2023, **total financial assets** (**TFA**, the sum of all customer investments) amounted to €127.1 billion, comprising €27.5 billion in **assets under management** (**AuM**, fund and asset management products), €38.3 billion in **assets under custody** (**AuC**, direct investments in the capital market/custody business), and €61.3 billion in **deposits from customers** (incl. building society savings and balances with severance funds). TFA refers to volumes in the Retail, Wealth Management & Private Banking, Corporates (excl. Leasing) and Corporate Center divisions, i.e., investments in Leasing are not included in this figure.

Provisions included in **Other liabilities** amounted to around €3.3 billion at December 31, 2023, almost unchanged compared to the end of 2022. The largest item thereof was provisions for risks and charges for post-retirement benefit obligations, which amounted to €2.9 billion (December 31, 2022: €3.0 billion). At December 31, 2023 the discount rate for social capital was 3.55%, a decrease of 0.25 percentage points from the 2022 year-end rate of 3.8%.

At December 31, 2023, reported **equity** is €10.5 billion, an increase of €1 billion compared to year-end 2022, mainly due to the 2023 profit of €1,120 million, and valuation effects recognised directly in equity, partially offset by the dividend of €234 million paid out for the previous year.

Management Report

Capital resources and risk-weighted assets

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

From 28 June 2021, all of the regulatory provisions of Regulation (EU) 2019/876 (CRR II) are applied and were reflected in the calculation of the capital ratios as at 31 December 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 €7.7 billion as of December 31, 2023 (an increase of €0.2 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 €6.4 billion (year-end 2022: €6.2 billion).

Compared with year-end 2022, **risk-weighted assets (RWA)** decreased from €35.6 billion to €33.2 billion.
The €2 billion decrease in credit risk is due to the implementation of capital efficiency measures, rating improvements in the customer business and a smaller increase due to the new LGD model implemented in Q1, compared to the amount that was anticipated at the end of the year by means of an add-on. 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)

	31.12.2023	31.12.2022
Common Equity Tier 1 (CET1) capital ratio	19.3%	17.4%
Tier 1 capital ratio	21.1%	19.1%
Total capital ratio	23.3%	21.1%

The **leverage ratio** pursuant to the Delegated Regulation (EU) 2015/62, based on the current status of transitional arrangements, was 6.4% as at 31 December 2023.

Management Report

Development of business segments

Retail

(€ million)

	2023	2022 1)	CHANGE +/- € million	CHANGE +/- %
Operating income	1,082	733	350	47.7%
Operating costs	(544)	(537)	(6)	1.1%
Operating profit	539	195	343	>100%
Net write-downs of loans	(37)	(32)	(5)	14.3%
Net operating profit	502	163	339	>100%
Profit (loss) before tax	**482**	**131**	**351**	**>100%**
Total Financial Assets 2)	41,363	42,323	(959)	-2.3%
Loans to customers	19,144	19,778	(633)	-3.2%
Deposits from customers	27,038	28,254	(1,216)	-4.3%
Ø Risk-weighted assets (RWA) 3)	9,916	7,701	2,215	28.8%
ROAC 4)	28.0%	9.5%	+18.5 PP	n.m.

1) In segment reporting, the comparative figures for the previous year were recast to reflect the current structure and methodology (see Segment Reporting section in the Notes to the consolidated financial statements)
2) Total financial assets: sum of customer assets, i.e. sum of deposits from customer, assets under management (fund and asset management products) and assets under custody (direct capital market investments/custody business)
3) Average risk-weighted assets (all risks) under Basel 3
4) Allocated capital calculated at 13% (2023 and 2022) common equity tier 1 (CET1) target ratio; at Retail division slight deviation due to minority interest in card complete
n.m. = not meaningful
These comments also apply to the segment tables on the following pages.

Operating profit
Operating income was significantly above the previous year's level (€350 million, +47.7%), caused by higher net interest, mainly due to improved margins on deposits, additionally driven by better trading income and net fees & commissions. Operating costs (€-544 million) increased by 1.1%, whereby the savings being achieved in payroll costs due to FTE optimization were partially neutralizing higher indirect costs. In total, an operating profit of €539 million (€195 million in 2022) was achieved.

Net write-downs of loans and provisions for guarantees and commitments
The net effect of -€37 million was mostly triggered by LGD model update, impacting both performing and non-performing portfolio.

Profit (loss) before tax
Taking into account the above-mentioned developments and the non-operating expenses of €-20 million (primarily, systemic charges), profit before tax reached €482 million (previous year: €131 million).

Loans to customers/customer deposits
At €19.1 billion, the loan volume was €-0.6 billion below previous year's level, impacted by housing loan business due to the economic environment and stricter lending regulations. Customer deposits decreased by €-1.2 billion to €27.0 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.

Management Report

With the 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 achieved through digitalization 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.

The accelerated change in customer behavior and customer needs was again taken into account in 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. In 2023, the percentage of Bank Austria customers who are "Mobile Active Users" increased to around 50%, while the percentage of "Digital Active Users" rose to around 54%. Further increases are planned in both categories for 2024 so that even more customers can benefit from the advantages of the digitalization of banking services.
This means they 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 mobile 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 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 an 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 (WM & PB)

(€ million)

	2023	2022	CHANGE +/- € million	CHANGE +/- %
Operating income	264	195	69	35.3%
Operating costs	(117)	(125)	8	-6.6%
Operating profit	147	70	77	>100%
Net write-downs of loans	3	(0)	4	n.m.
Net operating profit	150	70	81	>100%
Profit (loss) before tax	**141**	**71**	**70**	**98.7%**
Total Financial Assets	25,777	24,923	854	3.4%
Loans to customers	713	929	(216)	-23.3%
Deposits from customers	6,906	7,280	(374)	-5.1%
Ø Risk-weighted assets (RWA)	682	626	55	8.8%
ROAC	117.7%	67.3%	+50.5 PP	n.m.

Operating profit

Operating income of €264 million was up by €69 million (+35.3%) compared to €195 million last year. This increase was driven by higher net interest income (>+100% y/y), mainly supported by deposit margins while net commission income was lower (-4.9%).
Operating costs decreased by €8 million to €117 million, due to savings on payroll and administrative costs, leading to an improvement of the cost/income ratio by -20pp to 44%. In total, an operating profit of €147 million was achieved (€+77m compared to the previous year).

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

Net write-backs in the performing portfolio totalled €+3 million (compared to the previous year: €+4 million).

Profit (loss) before tax

After taking into account systemic charges and integration costs, profit before tax in 2023 amounted to €141 million, significantly above the previous year's figure of €71 million.

Loans to customers/customer deposits

At the end of 2023, the loan volume was €0.7 billion (2022: €0.9 billion), reflecting lower liquidity needs on the market.
Deposits from customers were at €6.9 billion which was below previous year level (2022: €7.3 billion), partially as a result of a shift towards investment accounts (Assets under Management and Assets under Custody).

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 €12.4 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.

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

Management Report

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

The **Private Banking** segment focuses on wealthy private clients, churches and foundations of UniCredit Bank Austria AG.
It currently serves around 12,000 customers with total financial assets of around €13.4 billion.

Our customers are advised at 15 private banking locations throughout Austria. A dedicated competence center in Vienna takes care of the financial affairs of churches and foundations. A special feature of Bank Austria Private Banking is the individualized 360-degree service approach, which covers the entire spectrum of banking services and products - from investment financing, construction and housing loans to high-quality investment solutions. The Private Banking Asset Management experts are responsible for market assessment and its implementation in the respective asset management solutions. In addition, our Credit Advisory and Wealth Planning experts support the Private Banking advisors with special financing issues or as part of holistic financial and succession planning.
Private Banking also relies on Schoellerbank Invest and offers Schoellerbank Invest Private Banking customers ESG funds in addition to customized special funds.

Management Report

Corporates

(€ million)

	2023	2022	CHANGE +/- € million	CHANGE +/- %
Operating income	1,195	999	196	19.6%
Operating costs	(348)	(358)	10	-2.7%
Operating profit	847	641	206	32.1%
Net write-downs of loans	(11)	4	(15)	n.m.
Net operating profit	836	645	191	29.6%
Profit (loss) before tax	**800**	**589**	**211**	**35.8%**
Loans to customers	43,990	44,709	(719)	-1.6%
Deposits from customers	24,629	26,267	(1,638)	-6.2%
Ø Risk-weighted assets (RWA)	18,307	19,582	(1,275)	-6.5%
ROAC	24.8%	16.7%	+8.1 PP	n.m.

Operating profit
In 2023, operating income improved significantly to €1,195 million (+20%). Interest income increased significantly by 27% year on year, mainly thanks to NII on deposits driven by interest rate environment. Net commission income with slight decrease by 1% compared with the same period of the previous year, driven by derivative business and weaker Assets under Management business.

Operating costs were reduced by €10 million to €348 million, mainly due to savings on other administrative expenses.
In total, an operating profit of €847 million (+32% compared to the previous year) was achieved.

Net write-downs of loans and provisions for guarantees and commitments
Net-write downs resulted in a negative contribution of €-11 million in 2023 (previous year with write backs of €4 million).

Profit (loss) before tax
After taking into account systemic charges, profit before tax in 2023 was €800 million, i.e. 36% above the previous year's figure of €589 million.

Loans to customers/customer deposits
At the end of the year, the loan volume stood at €44.0 billion (2022: €44,7 billion) reflecting lower liquidity needs in the market..
At €24.6 billion, deposits from customers were below to their 2022 level (€26.2 billion) with significant growth in term deposits.

The **UniCredit Group** is one of the **largest lenders in Europe** and is usually among the top 3 banks in the respective country in its markets. **Bank Austria is the leading corporate customer bank in Austria** and has a long-established leading position in corporate customer financing in general, ESG financing, syndicated financing and the real estate business. **Awards** from renowned trade journals such as "*Best Bank in Austria*", "*Best Bank for Digital Solutions*" and "*Best Trade Finance Provider*" testify to our strength and performance.

A particular focus is placed on products and services relating to sustainability issues ("ESG") and the range of products and services is constantly being expanded. Our advisory expertise ranges from a general assessment of the situation using our "ESG industry barometer" to support in the selection of suitable "promotional products" and customized ESG advisory services together with our "Sustainable Advisory Team" in the Group. However, the particularly dynamic nature of the ESG framework and the comparatively low level of preparation of Austrian companies in terms of the 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 meetings to customer events, video podcasts and specialist conferences. We are very proud to have been named "*Best Bank for ESG in Austria*" by the renowned magazine "*Euromoney*" in the fourth quarter of 2023.

Management Report

Our mostly international large corporates (including financial institutions and the public sector) have repeatedly demonstrated their ability to overcome geopolitical and economic crises. As expected, corporate results in 2023 have weakened significantly in some cases compared to the excellent previous year and are now back at a normalized level. Due to the general decline in economic momentum, demand for investment financing is subdued. The trend towards integrating sustainability criteria into financing agreements is continuing, not least due to the improving data situation resulting from sustainability reporting obligations. 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. This has enabled us to further expand our leading role as an advisory bank with a stronger sector focus.

The steady increase in financing conditions over the course of 2023, coupled with rising costs and prices, present the public sector with very challenging conditions for ensuring the high quality of Austrian public services. As the most important public investors, the 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 municipal financier with further improved acceptance rates and stable high market shares.

Commercial real estate clients and non-profit developers currently find themselves in a very difficult market environment. The significant rise in interest rates and the resulting reluctance of investors in all segments is a major challenge for some real estate companies. Significantly more equity for the implementation of projects, sufficient liquidity for the ongoing burdens and professional interest rate risk management are crucial for the coming months. From the strong position of the existing portfolio, Bank Austria's Real Estate business segment is providing its customers with comprehensive support even in these challenging times and was able to realize considerable business volumes with creditworthy customers in 2023 despite the adverse circumstances.

Business performance in the **Small & Medium Corporates customer segment** was very satisfactory in 2023. The excellent result continues to be characterized by contributions from the deposit business, as our creditworthiness and capital strength make us a sought-after investment address. This creditworthiness and a consistently implemented pricing strategy enabled us to achieve excellent results in sight and term deposits in 2023 despite increased pressure from competitors. In the fee business, we placed a special focus on our guarantee volume: the growth achieved in this area led to numerous other growth effects in payment transactions, hedging and investment business.
The slowing economy and the significant rise in interest rates and prices are currently leading to a decline in our customers' investment activity and will further weaken demand for investment loans. We therefore anticipate a challenging spring 2024 in the lending business, with a major focus this year on the in-depth training of our employees in the area of ESG. We bring this knowledge to all our customer contacts, creating a good basis for future regulatory requirements and the exploitation of growth opportunities.
Our efforts to acquire new customers continued in 2023 and support the expansion of our market share. This is supported by the expanded services in our online onboarding and not least by our ESG focus.
The area of digital products and business processing was further expanded through our "Corporates Direct" service offering and impresses the steadily growing number of customers with its fast, simple processing.
Digitalization also includes numerous internal innovations such as our credit workflow tool Coala, into which a fully automated credit decision engine will be integrated in 2024.

In 2023, work continued on the **development and improvement of digital processes** in corporate banking. The **online account opening** process for corporate customers was expanded in terms of functionality and improved in terms of content. The introduction of a new **CRM system** and further digitalization of the lending business will support the sales team even better in staying close to our customers and their needs.

Bank Austria remains **THE strategic financial partner for Austria's companies** with a nationwide presence throughout Austria and highly competent and reliable advisors. Continuously increasing customer satisfaction and strong profitability despite the crisis speak for themselves.

Management Report

Non-financial performance indicators

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

Research and development

Bank Austria is a credit institution and provides banking services. The production process of a bank generally does not involve research and development in an industrial sense. However, a bank's day-to-day business operations continuously benefit from development activities. In this context, Bank Austria applies the principle of meeting the needs of the various customer groups with products that are as simple as possible. Furthermore, new regulatory requirements necessitate new developments and adjustments on an ongoing basis.

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

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

Sustainability at UniCredit

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

The ESG strategy of UniCredit Group and consequently for Bank Austria continues to be based on four basic principles:

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

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

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

Management Report

These ESG business objectives are reflected at both Group and country level in the multi-year plan, whose framework objectives, broken down both in terms of time and region, form the strategic ESG target path.

ESG-Strategy of UniCredit:

Source: UniCredit S.p.A.

As climate change is the key environmental challenge of our time, UniCredit has developed a climate strategy that focuses on reducing both its own emissions and the emissions it finances. The objective is clear: **net zero for our own emissions by 2030** (Bank Austria had already achieved 85% by the end of 2023, as compared to the base year 2008) and **net zero for our portfolio by 2050 at the latest**. This strategic objective is reflected in our membership of the *Net Zero Banking Alliance*. The *Net Zero Banking Alliance is* a voluntary, global association of banks under the auspices of the *United Nations Environment Programme Finance Initiative (UNEP FI)* with the aim of achieving net zero emissions on the entire financing and investment volume by 2050 or earlier. The targets are accompanied by annual target achievement reporting. In 2022, UniCredit therefore analyzed its portfolio in detail and carried out baseline calculations based on various recognized scenarios.

In January 2023, the **interim 2030 targets** for the first three particularly emission-intensive sectors in the lending sector were announced:

- Oil and Gas: minus 29% as compared to 2021 (financed emissions, $MTCO_2e$)
- Power Generation: reduction from 208 (in 2021) to 111gCO_2e/kWh (emission intensity)
- Automotive: reduction from 161 (in 2021) to 95g CO_2/vkm (emission intensity)

Other sectors such as steel, cement and real estate will follow in 2024.

Sustainability Governance

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

Management Report

Preparing for CSRD Reporting in Bank Austria

The Corporate Sustainability Reporting Directive (Directive (EU) 2022/2464, Corporate Sustainability Reporting Directive, CSRD) requires large companies like Bank Austria whose securities are listed, to disclose information about their risks and opportunities arising from social and environmental issues and about the impact of their activities on mankind and the environment. Starting with the financial year 2024, for the report published in the year 2025, this sustainability reporting will be presented in a specific section of this management report.

The CSRD is a key element in the EU climate strategy as it will significantly increase transparency on the activities by companies to contribute to the goal of climate neutrality. A main focus hereby is on banks as financial flows should be increasingly redirected into activities favoring the transition of the European economy to become more sustainable.

Bank Austria has started a bank-wide project for the implementation of the CSRD reporting, this project is embedded in the overall CSRD implementation of UniCredit Group. The implementation of CSRD reporting will lead to a very comprehensive gathering of environment-related customer data by Bank Austria, giving it deeper insight on ESG risks in its client base. This will also create new business opportunities, such as advising customers on their own endeavours to become more sustainable.

Sustainability at Bank Austria

The topic of sustainability is also anchored in Bank Austria as part of the business strategy - as part of the ESG strategy of the UniCredit Group described above - and therefore also in the core business. ESG plays a key role in Bank Austria's day-to-day business operations. Be it through the development of environmentally and/or socially responsible products in the private and corporate customer segment or through internal industry and sector-specific guidelines that support the transformation to a climate-neutral economy. This is also described in UniCredit's Integrated Report, which sets out UniCredit's sustainability targets (e.g. withdrawal from the financing of environmentally harmful industries such as coal mining and an increase in loans for energy efficiency). These goals are also relevant for Bank Austria as a significant part of the Group.
The ESG Office is a steering unit made up of sustainability experts and managers from the Bank's business and risk divisions. Following approval by the Management Board, the steps decided upon to implement the ESG strategy are communicated to a broader management level at the *ESG Coordination Meeting* and transferred to the relevant departments for implementation. Regular internal reporting on the achievement of ESG targets is also carried out by the *ESG Office*. ESG risk management is presented in section E.14 - Climate and environmental risks of the risk report in the notes to the consolidated financial statements.

Bank Austria also consciously sets its own priorities - for example, by seeking an exchange with external experts. The partnership with WWF, which was extended for a further three years in the summer of 2023, should also be seen in this context and, after focusing on climate protection and financing in previous years, is now focusing on the investment side and the topic of biodiversity. In addition, raising awareness - both internally and externally - continues to play a particularly important role in our collaboration. We are convinced that we can only move towards a sustainable future together: With our customers, but also with our committed employees. Mandatory sustainability and sustainable finance training for all colleagues, the training of sustainability ambassadors and targeted outreach to children and young people are some important cornerstones here. Particularly noteworthy in this context are the "Deep Dive" meetings at Management Board level that have been taking place since 2022, in which current topics such as "Energy", "Mobility of the future" and "Biodiversity" are discussed together with WWF experts. The last of these events to date was dedicated to the important topic of "greenwashing" in December 2023.

In the medium and long term, the transformation of the economy together with our customers - as described above - can only succeed if our financing and investment portfolio is aligned with the Paris 1.5° Celsius targets. The Net Zero Banking Alliance provides the framework for this. In Austria, Bank Austria is a member of the Green Finance Alliance, a counterpart to the Net Zero Banking Alliance at national level, whose objectives largely coincide. Continuous dialogue with other members and experts from the Alliance is a particular asset of this membership. Our client advisors are now working together with clients in the respective sectors to achieve the necessary transformation together. Of particular importance in this context is Bank Austria's training offering, which includes basic training and courses for the Management Board as well as special training for advisors, such as taxonomy training. A special training interface within our internal learning world enables every employee to find the right offer for him/her which corresponds to the respective job description.

It goes without saying that social commitment remains a key component of our sustainability strategy. In line with our **corporate values *of* "Integrity," "Ownership" and "Caring",** we will continue to make an active contribution to improving social conditions and, through our environmental management, help ensure that future generations have an environment worth living in. To this end, we will continue to enter into cooperative ventures and seek exchanges with other companies and experts.

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

Management Report

With **Impact Financing**, we promote and finance companies and nonprofit organizations that achieve social improvements for society. In addition to grants and low-interest loans, these companies and organizations can benefit additionally - among other things through financial training. In total, projects have been funded to date that included the following areas: Products for mobility facilitation and for facilitating social reintegration for people with disabilities, a residential home for people with impairments, institutions for the reintegration of people with disabilities into the labor market, and a residential facility to allow relatives of seriously ill children to be close to their children.

We promote the establishment and development of small businesses through our **microfinancing** offer. The ***MikroKredit* initiative** is backed by a guarantee from *Austria Wirtschaftsservice Gesellschaft mbH* and a guarantee from *Wiener Kreditbürgschafts- und Beteiligungs AG*.

Our comprehensive financial education program is aimed primarily at teenagers and young adults. With the *blended learning program* "***MoneyMatters",*** we want to teach pupils aged 14 and over how to handle money and financial instruments sensibly. Following a successful pilot run in cooperation with the Vienna and Burgenland education authorities, we rolled out the program, which consists of workshops and an innovative online learning platform, across Austria from 2022. In the same year, the program became part of the national financial education strategy and the Vienna Financial Education Hub. By 2023, around 8,000 young people had already benefited from *MoneyMatters.*

In the "*Bank Austria Business Plan Competition - next generation*", numerous teams of school students can put their entrepreneurial knowledge to the test every year; in the 2022/23 school year alone, there were around 2,500. In cooperation with our partners in the social sector, we also provide low-threshold financial education to vulnerable groups, especially young people and people at risk of exclusion. Our "*Geldwissen2go"* web app offers low-threshold, interesting information about money, background knowledge and a money diary.

Community

The current social challenges are also reflected in Bank Austria's initiatives, projects and collaborations in the social sphere. The difficult economic situation in 2023 due to the energy crisis and inflation led to a proportionally even greater burden on already disadvantaged population groups.

In 2023, Bank Austria therefore once again supported the "***A spark of warmth***" ("*Ein Funken Wärme*") initiative by *Caritas* and "*Kronen Zeitung*", which has been extremely successful for many years, not only with a donation totaling €100,000, but also with numerous communication measures (such as special notices in Bank Austria's mobile and online banking).

As children are the first and foremost victims of financial hardship, Bank Austria and its employees in particular actively supported the **Arbeitersamariterbund's Christmas campaign** for the first time in 2023. Thanks to the joint initiative of many employees from all over Austria, disadvantaged children were able to enjoy beautiful new Christmas presents.

Apart from this, however, Bank Austria also continued previous initiatives in 2023: With the ***Bank Austria Sozialpreis*** (*Bank Austria Social Award*), outstanding social activities throughout Austria were again supported this year with a total of €90,000. And ***Volkshilfe***, with its major campaign against child poverty, and the "*Mut.Schaffen*" ("Create.*Courage")* initiative also continued to receive support from Bank Austria.

Long-term, established partnerships with renowned charitable organizations continue to play an important role in the company's social commitment. This strategy of continuity is underlined, for example, by the **cooperation with SOS Children's Villages**. Here, the bank maintains home sponsorships in children's villages throughout Austria, while at the same time Bank Austria employees are regularly provided with interesting topics from the family sector by SOS Children's Villages. We are delighted that this partnership celebrated its 15th anniversary in 2023. **Caritas** has also been a close cooperation partner throughout Austria for over 25 years. The current focus here is on educational and learning aid projects; for example, a Caritas learning café sponsored by Bank Austria is currently being built in the immediate vicinity of the Bank Austria headquarters. Bank Austria's Caritas Family Fund, founded in 1994, also has a long tradition and has already helped around 1,000 Austrian families in need through no fault of their own.
The **Bank Austria Volunteer Day**, which gives employees the opportunity to spend a day getting to know volunteering up close and actively, was also expanded in 2023. In addition to the established partners Caritas and SOS Children's Villages, the **Samariterbund** also took part for the first time in 2023 with some very interesting projects.

Together with the UniCredit Group and the **UniCredit Foundation,** we pay particular attention to supporting young people in completing their education and making the transition to a successful career. As the level of education achieved is unfortunately still heavily dependent on a child's social background, we want to help inspire young people for education and prevent them from dropping out of school early with new, Europe-wide partnerships with "***Teach for All***" (in Austria: "***Teach for Austria***") and "***Junior Achievement".***

Management Report

And most recently, the "***Call for Education***" launched by the UniCredit Foundation in Austria was very successfully organized by Bank Austria and the participating organizations were actively supported. And with great success: two Austrian education projects were among the "main winners" in December 2023. After a very challenging application and evaluation process, they were ultimately awarded a total of more than 600,000 euros for their outstanding, multi-year projects.

As part of our social commitment, it is also particularly important for us to involve our employees in our social activities and encourage them to participate. In addition to an increasingly wide range of opportunities to volunteer, Bank Austria has launched the UniCredit Foundation's "***Gift Matching Program"*** every year since 2007, which additionally promotes the social commitment of its employees. The idea is simple: private donations are matched by funds from the UniCredit Foundation, the corporate foundation of the UniCredit Group. This not only supports charitable organizations, but also strengthens the mutual exchange of social commitment and social awareness among employees.

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

In order to reach as many projects as possible and at the same time keep its finger on the pulse of the times with its support, Bank Austria has been pursuing an innovative approach for eight years now, which remains unique in Austria in the field of cultural sponsorship: every year, we provide €100,000 for crowdfunding campaigns in cooperation with the ***"wemakeit"*** **platform**. Since the projects each receive a third of their campaign sum as sponsorship from the bank, a total project volume three times the amount of the money invested is supported. In the past two years, the bank has helped to realize a total of more than 300 exciting projects and initiatives in this way. Together with more than 22,000 supporters, we have helped to provide substantial funding to the Austrian arts and cultural scene.

In the area of sports, we focus on people with disabilities in addition to classic sponsoring activities. We are proud to have been a partner of the Austrian Paralympic Committee since its inception and to support the dedicated athletes every year just as actively as we do the athletes of Austrian Wheelchair Tennis. This commitment is now deepened by the cooperation with ***Special Olympics Austria***, which adds a new dimension to the Olympic motto "taking part is everything".

Disability

Inclusion, i.e. the equal integration of people with disabilities into social and working life, is an integral part of Bank Austria's corporate culture. For this reason, the topic of "Disability" has also had a special status in the company for many years. For more than 10 years, the UniCredit Bank Austria Disability Management team has been working in close cooperation with the People & Culture department, the works council and the disabled persons' representatives as well as an internal network of 60 people to integrate people with disabilities as well as possible into everyday working life as employees and to provide them with the best possible support as customers.

Measures already implemented for customers include a separate bank card for people with visual impairments, Bank Austria websites for the hearing impaired and texts in plain language, and the shuttle service for customers with limited mobility introduced in 2010. With the internationally awarded ***SmartBanking*** in sign language, deaf people have also been enjoying Bank Austria's proven advice via video telephony since fall 2015. Since December 3, 2020, UniCredit Bank Austria has been offering customers who present an Austrian disability ID card with a disability of 50% or more or an ID card from the *Hilfsgemeinschaft der Blinden und Sehschwachen* the earmarked inclusion loan for the purchase of assistive devices at a particularly favorable variable customer interest rate of 4.25% (linked to the 6-month EURIBOR) without processing fees.

Management Report

By fostering a diverse workforce and creating an inclusive culture, UniCredit Bank Austria enables an environment where everyone can develop and contribute to success with their unique strengths. The approximately 230 employees with disabilities also find a supportive environment that offers the best conditions tailored to their individual needs so that they can put their talents, skills and experience to work and add value to the company. For many years, UniCredit Bank Austria has thus been among the only 24% of domestic companies (according to the 2022 Annual Report of the Ministry of Social Affairs) that meet the statutory employment quota for people with disabilities.

We are delighted to have become the leading financial institution in Austria and throughout continental Europe through our commitment to accessibility and inclusion. This is also evidenced by the **numerous international awards** we have received, such as the prestigious "*Disability Matters Award 2018,"* the "*Austria's Leading Companies Award 2019,"* or the "*Highly Commended" awards* at the "*Financial Adviser Diversity in Finance Awards 2020"* and "*Diversity & Inclusion Initiative of the Year"* at the "*Financial Adviser Diversity in Finance Awards 2021*" for barrier-free offerings during the Corona crisis.2022 two "*Disability Matters Awards*" were added in the categories "Marketplace" (products and services specifically for people with disabilities) and "Workforce" (targeted recruitment and promotion of people with disabilities).

Commitment to the environment - net zero as the ultimate goal

Commitment to the environment means above all - as already mentioned - working together with our customers to drive forward the **transformation to a climate-neutral economy**. This means supporting our customers on this path, developing concepts together and defining a new, environmentally, climate and socially friendly form of cooperation for the future.
Of course, we can only credibly expect and demand from our customers what we ourselves live by. That is why environmental and climate protection has been a top priority for Bank Austria and UniCredit Group for years.
Indicators that express the environmental performance of a company have developed excellently at Bank Austria over the past decade: The bank achieved substantial savings with regard to total emissions, energy consumption, water, waste, business trips and paper.
UniCredit Group has defined the goal of reducing its own emissions caused by the company to net zero as quickly as possible - by 2030 at the latest. The focus here is clearly on avoidance and reduction. Offsetting can - at a later date - only be the last alternative. Detailed planning and activities to avoid further emissions are also fully underway at Bank Austria in 2023. The main thrusts here include the expansion of photovoltaics and the switch to alternative heating systems in the branches.

In addition, many **environmental and climate protection activities** launched in recent years at Bank Austria are of course continuing as planned or have been successfully completed. Bank Austria continues to be involved with eleven other climate protection pioneers such as ÖBB and ORF in the *klimaaktiv pact* initiated by the Ministry of Climate Protection. Together, the twelve companies have pledged to save at least 8.6 million tons of CO_2 by 2030, thus making a significant contribution to achieving the national climate targets. Bank Austria generates additional benefits for its environmental and sustainability ambitions from this cooperation through networking opportunities with like-minded companies and regular workshops on current topics.

All of these activities are organizationally supported by an **environmental management system (EMS)** in accordance with ISO 14001:2015, which Bank Austria has operated since 2011 and which is also certified annually by external auditors from *quality austria*. In 2023, the certificate was renewed for another three years as part of the audit; it confirms the application and further development of an effective environmental management system.
The environmental management system is structurally anchored in the company through, among other things, a steering committee at the highest management level and monthly environmental team meetings with participants from all key divisions. Since 2022, representatives from Group companies such as Schoellerbank have also been taking part in these meetings in order to put environmental and climate protection on an even broader footing. This also includes regular exchanges with subsidiaries outside the formal boundaries of the EMS, which were intensified in 2023, particularly with *card complete.*
The data quality of the environmental management system is also being continuously improved. For example, a mobility survey was conducted among all employees in October 2023 in order to be able to include the Scope 3 emissions caused by travel to and from the place of work in the CO_2 balance in future. At the same time, the motives and motivation of employees for their choice of transportation were also determined.

Bank Austria's green product offering

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

Bank Austria can already point to a extensive sustainable product portfolio: From a further expanded range of ESG investment products for both private and institutional investors to so-called ***ESG-linked loans***, which are subject to internationally valid criteria (based on an external ESG rating of the customer), and structured products (where better conditions are linked to the improvement of ESG ratings) to green mortgage and consumer loans.

Management Report

Among other things, Bank Austria issued its second green bond, a mortgage covered bond with a volume of €750 million, in February 2023.

Since 2021, the range of account products that have been awarded the *Österreichisches Umweltzeichen* (UZ49) label for sustainable financial products has also been expanded. Accounts for business customers and young people have now also been awarded UZ49, which means that sustainable financing is guaranteed in the amount of the total account deposits.

Products for corporate customers:
In our positioning as a strategic financial partner for our customers, we offer a wide range of ESG advice and products for companies of all sizes and in all phases of transition.

As an orientation aid, we offer the possibility of an individual ESG assessment using the "***Bank Austria Sustainability Barometer***". This advisory tool was developed by UniCredit Group together with the sustainability specialist *ISS-ESG*, which specializes in sustainability, and offers an analysis of E, S and G as well as specifically relevant questions relating to individual sectors – 20 sectors are currently included in this tool. This consulting approach provides clients with a broader understanding of, for example, the in-depth analyses required by the EBA on environmental risks, the introduction of the EU taxonomy, green asset ratios (for banks) and extended reporting obligations (sustainability report) for companies, and has been very well received by our clients.

In addition to the range of financing products geared purely to the intended use – green or social – we have been offering financing products for companies with an affinity for the capital and credit market (e.g. green bonds, ESG-linked bonds, ESG-linked promissory note loans, ESG-linked loans, ESG-linked derivatives) that are linked to specific sustainability targets for several years now. Compliance with these targets is reviewed annually and has an impact on the interest margin.

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

With the ***GoGreen* account**, Bank Austria offers a sustainable account certified with the Austrian Eco-label. Sustainable projects are financed in the amount of the *GoGreen* account deposits. The account can be used completely digitally and without paper (incl. electronic account statement, automated account opening). All *GoGreen* account holders also receive a reduced issue surcharge on selected ESG funds. The offer is supplemented by a *GoGreen* Business and a *GoGreen* student account.

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

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

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

Management Report

Customers

Growth through excellent customer experience
With flexibility and a great deal of commitment, our employees continued to strengthen our customers' trust in Bank Austria in 2023. Professional expertise and efforts to find financial solutions tailored to the personal situation of our customers form the basis for successful customer relationships. These stable customer relationships also ensured our success in 2023, a year characterized by turbulent world events.

Measurement and analyses show changing expectations
In addition to the traditional survey of all customer segments with **around 7,500 pieces of customer feedback** received per year, we also measure customer satisfaction directly after a customer contact with "*MyFeedback*". In doing so, we analyze the customer experience during a consultation, a checkout or self-service transaction or in the online channel with "*24You*" (internet banking) and the "*MobileBanking*" app.
Our customers also made extensive use of this feedback opportunity in 2023 and we received 30,000 responses. This survey uncovers cross-selling potential through targeted information and offers the opportunity to respond directly and specifically to questions, requests, complaints and annoyances. Ongoing customer contacts form the basis for improvements in the customer relationship, for managing activities and thus for achieving targets. In 2023, we successfully continued the "*Push NPS*" initiative across the entire retail sector in order to strengthen our NPS-Net Promotor Score in 2023 and thus make us attractive to non-customers as well.

Strong customer relationships and continuous improvement through active complaint management
We set a high standard for handling complaints and respond to customers within 48 hours. We continuously meet this standard - for verbal and written complaints. Frequent complaints in 2023 came from customers who were dissatisfied with the ongoing digitalization or the tense interest rate situation. Quick and professional processing and the in-depth expertise of the *ombudsman's office* generally enabled the complaint to be resolved quickly and the customer relationship to be stabilized.
In addition to handling complaints directly, the complaints management team also identifies problems promptly and initiates decisions for improvement measures. The total number of complaints was also reduced in 2023 compared to the previous year (- 3%).

Employees

UniCredit Bank Austria's headquarters at the Austria Campus in Vienna's second district are home to employees of Bank Austria Group and UniCredit's CEE units. Throughout the Austria Campus, the highest attention is paid to ecological and sustainability criteria. Examples include the reduction of storage media to save energy, the use of new media to reduce hardware, printing with the *FollowMe* printing system and the implementation of an environmentally friendly paper policy for efficient paper use, which also corresponds to the goal of largely avoiding paper in the future.

At the end of 2022, the **"Save 11%" energy-saving challenge**, which is based on the federal government's corresponding campaign, was launched with the aim of saving as much energy as possible. In 2023, various measures were successively implemented as part of the campaign: from reducing the room temperature in winter and dispensing with hot water in the washrooms to reducing the running time of ventilation systems and switching off effect lighting. With the active support of its employees, who can access numerous other energy-saving tips via internal communication channels, Bank Austria is making a further important and active contribution to climate protection. In addition, Bank Austria has now replaced many plastic office supplies with plastic-free alternatives in an ongoing process that has been actively supported by many employees.

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

Management Report

The target agreement, which has been concluded for a further three years, focuses on the provision of an optimal infrastructure in order to provide the best possible support for both flexible working hours and remote working. In addition, communication activities and special support services for managers are the focus of the measures supported by both management and the Works Council. Further activities to ensure equal opportunities for women and men and people with disabilities have been a natural part of the program from the outset. Last but not least, numerous health offers, which have become even more important for each and every individual since the pandemic and due to numerous other challenges, round off the package of measures. Controlling is central to the success of the measures implemented: qualitative and quantitative targets are defined for the measures and regularly evaluated.

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

Management Report

People & Culture

We believe in creating an engaging and positive working environment where everyone can actively contribute to our success. Our powerful Values - ***Integrity, Ownership and Caring*** underpin our actions and are a baseline for the Bank strategy. In terms, of the People agenda we focus on developing the skills and leadership of the future, creating a positive and inclusive working environment, investing in the wellbeing of our people, attracting the best talent in the market, and enabling performance.

Our dedication to supporting our people to live up to their full potential by creating opportunities for them to participate actively in the company, grow and learn, has been endorsed externally in 2023 when Bank Austria received again the award as "**Top Employer"** by the Top Employers Institute for multiple years in a row and the certification as "**TOP LEHRBETRIEB until 2027**" by the city of Vienna for our apprenticeship program.

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

The option of time and place flexibility is the foundation for results-oriented work and a viable work-life balance. Our goal and expectation are to find solutions that meet both individual and business needs, based on mutual understanding and regular discussions. We consider it our responsibility to support all our employees in a specific manner through targeted initiatives, measures and solutions aimed at increasing flexibility, complying with formal working hours, supporting management with remote teams, supporting home learning and establishing new working methods. We are therefore proud to have introduced the **new concept of *"Remote abroad"*** enabling employees to work from a different European country for a maximum of 10 working days per year. We have also endeavored to support all our customer-facing employees so that they can adapt to the new reality and serve our communities in a more digital way.

Culture Transformation: In 2023, we continued to promote our corporate values by rolling out dedicated workshops to bring *"values in action"* facilitated by over 160 trained managers with their teams, where over 55 best practices of different branches in Austria were collected. Moreover, we successfully involved our workforce in a local celebration of our values during culture day for 2 years in a row to foster the overall cultural transformation.
As part of our culture, we also have a strong focus on **Well-being & (mental) health.** We have continued our well-established digital learning formats, different articles and toolkit series to support our employees for maintaining a good work-life balance. We supported our employees with recommendations and information from our page on mental and physical well-being and support for individual needs. Topics of particular interest included own physical and mental health, by focusing on some physical illnesses where progress in early detection and prevention significantly reduces the risk of negative consequences (breast cancer prevention, testicular and prostate cancer prevention). Together with our health center, we organized this year a Health Day at Bank Austria Campus, open to all employees, offering a range of health-promoting measures from the fields of occupational medicine, occupational psychology and ergonomics on site in addition to illustrating the heart organ.

External recruiting: To ensure a positive experience for applicants, we leverage on our applicant tracking system *Avature*, a state-of-the-art online tool that also includes solutions for the onboarding process and a module to promote active management of talent pools. Besides hiring professionals, we also engage in rejuvenating our internal pipeline. Around 150 interns were able to gain their first professional experience in our bank and all training initiatives were implemented as planned. During the summer of 2023, an additional 46 school pupils in Vienna as well as in the other federal states were able to complete their holiday work placements, primarily in Bank Austria branches. Through our online recruiting platform, we also managed to recruit 29 apprentices this year. Bank Austria also offered rich orientation and different experiences for 12 graduates embarking on their career.

Management Report

Internal job market: Bank Austria's internal job market is an integral part of the People & Culture strategy and provides a platform for internal vacancies. The aim is to show employees new prospects within the company. Depending on the individual skills, interests and resources, it is possible to work on short-term projects and initiatives across the Group in addition to the opportunity to move to a new position. Finding the right job or an exciting challenge no longer depends on employees' profiles and training alone, but also on their personal motivation and activity. The internal job board makes better use of employee potential and boosts employee satisfaction. In 2023, we continued helping employees broaden their knowledge and experience by taking on challenges in different departments of the bank and applying for internal positions.

Performance management: Sustainable differentiation, transparency, a feedback culture and commitment are the main drivers of our development and remuneration decisions. Our UniCredit Performance Management is a modern, fair and transparent performance evaluation and development system for all employees of Bank Austria. Each employee always has access to the evaluations and feedback documentation in their personal electronic archive. We use this process to strengthen the performance concept and inclusion within our bank and our group, and that this is the most suitable way to implement the strengths and skills of our employees and to meet the need for future development. Regular feedback provides the basis for achieving individual goals and thus also corporate goals. Performance management supports this process as a group-wide assessment and development tool. It includes assigning goals, assessing performance and potential and defining career plans and development measures. It therefore forms the framework for regular dialogue. Also in 2023, we continued leveraging on an upward feedback facility that prompts and encourages all employees to submit feedback to their line manager voluntarily as well as rolling out the **360 feedback for managers** and emphasizing on the opportunity to have a mid-year review with employees voluntarily. These initiatives are important steps on our path towards an open and continuous feedback culture.

Learning & development: In order to support our employees and managers in their daily work and development, we have thoroughly strengthened our online learning offerings and expanded these with new cooperative partners. While advancing digitization opens up new channels for our customers to do banking business with us, it also offers our employees new ways of learning and cooperating internally. We have therefore expanded the comprehensive learning media portfolio to include digital self-learning media, with the emphasis on independent learning. We are committed to providing all employees with further attractive opportunities for personal development, on a voluntary, flexible and digital basis.

The world of work is changing, meaning that we need to adapt our way of working and our work behavior. For that reason, we are supporting our managers and employees in their "learning" and in getting the most out of new ways of working, cooperation and the use of new tools. We continue to promote already introduced new learning formats in which employees can register to learn from internal and external experts on topics relating to changes and mega trends, as well as from all our colleagues who voluntarily share their knowledge and experience.
With the aim of building further the culture of easily accessible knowledge sharing opportunities, a new concept of a Mentoring program targeting all employees was introduced, democratizing further our approach to developing people.

Our internal learning interface *PLUS* enables colleagues to easily search for and find various learning collections on management, new trends, cooperation, team performance and personal and professional development. *PLUS* furthermore offers personalized training recommendations based on the employees Global Job Model. Next to many soft-skill topics we offer, we are strongly supporting our business divisions with different trainings on “banking know how” based on their job role and needs. All of this supports our motto: *#NeverStopLearning*: Employees can learn on a self-determined basis and are not tied to specific time schedules, thereby increasing the return on learning for everyone.

We also continued our efforts in 2023 to support employees in being able to access all learning opportunities at a glance. By introducing the *UniCredit University* groupwide, accessible to all, employees are encouraged to be owners of their development and explore all learning opportunities based on their current job role, their interests or development needs In 2023 we designed our ***ESG (Environment, Social, Governance) University Austria*** where we offer a variety of different trainings, tailormade for all our different target groups within the bank. Not only the variety of trainings, also because of the mixture of different training methods, we ensure that there is a offer for every employee.

Management Report

Rewards and benefits: Our activities, especially those in the area of rewards and benefits, are based on and guided by the *Global Job Model*, the group-wide job evaluation system used for describing and categorizing all roles and activities within UniCredit. Our group-wide total compensation system provides for a balanced mix of fixed and variable monetary and non-monetary components. Remuneration of top management is determined within UniCredit by way of a uniform Group Compensation System, which has been in place for several years and has also been implemented at Bank Austria. Parts of the variable components of compensation are withheld in line with all regulatory requirements, and deferred payments are made subject to sustainability, partly in the form of UniCredit shares. The bonus pool method used across the Group ensures that variable components of remuneration are subject to the achievement of sustainable, long-term financial and non-financial performance criteria. The introduction of this method on the other hand further strengthens the link between variable remuneration and the risk-weighted results of Bank Austria. Reducing the gender pay gap is also one of the most important pillars of our remuneration strategy: a constant monitoring process has already been set up and in 2023, with continued focus on this topic, we have made further significant progress in reduction. We are committed to close the gender pay gap. In this scope, several initiatives have been implemented to address pay differences, such as guidelines for our compensation process, allocation of salary budget and inclusion of DE&I KPIs in the individual scorecards of Senior roles, as one of the elements for their performance evaluation.

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

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

As part of UniCredit, we in Bank Austria have been establishing an environment where all employees can express their diverse ideas, talents and experiences and contribute to our company for many years with their unique value. We are committed to promoting greater diversity and inclusion by encouraging international cooperation and teamwork that extends across borders and roles. On our journey to promoting diversity, equity and inclusion, we want to attract and employ candidates with a range of different qualifications, support the careers of our colleagues, promote loyalty to the company and further develop employees, boost our performance-based remuneration system and overall, foster an inclusive culture. In this respect we are leveraging on:

- Reviewed employer brand strategy from a DE&I perspective and pledge to advertise vacancies transparently
- Training and learning programs to support handling unconscious bias and promoting inclusive behaviors, inspiring people, at all levels of our organization, to act in line with our DE&I principles and embed DE&I in all that they do, developing a more inclusive mindset and breaking down barriers.
- Inclusive promotion and appointment process based on merit
- Fair nomination in development paths based on equal opportunities
- Constant efforts to reduce the same role gender pay gap
- Strong support for the Disability Management action plan
- Powerful Employee Networks in Bank Austria, we have **6 Employee Networks** which are nurturing an ongoing dialogue on the most important DE&I topics within our Bank:

- Bank Austria Women's Network
- Unicorns of Bank Austria
- Race, Ethnicity and Cultural Heritage Network
- Future Generation Network
- Accessible Bank Austria Network
- Innovation Team

Management Report

The objective of these Employee Networks is to identify new inclusion allies who can help us to listen to the stories and voices of the people raising topics that are relevant and make our bank even more inclusive. Every human being is unique, and this variety and all individual differences need to be recognized. Therefore, we constantly support our people to be open, go beyond their own biases, see others for what they really are, value others, and appreciate their differences, through a series of DE&I initiatives running along the year. With the strong involvement of the Employee Networks, Bank Austria makes available for all its people a series of DE&I initiatives on a variety of relevant topics like financial independence for women, inclusive language, the rainbow family, generations talk, cultural diversity, disability inclusion, etc., promoting thus greater inclusion and empowering its people to freely be themselves.
We celebrate key global DE&I moments and well-being awareness days such as International Women´s Day, Pride Month, Breast Cancer Awareness Month, International Day of People with Disabilities, etc. and we continue to invest in raising awareness and education on DE&I, challenging stereotypes at all levels, calling out discrimination, drawing attention to bias and fostering a cultural change to make a difference, starting from our workplace.
We encourage our people to bring their authentic selves at work, show solidarity and stand up for the rights of lesbian, gay, bisexual, transgender, intersex and queer people. Pride Month is extensively lived in our bank with various activities spread throughout the month, rich communication campaigns and a strong presence of the rainbow colors in both Bank Austria branches and at the Bank´s head office. As an official and proud partner of Vienna Pride our Bank participates every year in the Rainbow Parade and sponsors the Pride Run Vienna. This year, Bank Austria was present at the Rainbow Parade with a big truck and over 150 employees to amplify our voice in promoting an environment free of prejudice and equal rights, to celebrate living authentically and to show support for the LGBTQIA+ community.

Disability Inclusion is an integral part of our business agenda at Bank Austria, we recognize that it is essential to ensure credible inclusion for both employees and customers, which becomes increasingly critical as we confront new challenges arising from technological and social change. We support the inclusion of individuals with physical disabilities, learning difficulties or mental health issues.
Since 2010, Bank Austria established an in-house disability management function, headed by a full-time disability manager and mandated by the top management, to bring together stakeholders from all areas and coordinate all necessary efforts to address accessibility in all its dimensions, ensuring the best possible integration of people with disabilities in everyday working life and as customers.
Bank Austria is one of the 24 percent of companies in Austria that meet the legally required quota for employees with disabilities. About 230 employees with disabilities currently work for us.

At Bank Austria we believe that we must play a fundamental role within society to act as the engine of social progress. Through our external commitments, we reaffirm our pledges toward greater gender equality, diversity, equity and inclusion:

- We have been **EDGE-certified since 2022**. This is an important and rewarding international recognition that testifies our commitment to fostering gender equality and inclusive culture and shows that our ongoing efforts are successful.
- Bank Austria is the first company in Europe having received prestigious awards in the area of inclusion and accessibility in all three categories of the Disability Matters Award (Marketplace - 2022, Workforce - 2022, Workplace - 2018). We have been a pioneer in accessibility and services for people with disabilities for many years. Therefore, for us as a leading financial services provider, it is very important to partner with major interest groups as well as organizations like Zero Project and “The Valuable 500” – in order to remain at the forefront of social and technological developments, as an innovation leader.
- We participate in the LGBTQIA+ petition initiated by Deloitte for more equity in the Austrian economy and we are Pride Biz Allies
- We received the Top Employer Austria award for several years in a row and again this year. The Top Employer award for 2023 is a recognition for our workplace culture that emphasizes inclusion, accountability and flexible working arrangements and development opportunities, but also of the effort we have invested in continuously working to improve our people agenda.

Gender equality and inclusion: We are committed to driving gender balance within our workforce and are actively working to build a gender-balanced Leadership Team by increasing the proportion of women in managerial positions, including in our most senior executive roles. We recognize the value of female leadership and actively work to promote gender diversity at all levels of the organization. We firmly believe that by actively encouraging and developing women leaders, we unlock previously untapped pools of talent that can contribute significantly to our organization and industry at large.

Management Report

We have a significant history of working to address gender balance and when it comes to the women's presence at Bank Austria, we are proud to say that we have reached tangible progress.

- 59% of UniCredit Bank Austria AG employees are women.
- 38% of the Bank Austria Management Board are women
- 36% of the Bank Austria Supervisory Board are women, exceeding the External Regulatory Framework Austrian law

Furthermore, we have a high-quality pool of female talent which provides strong anchors for our Bank to accelerate its progress on gender equality. Recognizing the equal worth of women in the workplace is a key priority at our bank. We invest in creating an environment where women’s voices are heard and respected, ensuring that women’s careers are built on their own merits and contributions.

Management Report

Outlook

Economic environment 2024

The global economy is expected to lose further momentum at the start of 2024. The synchronized tightening of monetary policy, reduced household savings buffers, the expiring pent-up demand for tourism services, for example, and a less supportive fiscal policy will have an impact. In addition, the ongoing geopolitical tensions will continue to cause uncertainty. Global GDP growth should therefore weaken from 3.0% in 2023 to 2.7% in 2024. The global slowdown in growth will be reflected in a cooling of the US economy to a GDP increase of around 1%, after 2.4% in 2023. In addition, the worsening demographic situation and difficulties in China's bloated real estate sector will weigh on global momentum, while other emerging markets will be more resilient, supported by falling interest rates. In this environment, modest growth is expected for the eurozone, supported by the rise in real incomes. On average, the eurozone economy should be able to maintain its 2023 growth rate of 0.5% in 2024, supported by falling inflation and a tentative recovery in global trade later in the year. However, strong headwinds can also be expected in 2024, as the consequences of the European Central Bank's (ECB) interest rate hikes will become increasingly noticeable at a time when households' savings cushions have largely been used up, fiscal policy is becoming tighter and the resilience of the labor market is beginning to wane. Nevertheless, after a weaker start, the European economy should be able to build up some momentum over the course of 2024.

The ongoing disinflation process should continue in 2024. Overall inflation in the US and the eurozone will approach the central banks' target of 2% over the course of the year. On average for the year, we expect inflation to fall to around 2.5% in the US and the eurozone, after 4.1% in the US and 5.4% in the eurozone in 2023. Both, the US Federal Reserve and the ECB are expected to change their monetary policy in 2024 and begin cutting interest rates. In the US, we expect interest rates to be cut by 25 basis points per meeting from June to December 2024, which would mean that the target range for the federal funds rate would fall to between 4.00% and 4.25% by the end of 2024. In the eurozone, we expect key interest rates to be cut by 75 basis points in each case, meaning that the refinancing rate should be 3.75% and the deposit rate 3.25% by the end of 2024. We estimate that both economic areas will therefore continue to exceed the longer-term neutral interest rate.

Outlook for Austria

Following the weak economic development in Austria in 2023, a moderate recovery should gradually get underway in 2024. After a subdued start to the year, GDP is only expected to increase slightly by 0.3% in 2024 as a whole. Rising real wage growth as a result of a further fall in inflation should give the economy more momentum via consumption. A turnaround in the inventory cycle should also stimulate growth. By contrast, the ECB's monetary policy, which remains restrictive despite the start of the interest rate reduction cycle, will continue to pose a major challenge for investment activity in 2024. While the service sector is likely to lead the recovery, supported by the rising purchasing power of households, the situation in the construction sector, particularly in building construction, and in industry remains tense. However, a gradual improvement in the global economy over the course of the year should increasingly support the export-oriented sectors. The situation on the labor market is likely to deteriorate in 2024, primarily due to the weakness in industry and construction. We expect the annual average unemployment rate to rise to 6.7% in 2024, compared to 6.4% in 2023. The relatively high resilience in a persistently weak economic phase is due to the tightness of the domestic labor market. Due to demographic effects, such as the retirement of baby boomers from the labor market and the high attractiveness of part-time work, the development of employment and the volume of available working hours in Austria can hardly keep pace with demand. After inflation is likely to reach an annual average of 7.8% in 2023, we expect inflation to slow significantly to 3.6% in 2024, despite a rather modest downward trend in the rise in many service prices due to noticeable wage increases. This means that inflation in Austria will once again fall much more slowly than the eurozone average. This continues to be the result of stronger energy price increases, which have triggered higher second-round effects, e.g. through indexed rents.

The economic outlook for 2024 is characterized by unusually high risks. Geopolitical uncertainties are the key factor here. A large number of elections, especially in the US, could also bring additional uncertainty. It should also be borne in mind that the higher interest rates and tighter financial conditions resulting from the central banks' excessive monetary policy have increased the risks to financial market stability.

Following the stagnation in demand for credit in 2023 due to the declining volume of residential construction loans and only weak growth in demand for corporate loans, demand for credit in Austria should increase again slightly in the course of 2024, driven by slightly falling interest rates and an improvement in consumer and investment activity. However, credit growth in residential construction, consumer and corporate financing will continue to gain only modest momentum and remain well below the growth rates prior to 2023.

Management Report

Following the stagnation in household deposits and the decline in corporate deposits in 2023, deposits are also expected to increase only slightly in 2024. Although the improved real income situation would allow slightly stronger deposit growth, this would be offset by falling interest rates and alternatives in the bond sector.

Medium and long-term objectives

The Bank's focus will be on sustainable value generation and further increasing efficiency, with a double-digit ROAC, maintaining excellent cost/income ratios and furthermore maintaining the regulatory capital ratios (CET1 ratio) at a high level. This is based on customer-oriented service models, supported by the integration of technology and digitalization, the further simplification of processes and the inclusion of sustainability in all relevant activities. In addition, the Bank will put a focus on a sound liquidity position, based on a balanced development of loans, deposits and security issues.

The evaluation of a possible cross-border merger of **UniCredit Bank Slovenia** with Bank Austria and thus a transformation of UniCredit Bank Slovenia into a branch of Bank Austria in Slovenia started in Q2 2023. After completion of the review in October 2023, UniCredit decided to put this project on hold.

Supporting the transformation of companies towards the energy transition and sustainability

As a strategic financial partner and advisor, the bank supports its customers in solving acute issues, in the case of corporate customers for example with 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, the bank is also increasingly financing investments in the energy transition. After all, if the COVID-19 pandemic was a turbo for digitalization, the current geopolitical conditions will further accelerate the overall economic transformation towards the increased use of renewable energies and a sustainable economy.

The ongoing transformation of the economy therefore offers great opportunities for innovation, but also requires high levels of investment - because around 80 percent of the investment required to achieve the climate targets relates to the transition, i.e. the ecologically 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: from wind energy and photovoltaic projects to the use of waste heat in industrial companies. The range of financing instruments extends from sustainability 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).

Concrete examples of how Bank Austria is financing the transformation of the Austrian economy:
- "*EIB Climate Action Austria Facility Loan"*, which supports investments in small and medium-sized renewable energy projects and energy efficiency projects in Austria
- Customer financing: As part of the *"Krone Sonne"* campaign, Bank Austria has been supporting a regional energy supplier with customer financing since mid-2022. Specifically, it offers a flexible loan (with favorable conditions) to private customers throughout Austria.
- Project financing: The largest UniCredit Leasing project financing in the last ten years is currently being realized in Seestadt Aspern in Vienna (groundbreaking ceremony in September 2023). The global pharmaceutical company Takeda, a long-standing customer of Bank Austria, is investing in a new research center there - a "laboratory of the future" with state-of-the-art laboratory technology for around 250 researchers (from 2025). And the financing of this investment as a whole and the sustainable construction in particular are fully in line with Bank Austria's corporate goals of making the economy more climate-friendly and sustainable.

Management Report

- Real estate sector: For Bank Austria, the ESG quality of the real estate projects it finances is relevant and important not least for its own refinancing. In February 2023, Bank Austria has already issued the second green bond in the amount of EUR 750 million (Green Mortgage Covered Bond - and uses the proceeds to finance or refinance environmentally friendly buildings:
- Sustainability loan for SMEs: Bank Austria provides SMEs with special investment or working capital loans, enabling them to make investments that reduce their CO_2 emissions, improve the working conditions of their employees or ensure sustainable corporate governance.

Bank Austria also offers a wide range of current accounts in the retail sector with its GoGreen accounts It finances sustainable projects for every euro in the *GoGreen* accounts of its private and business customers: These are primarily sustainable home financing, but also wind power and hydropower projects as well as electric vehicles.
Bank Austria has set itself clear **priorities in the area of ESG/sustainability**:

- Further alignment of the business with the targets of the ***Net-Zero Banking Alliance***, which UniCredit Group joined in 2021, i.e. analysis of the portfolio and definition of net-zero targets - after defining the targets for the first three sectors with the highest emissions (oil and gas, electricity generation and automotive), the target paths for other sectors will be successively defined
- Further expansion of its **range of green products and services, such as** ESG asset management for private banking clients
- Further strengthening its social commitment with a focus on **financial education**
- Comprehensive internal **ESG and sustainability training initiative** for all employees and managers

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

At the same time, Bank Austria is also systematically driving forward the transformation of its own core business and has already implemented a large number of procedural changes and innovations in its product range. The relevance and quality of these initiatives have been confirmed by independent experts: As part of the **WWF banking study** published in October 2022, experts from WWF *(World Wildlife Fund*) and PwC Austria assessed the 14 largest Austrian universal banks (based on total assets) and their approach to 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 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 our own actions as a company, keyword "**ecological footprint**". Since 2008, Bank Austria has reduced this footprint by 80 percent or more, depending on the observed segment - from business trips to waste, paper, water and energy consumption to overall CO_2 emissions. Sustainability and efficiency are not mutually exclusive, on the contrary: over the years, the company has made enormous savings in CO_2 emissions, but also in costs and time, particularly in terms of 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 company headquarters on the Austria Campus with one of the largest geothermal systems in Europe - it aims to significantly reduce energy consumption in the future, for example by adapting the cooling and heating systems and lighting in the bank's buildings.

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

Digitalization and simplification as important pillars of the "*UniCredit Unlocked*" multi-year plan

Initiatives for further digitalization and simplification not only make the Bank faster and more efficient, but also significantly improve the customer experience in particular. At the same time, digitalisation and simplification also go hand in hand with reduced personnel requirements..They are therefore important pillars in the successful implementation of the Group-wide "*UniCredit Unlocked*" multi-year plan.

Management Report

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

- The bank is consistently implementing its ambitious digitalization targets as part of its **"channel strategy"**: In 2023, the percentage of Bank Austria customers who are "Mobile Active Users" increased to around 50 percent, while the percentage of "Digital Active Users" even rose to around 54 percent. Further increases are planned in both categories for 2024 so that even more customers can benefit from the advantages of the digitalization of banking services. In 2023, over 30% of all customer orders could be completed remotely, i.e. via an electronic channel outside of traditional branch processes, and a target of over 40% has been set for 2024.
- Numerous processes in the 24-hour service line (call centre) have been systematically simplified and at the same time the skills of the service line employees have been expanded in order to significantly speed up the handling of customer concerns. In addition to service issues, this channel is now also increasingly being used by customers to purchase products. Overall, this significantly improves the customer journey and therefore 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 requirements. Here, customers have access to advisors who respond to customer concerns within 24 hours - via 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 requirements.
- In the area of **corporate customer loans,** the corporate credit workflow tool (*CoALA 2.0 - Compact Automated Loan Application*) is being further developed with the aim of speeding up the lending and review process, making it even more efficient and, from the customer's perspective, shortening the time to loan approval in particular.
- In the area of **consumer loans,** the number of input fields in the loan application was reduced. On the one hand, this reduces the amount of work required to process an application at the bank and, on the other, it improves the customer experience by speeding up the process. Since the end of July 2023, Bank Austria has been offering a new online route on the internet for applying for consumer loans, especially for new customers.
- For **new account customers,** a complete account package including debit card and internet banking is opened within 15 minutes - for example, private customers can open a *GoGreen account* as a paperless green salary account completely online within a few minutes using video legitimization and use it immediately.
- A new **automated process for approving credit** cards was implemented in the credit card product area:
  A data-driven decision model and a streamlined process now enable credit card offers for pre-selected customers - and thus a considerably shortened and simplified process with a reduced number of manual entries and processing steps until approval.
- With CashBack Mobile, a CashBack programme was introduced in the Bank Austria MobileBanking app, which allows customers to get money back when paying with their Bank Austria debit card - including their digital debit cards or ApplePay - when shopping.
- In addition, the Bank Austria MobileBanking app has been redesigned to present the products even more clearly.

Permanent establishments

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

Further information

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

- Events after the end of the reporting period are included in section F.16 within "*F – Additional disclosures*" of the Notes to the consolidated financial statements.
- The risk report is a separate chapter ("*E – Risk report*") in the Notes to the consolidated financial statements. It includes, among other things, details on credit risk (E.2), liquidity risk (E.3), market risk (E.4) and climate-related and environmental risks (E.14)
- The report on key features of the internal control and risk management system in relation to the financial reporting process is contained in section E.16 of the risk report.
- Information on the use of financial instruments is included in the Notes to the consolidated financial statements (sections E.4 market risk and E.5 financial derivatives).

Management Report

Vienna, 20 February 2024

Robert Zadrazil
CEO – Chief Executive Officer
(Chairperson)

Daniela Barco
Retail

Philipp Gamauf
CFO – Chief Financial Officer

Dieter Hengl
Corporates

Emilio Manca
COO – Chief Operating Officer

Marion Morales Albiñana-Rosner
Wealth Management & Private Banking

Svetlana Pančenko
People & Culture

Wolfgang Schilk
CRO – Chief Risk Officer

Consolidated Financial Statements

Consolidated Income Statement

Consolidated income statement

(€ million)

ITEMS	YEAR 2023	YEAR 2022
10. Interest income and similar revenues	4,584	1,662
of which: interest income calculated with the effective interest method	*3,486*	*1,261*
20. Interest expenses and similar charges	(2,895)	(583)
30. Net interest margin	**1,689**	**1,078**
40. Fees and commissions income	903	886
50. Fees and commissions expenses	(214)	(201)
60. Net fees and commissions	**689**	**685**
70. Dividend income and similar revenues	9	9
80. Net gains (losses) on trading	53	123
90. Net gains (losses) on hedge accounting	1	(1)
100. Gains (Losses) on disposal and repurchase of:	(16)	68
a) financial assets at amortised cost	(12)	-
b) financial assets at fair value through other comprehensive income	(6)	(10)
c) financial liabilities	1	78
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss:	9	(73)
a) financial assets/liabilities designated at fair value	4	(32)
b) other financial assets mandatorily at fair value	4	(41)
120. Operating income	**2,433**	**1,888**
130. Net losses/recoveries on credit impairment	(46)	(89)
a) financial assets at amortised cost	(46)	(90)
b) financial assets at fair value through other comprehensive income	-	1
140. Gains/Losses from contractual changes with no cancellations	-	-
150. Net profit from financial activities	**2,387**	**1,800**
160. Net premiums	-	-
170. Other net insurance income/expenses	-	-
180. Net profit from financial and insurance activities	**2,387**	**1,800**
190. Administrative expenses:	(1,337)	(1,115)
a) staff costs	(827)	(563)
b) other administrative expenses	(510)	(552)
200. Net provisions for risks and charges:	(15)	42
a) commitments and financial guarantees given	4	66
b) other net provisions	(19)	(24)
210. Net value adjustments/write-backs on property, plant and equipment	(87)	(97)
220. Net value adjustments/write-backs on intangible assets	(3)	(3)
230. Other operating expenses/income	52	38
240. Operating costs	**(1,390)**	**(1,133)**
250. Gains (Losses) of equity investments	394	10
260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	(12)	2
270. Goodwill impairment	-	-
280. Gains (Losses) on disposals of investments	1	6
290. Profit (Loss) before tax from continuing operations	**1,381**	**684**
300. Tax expenses (income) of the year from continuing operations	(259)	139
310. Profit (Loss) after tax from continuing operations	**1,122**	**823**
320. Profit (Loss) after tax from discontinued operations	-	-
330. Profit (Loss) of the year	**1,122**	**823**
340. Minority profit (loss) of the year	(2)	(0)
350. PROFIT (LOSS) FOR THE PERIOD - ATTRIBUTABLE TO THE OWNERS OF BANK AUSTRIA	**1,120**	**823**

Consolidated Statement of Comprehensive Income

Earnings per share (in €, basic and diluted) (See Note B.21)

(€)

POSITIONS	YEAR 2023	YEAR 2022
Earnings per share from profit (loss) after taxes from continuing operations	4.84	3.56
Earnings per share from profit (loss) after taxes from discontinued operations	-	-

Consolidated statement of comprehensive income

(€ million)

ITEMS	YEAR 2023	YEAR 2022
10.PROFIT (LOSS) FOR THE PERIOD	**1,122**	**823**
Other comprehensive income after tax not reclassified to profit or loss	**(58)**	521
20. Equity instruments designated at fair value through other comprehensive income	(5)	60
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	3
60. Intangible assets	-	-
70. Defined-benefit plans	(66)	428
80. Non-current assets and disposal groups classified as held for sale	(1)	-
90. Portion of valuation reserves from investments valued at equity method	12	29
Other comprehensive income after tax reclassified to profit or loss	**206**	(729)
100. Foreign investments hedging	-	-
110. Foreign exchange differences	-	-
120. Cash flow hedging	(29)	42
130. Hedging instruments (non-designated items)	-	-
140. Financial assets (different from equity instruments) at fair value through other comprehensive income	235	(762)
150. Non-current assets and disposal groups classified as held for sale	-	-
160. Part of valuation reserves from investments valued at equity method	-	(8)
170. Total other comprehensive income after tax	**149**	**(208)**
180. Comprehensive income (Item 10+170)	**1,271**	**615**
190. Minority profit (loss) of the year	(2)	(1)
200. Parent Company's consolidated comprehensive income	**1,269**	**614**

Consolidated Statement of Financial Position

Consolidated balance sheet

(€ million)

ASSETS	AMOUNTS AS AT 31.12.2023	AMOUNTS AS AT 31.12.2022
10. Cash and cash balances	8,730	13,627
20. Financial assets at fair value through profit or loss:	2,170	3,183
a) financial assets held for trading	1,573	2,426
b) financial assets designated at fair value	88	119
c) other financial assets mandatorily at fair value	509	638
30. Financial assets at fair value through other comprehensive income	15,332	12,168
40. Financial assets at amortised cost:	70,289	71,960
a) loans and advances to banks	4,678	4,175
b) loans and advances to customers	65,611	67,785
50. Hedging derivatives	2,862	4,093
60. Changes in fair value of portfolio hedged items (+/-)	(1,285)	(2,133)
70. Equity investments	2,850	2,470
80. Insurance reserves charged to reinsurers	-	-
90. Property, plant and equipment	839	860
100. Intangible assets	6	5
of which: goodwill	-	-
110. Tax assets:	579	764
a) current	65	54
b) deferred	514	710
120. Non-current assets and disposal groups classified as held for sale	-	3
130. Other assets	373	333
TOTAL ASSETS	**102,745**	**107,332**

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 31.12.2023	AMOUNTS AS AT 31.12.2022
10. Financial liabilities at amortised cost:	84,558	89,119
a) deposits from banks	12,466	16,603
b) deposits from customers	59,834	63,007
c) debt securities in issue	12,259	9,509
20. Financial liabilities held for trading	1,570	2,410
30. Financial liabilities designated at fair value	61	60
40. Hedging derivatives	2,906	3,930
50. Value adjustment of hedged financial liabilities (+/-)	(1,213)	(1,972)
60. Tax liabilities:	25	32
a) current	20	27
b) deferred	6	6
70. Liabilities associated with assets classified as held for sale	-	-
80. Other liabilities	1,041	966
90. Provision for employee severance pay	-	-
100. Provisions for risks and charges:	3,345	3,352
a) commitments and guarantees given	160	177
b) post-retirement benefit obligations	2,914	2,956
c) other provisions for risks and charges	272	220
110. Technical reserves	-	-
120. Valuation reserves	(1,964)	(2,105)
130. Redeemable shares	-	-
140. Equity instruments	600	600
150. Reserves	4,845	4,270
160. Share premium	4,135	4,133
170. Share capital	1,681	1,681
180. Treasury shares (-)	-	-
190. Minority profit (loss) of the year	34	32
200. Profit (Loss) of the year	1,120	823
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**102,745**	**107,332**

Consolidated Statement of Changes in Equity

Statement of changes in Equity as at 31.12.2023 (See Note C.21)

(€ million)

		CHANGES IN THE PERIOD							
		ALLOCATION OF PROFIT FROM PREVIOUS YEAR			SHAREHOLDERS' EQUITY TRANSACTIONS				
	BALANCE AS AT 31.21.2022	RESERVES	DIVIDENDS AND OTHER ALLOCATIONS	CHANGES IN RESERVES	CHANGES IN CONSOLIDATION SCOPE	OTHER	TOTAL	COMPREHENSIVE INCOME	BALANCE AS AT 31.12.2023
Issued capital:									
a) ordinary shares	1,681	-	-	-	-	-	-	-	1,681
b) other shares	-	-	-	-	-	-	-	-	-
Share premium	4,133	-	-		-	2	2	-	4,135
Reserves:									
a) other reserve	4,272	823	(234)	(14)		-	-		4,847
b) foreign currency reserve	(2)	-	-	-	-	-	-	-	(2)
Revaluation reserves:	(2,105)	-	-	(8)	-	-	-	149	(1,964)
a) Cashflow Hedge Reserve	42	-	-	-	-	-	-	(29)	13
b) Revaluation Reserve FA @FVTOCI	(523)	-	-	-	-	-	-	230	(293)
c) Revaluation Reserve associates and joint ventures	42	-	-	(8)	-		-	12	46
d) Revaluation reserve tangible assets	75	-	-	-	-	-	-	2	77
e) Pension and similar liabilities IAS 19	(1,741)	-	-	-	-	-	-	(66)	(1,807)
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)	-	-	-	-	-	1,120	1,120
Shareholders' Equity Group	**9,402**	**-**	**(234)**	**(22)**	**-**	**2**	**2**	**1,269**	**10,417**
Shareholders' Equity minorities	32	-	-	-	-	-	-	2	34
Total Shareholders' Equity	**9,434**	**-**	**(234)**	**(22)**	**-**	**2**	**2**	**1,271**	**10,451**

Consolidated Statement of Changes in Equity

Statement of changes in Equity as at 31.12.2022 (See Note C.21)

(€ million)

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

Consolidated Statement of Cash Flows

Consolidated cash flow statement (indirect method) (See Note C.22)

	AS AT	
	31.12.2023	31.12.2022
A. OPERATING ACTIVITIES		
1. Non-cash items included in net profit and adjustments to reconcile net profit to cash flows from operating activities:	**(30)**	**(144)**
- profit (loss) of the period (+/-)	1,122	823
- gains/losses on financial assets held for trading and on other financial assets/liabilities at fair value through profit or loss (-/+)	(30)	(31)
- gains (losses) on hedge accounting (-/+)	(1)	1
- net losses/recoveries on impairments (+/-)	301	201
- net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-)	102	98
- net provisions for risks and charges (incl. personnel) and other expenses/income (+/-)	(279)	(171)
- unpaid duties, taxes and tax credits (+/-)	254	(140)
- impairments/write-backs after tax on discontinued operations (+/-)	-	-
-other adjustments (+/-)	(1,500)	(926)
2. Subtotal operating activities:	**1,654**	**933**
- interest received	4,584	1,662
- interest paid	(2,895)	(583)
- income taxes received (+)/ paid (–) from operating activities	(5)	(1)
3. Liquidity generated/absorbed by financial assets:	**(1,118)**	**4,122**
- financial assets held for trading	35	24
- financial assets designated at fair value	37	4
- other financial assets mandatorily at fair value	131	146
- financial assets at fair value through other comprehensive income	(2,918)	(546)
- financial assets at amortised cost	1,369	4,549
- other assets	227	(54)
4. Liquidity generated/absorbed by financial liabilities:	**(5,163)**	**(12,784)**
- financial liabilities at amortised cost	(4,561)	(12,383)
- financial liabilities held for trading	-	-
- financial liabilities designated at fair value	-	17
- other liabilities	(602)	(418)
Net liquidity generated/absorbed by operating activities	**(4,627)**	**(7,730)**
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by:	**97**	**98**
- sales of equity investments	-	-
- collected dividends on equity investments	48	39
- sales of property, plant and equipment	49	59
- sales of intangible assets	-	-
- sales of subsidiaries and business units (less cash disposed)	-	-
2. Liquidity absorbed by:	**(105)**	**(121)**
- purchases of equity investments	(11)	(48)
- purchases of property, plant and equipment	(90)	(71)
- purchases of intangible assets	(3)	(2)
- purchases of subsidiaries and business units (less cash acquired)	-	-
Net liquidity generated/absorbed by investment activities	**(8)**	**(22)**

Consolidated Statement of Cash Flows

	AS AT	
	31.12.2023	31.12.2022
C. FUNDING ACTIVITIES		
- issue/purchase of equity instruments	-	-
- payouts on equity instruments	(29)	(28)
- 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	**(262)**	**(88)**
NET LIQUIDITY GENERATED/ABSORBED IN THE YEAR	**(4,897)**	**(7,840)**
CASH AND CASH EQUIVALENTS AT END OF PREVIOUS PERIOD	**13,627**	**21,467**
Cash flows from operating activities	(4,627)	(7,730)
Cash flows from investment activities	(8)	(22)
Cash flows from funding activities	(262)	(88)
Effects of changes in scope of consolidation	-	-
Effects of exchange rate changes	-	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**8,730**	**13,627**

Notes to the Consolidated Financial Statements

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

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

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

A – Accounting methods

A – Accounting methods

A.1 – Information on the company

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

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

The consolidated financial statements of Bank Austria for financial year 2023 and the comparative information have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), and endorsed by the European Commission up to 31 December 2023, pursuant to EU Regulation 1606/2002. SIC and IFRIC interpretations and the disclosure requirements according to Section 245a UGB (Austrian Business Code) and Section 59a BWG (Austrian Banking Act).

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

The following documents have been used to interpret and support the application of IFRSs:
- the Framework for the Preparation and Presentation of Financial Statements issued by the IASB in 2010,
- Implementation Guidance, Basis for Conclusions and any other documents prepared by the IASB or the IFRS Interpretations Committee supplementing the IFRS;
- Documents of the European Securities and Markets Authority (ESMA) and the Consob (Italian Companies and Exchange Commission)
- Interpretative documents on the application of IFRS in Austria prepared by the Austrian Financial Reporting and Advisory Committee (AFRAC).

Furthermore, on October 25, 2023, ESMA published its annual public statement ("European common enforcement priorities for 2023 Annual Financial Reports", ECEP) for the 2023 financial reports of issuers admitted to trading on the regulated markets of the European Economic Area (EEA).

ESMA emphasizes the responsibility of issuers' management and supervisory bodies and the importance of the oversight role of audit committees in (i) ensuring the overall internal consistency of the annual financial report, (ii) establishing and monitoring internal controls, including those to prevent and mitigate cybersecurity risks, and (iii) ultimately contributing to high quality annual financial reports.

The following topics are addressed in the ECEP 2023 for IFRS financial statements:
- Climate and other environmental matters and the impact on financial statements
- Macroeconomic environment with a particular focus on the impact of interest rate rises and uncertainty in determining fair values

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

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

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

A – Accounting methods

Adjustment of published prior-year figures
The published figures of the consolidated statement of fianiclal psistion, the consolidated statement of cash flow and the corresponding detailed tables in Part C and Part E for 2022 have been adjusted to reflect the changed presentation of the liquidity surplus, which was reclassified from item "40. a) Financial assets at amortized cost/loans and advances to banks" to item "10. Cash reserve" in the amount of €12,689 million. Cash and cash equivalents at the beginning of the previous period were also adjusted. The reclassification is coherent with the representation in UniCredit Group financial reporting.

Going concern statement
Management has monitored the geopolitical tensions between the Russian Federation and Ukraine that also persisted during 2023 and the tension in the Middle East. Although some of the effects of the RU/UA conflict have been lessened somewhat compared to the previous years, the events continue to cease significant uncertainty in the macroeconomic outlook in terms of GDP, inflation rates and interest rates and the situation on the energy markets remains uncertain. Management has assessed these circumstances and concluded with reasonable certainty that Bank Austria will be able to operate profitably in the foreseeable future; therefore, in accordance with the provisions of IAS1, the consolidated financial statements for the year ended 31 December 2023 have been prepared on a going concern basis.

This is reinforced by the capital base of the Bank Austria Group with a regulatory Tier 1 capital ratio and total capital ratio of 19.3% and 23.3% respectively as at 31 December 2023 (previous year: 17.4% and 21.1% respectively) as well as a very good liquidity position on the part of UniCredit Bank Austria AG (LCR as at 31 December 2023: 155%, previous year: 164.4%).

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

The parameters used to estimate the above-mentioned figures in the balance sheet, income statement and the statement of comprehensive income could change rapidly in ways that are currently unforeseeable, not least due to the uncertainty of the market environment both in the short and medium-term outlook.

More details can be found in Part E – Risk report – Section E.2 – Credit risk.

Estimates and assumptions are regularly reviewed. Any changes resulting from these reviews are recognised in the period in which these reviews are carried out, provided that the change only concerns that period. If the revision concerns both current and future periods, it is recognised accordingly in both current and future periods.
Uncertainty affecting estimates is generally inherent in the measurement of:
- fair value of financial instruments not listed in active markets (A.7);
- loans and receivables, investments and financial assets/liabilities (C);
- post-employment benefit obligations and other employee benefits (A.6.7.1);
- provisions for risks and charges, contingent liabilities and obligations (A.6.7, C.20);
- other intangible assets (A.6.3, C.9);
- impairment of financial instruments (A.5.3.3);
- recoverability of deferred tax assets (C.10);
- recoverability of property, plant and equipment (A.6.2, C.8);
- impairment test of investments in not fully consolidated subsidiaries, associates and other companies (A.5.4).

The reason for this uncertainty, in particular also due to the effects of the persistent Russia/Ukraine war and the tensions in the Middle East, is the fact that the measurement of these items depends primarily on the development of economic, political and social conditions and the financial markets, which have an impact on interest rates, securities prices, actuarial assumptions and the creditworthiness of borrowers and counterparties. With regard to assessing credit risks, it must be noted that the estimate of IFRS 9 is based on forward-looking information and, in particular, on the development of macroeconomic scenarios that are used when calculating the risk provision. Further information can be found in part A – 5.3.3. Impairment of financial instruments and Part E – Risk report – Section E.2 – Credit risk.

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

A – Accounting methods

Deferred tax assets

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

As a result, with the aim of reflecting the above-mentioned degree of uncertainty, in accordance with the requirements of ESMA's public statement, a weighting of the future profit expectations (basis for the taxable results) - "base" scenarios and "alternative" scenarios - with a higher probability of the "base" scenario (therefore 60% vs. 40%) with the same weighting as in the 2022 financial year was applied in the valuation.

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

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

Valuation of the real estate portfolio

With regard to the valuation of non-financial assets, the valuation of the real estate portfolio should be emphasized. The fair value model (for assets held for investment purposes) and the revaluation model (for assets used in operations) are applied.
The fair value is determined by an external, independent, certified expert either by means of a "full on-site appraisal" or a "desktop appraisal" and re-estimated every six months.

With regard to investment properties, the entire portfolio is subject to a "full on-site appraisal" within three years and part of the portfolio is subject to an annual appraisal, while "desktop appraisals" are carried out every six months for the remaining properties.

In the event that the difference between the fair value resulting from the "desktop appraisals" and the fair value resulting from the last "full on-site appraisal" exceeds 10%, the property is subject to a new full on-site appraisal, even if 3 years have not yet passed.

As in the previous year, the fair value of these assets as at December 31, 2023 was determined by external experts. In this context, it should be noted that the fair value of these assets could deviate from the fair value determined as at December 31, 2023 in the coming financial years due to possible developments on the real estate market.

In 2023, a negative effect before taxes of €-3.7 million (previous year: €5.0 million) was recognized as detailed below:

- an increase in specific valuation reserve in the amount of €7.5 million (previous year: €5.8 million) was realized for properties used in the business (posted in item "90. Property, plant and equipment"). In addition to the increase, losses of €-3.5 million (previous year: €-0.5 million) were recognized in the income statement;
- a negative effect of €-7.7 million (previous year: €-0.3 million) was recognized in the income statement for investment property (posted under "90. Property, plant and equipment").

A – Accounting methods

A.3 – Consolidation principles

This section outlines the consolidation criteria and principles used to prepare the consolidated financial statements on 31 December 2023.

Consolidated Accounts

The information in the consolidated financial statements includes the parent company, UniCredit Bank Austria AG and its subsidiaries, joint ventures and associates as at 31 December 2023.

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

Subsidiaries

Subsidiaries are entities which the parent company controls in accordance with IFRS 10.
Control means that another company (parent company)
- may exercise power of disposal over investees, and
- is exposed to the risk of fluctuating returns, and
- has the ability to make use of the power of disposal in such a way that it affects the level of return of the investee.

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

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

Subsidiaries may also include any "structured entity" in which the voting rights are not significant for establishing control, including special purpose entities and investment funds.

In the case of structured entities, the existence of control is ascertained considering both the contractual rights that enable governance of the relevant activities (or those that contribute most to the results) and the Bank's exposure to the variability of returns deriving from these activities

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

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

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

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

A – Accounting methods

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

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

Associates
These are entities over which an investor has significant influence and which are not subsidiaries or joint ventures.

It is presumed that:
- the investor has significant influence if the investor holds, directly or indirectly, at least 20 per cent of the voting power of an investee;
- is able to exercise significant influence through:
  - representation on the board of directors or equivalent governing body of the investee;
  - participation in policy-making process, including participation in decisions about dividends or other distributions;
  - material transactions between the investor and the investee.
  - interchange of managerial personnel;
  - provision of important technical information.

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

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

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

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

A – Accounting methods

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

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

A.4.1 – Application of amended financial reporting standards and accounting methods

Interbank Offered Rates (IBORs) transition

Following the concerns raised about the integrity and reliability of major financial market benchmarks the Financial Stability Board (FSB) started in 2013 a comprehensive reference rates reform with the end goal of a successful transition to robust benchmarks, including the transition away from LIBOR.

European working group on euro risk-free rates (the Working Group) was initially established in 2018 by the ECB together with the Belgian Financial Services and Markets Authority (FSMA), the European Securities and Markets Authority (ESMA) and the European Commission to identify and recommend risk-free rates that could serve as an alternative to prevailing EUR interest rate benchmarks while other international working groups and bodies (e.g., International Swaps and Derivatives Association - *ISDA*; ICE Benchmark Administration - *IBA*; London Clearing House - LCH) issued recommendations, focused on LIBOR discontinuation for relevant financial instruments to be considered while envisaging market practice to handle transitioning.
The EU Benchmark Regulation was amended to allow the European Commission to provide for statutory replacement rates, while the other involved international market authorities (e.g., Financial Conduct Authority and Bank of England in the UK, New York State Department of Financial Services in the US) defined amendments to the applicable laws to support a smooth transition.
The European Commission adopted an Implementing Act of the BMR in October 2021; the Implementing Act provided legal ground for an EU Statutory Replacement Rate for legacy contracts indexed to CHF LIBOR and EONIA that had not yet been repapered or did not contain adequate fallback rates.
Such a replacement rate operating by law in Europe brought further stability in the market and reduced the conduct risk associated with the outstanding stock of assets, liabilities and derivatives transformed or transitioned or yet to be transformed or transitioned.

The end of June 2023 marked the final major milestone in the LIBOR transition, managed by *ICE Benchmarking Administration* according to the *Financial Conduct Authorities* recommendations, with the end of the remaining USD LIBOR panelist. After June 2023 only three of the US dollar LIBOR settings (1,3,6 months) and one GBP sterling LIBOR setting (3 month) continue in a synthetic form. The US dollar LIBOR settings are intended to cease at end of September 2024 while the GBP sterling LIBOR setting (will cease) at end of March 2024.

UniCredit Bank Austria successfully completed in year 2023 the transition away from IBOR's to reference risk-free rates.

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

IFRS 17 Insurance contracts
Starting from 1 January 2023, the accounting standard IFRS 17 "Insurance contracts", which entered into force superseding IFRS 4, aims at providing guidance on the accounting of insurance contracts. The core principle of the new standard is that insurance contracts shall be measured as the sum of (i) fulfilment cash flows, and (ii) Contract Service Margin.

The fulfilment cash flows are composed by: (i) the present value of future cash flows (which includes all cash flows related to contract fulfilment); and (ii) the risk adjustment, which is the adjustment that the company requires to bear non-financial risks. The Contract Service Margin represents unearned profit that relates to the future service to be provided, that is measured to recognise no gains at inception (i.e., profits are recognised in the Income statement as long as services are provided, while losses are immediately recognised).

A – Accounting methods

The measurement of insurance contracts - in accordance with the guidance summarised above - shall occur at inception and at each reporting period, to grant consistency with current market conditions.
In addition, the new standard envisages the identification of portfolio of insurance contracts (i.e., cluster of insurance contracts having similar risk and managed together); such portfolios are then broken down into groups considering differences in the expected profitability of the contracts. This differentiation leads to recognise: (i) profitable contracts, whose profitability is recognised over the life of the contracts, and (ii) onerous contracts for which the loss is immediately recognised.

Bank Austria is not affected by the introduction of IFRS 17, since the Subgroup (i) did not hold significant influence in bancassurance companies, (ii) did not have insurance contracts in place.

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 amendment.

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, 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. The amendments have no effect on Bank Austria.

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 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.

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 taxes 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 global 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 Minimum Taxation Act (*Mindestbesteuerungsgesetz*, MinBestG BGBl. I No. 187/2023), which came into force at the end of December 2023, transposed the EU Directive (ABl L 328) on Pillar II into Austrian law. As part of a group that generates annual sales of more than €750 million, the Minimum Tax Act applies in Austria.

A – Accounting methods

The Pillar Two regulations are based on a global OECD guideline on minimum taxation and are intended to ensure that the multinational group concerned pays a minimum effective tax rate of 15% on the income generated in each country in which it operates.
For most of the EU countries, this Directive is expected to enter into force as of 2024. Certain non-EU Member States in which UniCredit Group operates, have announced that they will implement the Pillar Two rules as of 2024 (e.g. United Kingdom) while other jurisdictions have not yet communicated if and when they will implement such set of rules.

The Pillar Two rules provide that, if in certain jurisdictions where the UniCredit Group and the UniCredit Bank Austria Subgroup operates the effective tax rate (given by the ratio between adjusted accounting results and adjusted corporate income taxes paid in that jurisdiction) falls below 15%, then the UniCredit Group will be required to pay an additional tax (so-called top-up tax) to reach the 15% tax rate threshold.

The Pillar Two rules also provide for a transition period in which the in-scope multinational groups may avoid undergoing the complex effective tax rate calculation required by the new piece of legislation. In particular, the Pillar Two legislation provides for a transitional safe harbor (“TSH”) that applies for the first three fiscal years following the entry into force of the relevant regulation; the TSH relies on simplified calculations (mainly based on data extracted from the Country-by-Country Reporting and three kinds of alternative tests. Where at least one of the TSH tests is met for a jurisdiction, the top-up tax due for such jurisdiction will be deemed to be zero.

A test is met for a jurisdiction where:
- revenue and profit before tax are below, respectively, €10 million and €1 million (the de minimis test)
- the ETR equals or exceeds an agreed rate (the ETR test), or
- the profit before tax does not exceed an amount calculated as a percentage of tangible assets and payroll expense (the routine profits test).

Even if for the financial year 2023 the Pillar Two rules have not entered into force yet, the UniCredit Group has performed an assessment to determine its potential risk of a possible top-up tax being levied from a Group perspective.
This assessment is based on the most recent information available regarding the financial performance of the constituent entities in the UniCredit Group, being the 2022 Country by Country Reporting and 2022 financial statements data.
Based on the assessment performed, the requirements for TSH relief are met for most countries in which UniCredit Group operated (including Austria).
For those jurisdictions that are not expected to meet the requirements UniCredit Group has calculated the potential additional tax burden.
The above-mentioned Group analysis has to be considered as an estimate exposure given that, it was based on the 2022 data – and differences in revenues, costs, local tax regimes etc. may affect the estimates; furthermore, the estimated calculation is based on complex regulations that have only recently been enacted with limited guidelines and not all the relevant data required to perform the full Pillar Two calculation was available.

In Austria, minimum tax report will have to be prepared for the first time for the 2024 financial year, by June 30, 2026, at the latest. As the Minimum Tax Act was not yet applicable as at December 31, 2023, there was no impact on the actual tax expense for the 2023 financial year. The future potential impact in Austria of the Minimum Tax Act and the risk of additional taxes being incurred are currently still being evaluated.

In accordance with Section 198 Paragraph 10 Sentence 3 Z 4 UGB (local GAAP), no deferred taxes arising from the application of the MinBestG or a comparable foreign law were recognized.

A – Accounting methods

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

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 EU endorsement was granted on 20 November 2023.

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 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 EU endorsement was granted on 19 December 2023.The application of the amendments is expected to be mandatory from 1 January 2024. The above changes have no material impact on Bank Austria.

As of 20 December 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 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 EFRAG-endorsement advice was given on 4 October 2023, the endorsement date still has to be determined.
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.

Amendments on IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability

On 15 August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability.

The amendments clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

The amendments apply to annual reporting periods beginning on or after 1 January 2025 and can be applied earlier.
Bank Austria does not expect any material impact from these changes.

A – Accounting methods

A.5 – Significant accounting policies

A.5.1 – Business combinations

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

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

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

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

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

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

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

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

A.5.2 – Foreign currency transactions

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

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

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

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

A – Accounting methods

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

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

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

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

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

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

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

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

Exchange rates used for foreign currency translation*)

(Exchange rate in currency/€)

		2023		2022		CHANGE IN %	
		AVERAGE	END OF REPORT-ING PERIOD	AVERAGE	END OF REPORT-ING PERIOD	AVERAGE	END OF REPORT-ING PERIOD
US Dollar	USD	1.0813	1.1050	1.0531	1.0666	2.68%	3.60%
British Pound	GBP	0.8698	0.8691	0.8528	0.8869	2.00%	-2.02%
Japanese Yen	JPY	151.9900	156.3300	138.0270	140.6600	10.12%	11.14%
Swiss Franc	CHF	0.9718	0.9260	1.0047	0.9847	-3.28%	-5.96%

*) The main exchange rates are listed.

A – Accounting methods

A.5.3 – Financial instruments

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

Initial recognition and measurement

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

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

Classification and subsequent assessment of financial assets

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

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

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

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

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

A – Accounting methods

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

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

ESG instruments

Certain debt instruments (e.g. loans and bonds) may contain ESG (Environmental, Social, Governance) linked features according to which the spread paid by the customer may:
- increase in case certain ESG KPI defined by the contract are not met; and/or
- decrease in case certain ESG KPI defined by the contract are met

These instruments have started to be originated after the entry into force of IFRS 9 whose guidance, developed between 2008 and 2017, does not take into account the specific features of these instruments.

Therefore a specific accounting policy is applied in order to establish when these instruments may be considered SPPI compliant in light of the general principles dictated by IFRS9.

It is worth noting that the Group policy applies to debt instruments having the following features:
- contractual provisions clearly establish that the spread charged to the borrower may change in response to meeting ESG KPI;
- ESG KPI to be met shall be clearly identified by the contract; such ESG KPI shall be non financial variables specific to the borrower and typically aimed at (i) reducing the environmental impact of the borrower, (ii) increasing the social value of the borrower vis a vis its community (iii) foster diversity in the governance of the borrower.

These debt instruments are SPPI compliant provided that one of the following conditions are met:
- it can be documented by the Business that the compliance with the ESG features reduces the credit risk of the customer so to justify the change in spread;
- decrease (or increase) in spread arising from compliance (or not compliance) with the ESG features are de minimis.

With reference to the first condition (credit risk) it shall be demonstrated that the credit risk parameters used for Expected Credit Loss calculation (Probability of Default, Loss Given Default) are higher in case the borrower will not comply with the ESG features and are lower in case of compliance. In addition to the above, it shall also be demonstrated that the increase/decrease in spread arising from non compliance/compliance with ESG linked features are also commensurate with the reduction in credit spread.
With reference to the second condition (de minimis), an increase (decrease) in spread arising from non compliance (compliance) with a ESG linked feature is considered "de minimis" thus allowing the credit exposure to pass the SPPI test provided that the change in such a spread is immaterial according to some internally defined thresholds.

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

A – Accounting methods

A financial asset must be derecognised when the contractual rights to the cash flows from the financial asset expire or the contractual rights to receive the cash flows of the financial asset are transferred to a non-Group counterparty. Rights to cash flow are considered to be transferred even if contractual rights to receive the asset's cash flow are retained but there is an obligation to pay this cash flow to one or more entities and all the following conditions are fulfilled (pass-through agreement):

- The Group is obliged to transfer all cash flows received in the future, and may not invest them, except for liquidity invested for the short period between the date of receipt and that of payment, provided that the interest accrued in that period is also paid.
- there is no obligation on the Group to pay amounts not received from the original asset;
- sale or pledge of the original asset is not allowed, unless it secures the obligation to pay cash flow;

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

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

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

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

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

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

A.5.3.2 – Categories of financial instruments

Financial assets valued at amortised cost

A financial asset is assessed at amortised cost, if:

- it is held to collect contractual cash flows ("hold" business model)
- and its cash flows exclusively consist of interest payments and repayments (SPPI conformity).

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

A – Accounting methods

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

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

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

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

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

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

Financial assets at fair value through profit or loss

a) Financial assets held for trading

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

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

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

A – Accounting methods

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

An embedded derivative is considered a component of a structured contract that also included a non-derivative host contract. As a result, part of the cash flows of the compound financial instrument are subject to fluctuations similar to those of a free-standing derivative. If the basic contract falls within the shape of a financial asset in the area of application of IFRS 9, then the entire contract must be measured in this way.
The conditions for the separation from the basic contract must be implemented if:
- the economic characteristics and risks of the embedded derivative are not closely related to those of the basic contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;
- the hybrid (combined) instrument is not measured entirely at fair value through profit or loss.

In Bank Austria, the bifurcated structure separated from a liability is hedged 1:1 by a respective derivative. The valuation gain or loss of this hedging derivative is shown in net trading income in the same way as the valuation gain or loss of the separated derivative, which has a neutralizing effect in the income statement. There is no accounting mismatch, so neither the embedded derivative nor the hedging derivative is part of hedge accounting.
Derivatives embedded in financial liabilities, and embedded derivatives whose basic contracts (leasing or insurance contracts) are not subject to the regulations of IFRS 9 are to be separated, unchanged, from the basic contract.
If an embedded derivative is spun-off, the basic contract must be treated according to the IFRS provisions, and the derivative must initially be assessed at fair value. As a result, changes to the fair value are recognised in the profit and loss account for the period.

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

Financial assets that are required to be recognised at fair value through profit or loss under the fair value option are accounted for in the same way as instruments in the category "Financial assets held for trading". Realised or unrealised gains and losses are reported under item “110. Net gains (losses) on other financial assets/liabilitites fair value through profit or loss: a) financial assets/liabilities designated at fair value through profit or loss”; these items also include changes in the fair value of “financial liabilities measured at fair value through profit and loss” associated with the Company’s own credit risk if such classification causes or increases an income statement mismatch in accordance with IFRS 9.

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

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

A – Accounting methods

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

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

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

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

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

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

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

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

Financial liabilities in the category “*held for trading*” are measured at fair value through profit or loss both on initial recognition and subsequent measurement.

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

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

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

A – Accounting methods

A.5.3.3 – Impairment of financial instruments
Bank Austria has implemented internal guidelines for the recording, administration and valuation of loans, which govern both value adjustments and write-offs or partial write-offs of loans.
The impairment model for showing *expected credit losses (ECL)* is to be applied to all debt instruments that are shown at either “amortised cost” or “at fair value through other comprehensive income, in equity”, and also to off-balance-sheet instruments such as guarantees and lending commitments.

Depending on the change in credit risk between the time of the initial recognition and the current credit risk on the valuation date, these instruments are categorised either in Stage 1, Stage 2 or Stage 3:
- Stage 1 includes (i) newly originated or purchased credit exposures, (ii) exposures whose credit risk has not deteriorated significantly since initial recognition, (iii) exposures with low credit risk (low credit risk exemption)
- Stage 2 includes instruments for which a significant increase in risk has been identified since the initial recognition, but in which there have been no failures yet, and are therefore classified as "performing", as well as instruments without a PD at the time of access.
- Stage 3 includes impaired credit exposures.

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

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

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

Impairment losses for Stage 1 and 2 (Performing Loans)
For Stage 1 instruments, a credit loss equal to the expected 12-month credit loss (“*1-year ECL*”) is recognised. For Stage 2 and 3 instruments, on the other hand, a credit loss amounting to the lifetime credit loss expected (“*lifetime ECL*”) is recognised. The credit risk parameters used are generally based on the regulatory IRB models, and are adapted in relation to IFRS 9-specific requirements (e.g. consideration of future-oriented macroeconomic information).

The stage transfer criteria (between Stage 1 and Stage 2) form a central component of the impairment regulations and determine when a significant increase in credit risk (“SICR”) has occurred since initial recognition. These include both relative and absolute criteria. The significant criteria for a transfer from Stage 1 to Stage 2 include:
- **Quantitative transfer criteria**: A transaction-based relative comparison between probability of default (PD) at the reporting date and that at initial recognition using internal models. The threshold values are defined using a complex statistical procedure that takes into account the probability of default, the age and residual term of the loan and the historical default behaviour of the segment in question. Each month, the probability of default as at the observation date is compared with the probability of default at the start of business. The comparison is based on the PD profile for the entire term of the transactions. The limit from which deterioration is considered significant is determined for each individual transaction, using a function which shows the highest PD at the time of the initial recognition. The higher the PD is at the start of business, the lower the relative tolerated deterioration is, which leads to a shift into Stage 2. The functions are determined for various sub-portfolios and are calibrated differently. This calibration is based on the long-term rate of default, including the forbearance portfolio share and items where payment is delayed by at least 30 days. The quantitative calibration of the stage transfer criteria is designed to ensure that a corresponding share of the sub-portfolio will be classified as Stage 2 for average economic situations. This share may increase or decrease, depending on the relevant economy. Transactions for which the probability of default has at least tripled (PD over the entire residual term) are classified as Stage 2 regardless of the function described above, as are transactions with a probability of default of 20% or more (IRB PD). Conversely, all transactions with a PD below 30 basis points (12-month PD) are classified as Stage 1.
- **Qualitative criteria**: All quantitative criteria are supplemented by a number of qualitative criteria, any one of which will lead to a Stage 2 classification: “30-day arrears”, “forbearance” and certain watch list cases.
- **Level upgrade**: If the PD of the transaction has improved sufficiently again by the next reporting date and no qualitative Stage 2 criteria apply, it is transferred back to Stage 1. However, a shift from Stage 2 to Stage 1 may only be made if the transaction would consistently have been assigned to Stage 1 on the previous three-monthly reporting dates.

A – Accounting methods

- **Special portfolios in Stage 2**: Foreign currency loans in the retail banking segment, taking into account the inherent risks since initial recognition in Stage 2. Since Q1 2022, transactions with risk- or domicile countries that include Russia, Ukraine or Belarus have been allocated to Stage 2 transactions.
- **Portfolios in Stage 1**: Internal transactions within the UniCredit Group are in Stage 1 unless individually assigned to Stage 2 at the transaction level.
- **Special treatment of final transactions**: For Stage-2 transactions, IFRS 9 PD is not accumulated over the remaining term as of the reporting date, but over the total term of the transaction. This special feature means that a significantly higher PD is used in the ECL calculation for Stage-2 transactions with final maturity than, for example, for loans that are continuously being paid out. At the same time, the use of this higher PD also causes some transactions to be assigned to Stage 2.

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

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

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

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

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

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

Write-offs of non-performing loans

With regard to IFRS 9, non-performing loan portfolios are analysed, and the following characteristics regarding depreciation events are identified:
- No factual expectation regarding the recovery due to the high credit age and the economic/legal situation.
- Lack of recoverability due to insolvency proceedings, legal action/execution.
- Significant difficulties in the recovery of a guarantee due to the economic/legal framework.

Credit exposures that can no longer be viewed as recoverable are written off by reducing the gross carrying amount of the receivable. If only a determinable share of the current credit exposure is seen as being realisable, the non-recoverable residual amount is written off. The modalities of the writedowns to be made are specified in detail in the internal policy for individual portfolios. A one-off writedown constitutes a derecognition and can therefore no longer be written back. In addition to the time and amount of the write-off, the related process, the competency limits for the amounts, the monitoring and the reporting are regulated in the internal guidelines, among other things. Full or partial depreciation does not represent a loss of legal title to the recoverability of the credit. If the legal claim is forfeited externally, derecognition takes place, which can no longer be written up, but is posted as "subsequent receipts" in the item "30. Value adjustments".

A – Accounting methods

In summary, write-offs take place if a financial asset cannot reasonably be assessed to be fully or partially realizable (IFRS 9, 5.4.4).

Purchased or originated credit-impaired financial assets ("POCIs")

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

Definition of parameters and risks

Specific methods have been developed at Bank Austria to determine expected credit losses. The methods are mainly based on the input parameters PD, LGD, EAD and the effective interest rate:

- PD (Probability of Default): Likelihood of a loan default during a defined period, e.g. 1 year
- LGD (loss given default): Loss ratio of the outstanding credit amount in the event of a loan default
- EAD (exposure at default): Estimate of the credit amount at the time of the loan default
- The effective interest rate is the discount rate that reflects the fair value of the money.

Credit risk parameters are calibrated for regulatory purposes (RWA, EL) over a horizon encompassing the entire cycle ("*through the cycle, TTC*"). It is therefore necessary that these parameters for IFRS 9 purposes be calibrated in a point-in-time and *forward-looking* manner, so they reflect the current situation and the expectations of future economic performance. Consequently, the values used for regulatory purposes for PD, LGD and EAD are adjusted, in order to take the requirements of IFRS 9 into consideration. The major adjustments include:

- an elimination of regulatory conservative factors,
- a "point in time" calibration instead of the regulatory "*through the cycle*" adaptation,
- the consideration of forward-looking, macroeconomic information and
- the modelling of credit risk parameters over the life of the instrument (multi-year perspective).

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

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

The acceptance procedure by the bank supervisory authority is followed by changes to the implementation of regulatory IRB models. This can result in an interim phase where the essential effects of planned IRB model changes can already be estimated; however, the calculation of the equity requirement cannot be used until after approval by the authority (see also E2 – Current status of the application of the internal ratings-based approaches). For IFRS 9 purposes, effects such as these are anticipated in any case if the interim phase goes beyond a balance sheet date and if the changes significantly affect the calculation of the ECL. This essentially applies to changes in the average level of credit risk parameters resulting from IRB model recalibrations. It involves anticipating the expected changes to the IRB models for IFRS 9 purposes by way of an approximation (see also E.2. – Assessment of potential loss due to the current environment).

Special features of the group of foreign currency loans

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

New business of this kind has not been recorded since 2008, and old business has long maturities, as is customary for mortgage-backed transactions. The allocation to Stage 2 is based on the long-term exchange rate development of the Swiss Franc (which led to increased EADs compared with the time the loan was issued) and as a result of the development of repayment vehicles frequently remaining considerably below original expectations.

A – Accounting methods

As a result of the special significance of the currency development for this portfolio, in addition to the forward-looking information described below that is applied to the remaining portfolios, the following factors are considered:
- A scenario-weighted adjustment of the lifetime EAD is made, based inter alia on the long-term exchange rate development of the Swiss franc and continuously adjusted.
- Certain components of the regulatory PD models are adapted to the PD curve criteria used for IFRS 9. Because the majority of the foreign currency loans are paid off at maturity, the probability of default is not reduced according to the residual term, but is instead based on the total term.

Consideration of forward-looking information

Macroeconomic forecast are considered in the determination of expected credit losses. The application of a multiple scenario consideration of forward-looking components considers the partly non-linear nature in the correlation between the macroeconomic changes and the credit risk. For Stages 1 and 2, the multiple scenarios are considered by estimating the impact of specific factors on the ECL ("*overlay factor*"). The same scenarios are taken into account when calibrating the loss rates for the portfolio-based specific provisioning methods. A basic scenario and a negative scenario are used starting 4Q22 (see also Section E – "Consideration of baseline and alternative scenarios").

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

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

Governance

The methodical framework conditions to determine the expected credit losses in accordance with IFRS 9 was developed based on Group-wide models, regulations and standards. The main models are validated by independent internal validation during initial use or on an ongoing basis.

Internal processes ensure that the regulations from IFRS 9 are used correctly: This relates in particular to the process for determining the expected credit losses and the associated technical accounting representation of the credit risk provisions. Adaptations are simulated accordingly and subjected to a plausibility check in terms of their respective effects. The results are presented in detail as appropriate and submitted to the FCRC (*Financial and Credit Risks Committee*) for approval. Significant model changes and scenario assumptions are highlighted here and require the explicit approval of the FCRC, with the corresponding protocols also presented to the Management Board. Further comments regarding IRB changes and adjustments in relation to the current macroenvironment are mentioned in section E2 (Credit risk).

Contractual modifications

Changes in existing financial instruments which determine a modification of contractual conditions might be the result of either:
- commercial initiatives, which may be specific for each customer or applied to portfolio of customers also as a result of dedicated initiatives sponsored by public authorities or banking associations;
- concessions granted in light of debtor's financial difficulties (Forbearance).

As part of renegotiations of loans and receivables, contractual cash flow is changed, meaning that an assessment regarding the significance of the change is necessary.
In the case of a non-significant change in the contractual cash flow, an adjustment will be made to the gross carrying amount of the instrument based on a cash consideration of the new contractual cash flow, discounted with the original effective interest rate. The difference between the old gross carrying amount and the new gross carrying amount is recognised in profit or loss as a modification gain or loss under the item "140. Income/expense from contract modifications (without derecognition)".

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

A – Accounting methods

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

Factoring

Loans acquired in the context of factoring transactions with recourse are recorded in the amount of advances granted to customers in return for their consideration. Loans acquired without recourse are recorded as such once it has been established that there are no contractual clauses that preclude the transfer of all risks and benefits to the factor.

Guarantees and credit derivatives in the same class

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

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

Lease agreements

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

- buildings,
- other.

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

- short-term lease agreements with a term of less than 12 months and
- lease agreements relating to low-value assets.

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

Lease payments must be discounted at the interest rate implicit in the contract or, if this is not available, at the incremental borrowing rate. When calculating this interest rate, it is essentially assumed that the lessee takes out a senior secured loan with the same term as the lease agreement in order to acquire the assets underlying the agreement itself. The resulting interest rate is adjusted if necessary to take into account the special features of the lease.
With regard to the subleases, it should be noted that these contracts generated interest income of €0.2 million (previous year: €0.2 million) during the year if they were classified as finance leases and other operating income of €3.3 million (previous year: €0.4 million) if they were classified as operating leases.

Finance leases

In the case of finance leases, all risks and opportunities associated with the property shall transfer to the lessee. Recognition in the lessor's accounts is as follows:

- Statement of Financial Position: Value of the receivable, less the lease payments already collected
- in profit or loss: interest received.

A – Accounting methods

Operating leasing

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

The accounting of finance leases and operating leasing agreements with the lessee has been carried out since 1 January 2019 in accordance with IFRS 16.
The lessee records an asset that represents the right of use of the underlying asset and, at the same time, a liability for the future payments required in the lease agreement.

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

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

Hedge accounting

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

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

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

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

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

Derivatives may only be designated as hedging instruments when identifiable with an ultimate counterparty outside the Group.

A – Accounting methods

Hedging derivatives are measured at fair value. Specifically:

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

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

A – Accounting methods

In 2023, the USD sight deposit model book was dissolved due to a sharp reduction in sight deposits in USD and the hedging relationships were terminated. The basis adjustment on termination amounted to €28 million. Due to the disposal of underlying transactions, €-5.5 million was derecognized in the item "20. Interest and similar expenses". From the deferral of the basis adjustment over the average remaining term of the hedging derivatives, €-0.8 million was derecognized in 2023 under "20. Interest and similar expenses".

Equity investments

The principles governing the recognition and measurement of equity investments under IFRS 10 and IFRS 11 are given in detail in Part A.3 – Consolidation principles.

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

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

Repo transactions and securities lending

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

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

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

Liabilities, debt securities in issue and subordinated loans

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

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

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

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

A – Accounting methods

Debt securities in issue are shown net of repurchased amounts. Any difference between the carrying value of the liability and the amount paid to repurchase it is recognised in the Group's profit and loss accounts under the item "Gains and losses on the disposal of financial liabilities".

Loan securitisations
Loans and receivables also include loans securitized.

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

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

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

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

The impairment test of investments in subsidiaries and associates was based on a discounted cash flow valuation model (3-phase model):

- **Phase 1 planning period** (2024 to 2026; different in individual cases):
  For 2023, annual net profit and, in the case of valuations of banks, risk-weighted assets were used according to forecast figures for 2023, while for the following years, values according to the currently available multi-year plan, which usually extends to 2026, were used. Any planning data available for subsequent years beyond this was used.
- **Phase 2** (from end of planning period until 2031):
  Within this phase, the growth rate converges on the anticipated sustainable long-term economic growth of the euro area of 2% (unchanged from the previous year).
- **Phase 3 – Perpetual annuity**:
  Calculation of the present value of a perpetual annuity on the assumption of a long-term growth rate of 2%, which takes into account the sustained long-term economic growth expected by Bank Austria for the euro area (unchanged from the previous year).

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

Bank Austria holds stakes in three Austrian regional banks (Oberbank, BKS Bank AG (BKS), Bank für Tirol und Vorarlberg (BTV), known collectively as the "3-Banken Group"), which are recognised "at equity" in the annual consolidated statements of Bank Austria. In the consolidated income statement, the Group's share of the profit and loss of associates is reported in the item "Profit (loss) on equity investments" and clarified in detail in Section B.16 – Profit (loss) on equity investments. Shares in associates are reported in the consolidated balance sheet under "Investments in associates and joint ventures", and the corresponding details are provided in Section C.7 – Investments in associates and joint ventures. In accordance with IAS 36, it was established as at 31 December 2023 whether there was any indication from either external or internal information sources that the investments could be impaired. A check was also done to determine whether there is any indication that an impairment that has been recognised in an earlier period no longer exists or may have decreased. If such an indication was identified, an impairment test was carried out in accordance with IAS 36.

A – Accounting methods

As at 31 December 2023, there was an evaluation of the indications for an impairment or the reversal of an impairment recognised in previous periods for the three Austrian regional banks, in which the carrying amount was compared with the fair value (less costs to sell). Where the fair value (less costs to sell) was less than the carrying amount or, in the case of a previously existing impairment, where the fair value (less costs to sell) was greater than the carrying amount, the value in use (ViU) was calculated using a discounted cash flow (DCF) model based on the multi-year plans (MYPs) provided by the companies.

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

- **"Baseline scenario":**
  The value in use was calculated on the basis of the information from the multi-year plans provided by Oberbank, BTV and BKS. The planning period extends to 2026.
- **"Adverse scenario":**
  The adverse scenario differs from the basic scenario by adjusting the expected cash flows in Phase 2 to the long-term average level of the three investments, supported by the level of the selected peer group.

The basic scenario and adverse scenario were each weighted with a probability of occurrence of 50% (unchanged compared to the previous year).

As the fair value of BKS was below the value in use at the valuation date, the value in use was used for the measurement; for BTV, the fair value was above the value in use and was used for the measurement.

3-Banken - Impairment Test

(€ million)

LEGAL ENTITY	SHARE	CARRYING VALUE BEFORE CHANGE OF VALUE [1]	CARRYING VALUE AFTER CHANGE OF VALUE [1] [2]	PROPORTIONAL MARKET CAPITALIZATION [2]
Oberbank	27.2%	1,064.2	1,064.2	1,235.8
BTV	47.4%	811.5	809.2	809.2
BKS	29.8%	399.5	496.8	222.4

[1] Values incl. 2023 share of earnings
[2] as of 31 December 2023

For 2023, the result of the impairment test for 3-Banken group, mainly due to the improved multi-year plans for calculating the value in use, led to an overall write-up of €97.2 million (previous year: total impairment of €107.9 million), of which €20.0 million for BTV (previous year: impairment of €85.6 million) and €77.2 million for BKS (previous year: impairment of €22.3 million), while, as in the previous year, no impairment was carried out for Oberbank. The applied cost of capital remained unchanged versus the previous year at 8.5%.

As the parameters and data used to test carrying amounts for impairment are significantly influenced by the overall economic environment and by market conditions, which may be subject to rapid unpredictable changes, the results of future impairment tests may differ from those which were used for the 2023 financial statements.

The value in use was used in the valuation of BKS as at December 31, 2023. A 5% shift in favor of the adverse scenario would reduce the value in use of BKS by €12.6 million (while a 5% shift in favor of the baseline scenario would increase the value in use of BKS by the same amount). Furthermore, an increase in the cost of capital rate by 0.5 percentage points would reduce the value in use of BKS by €28.6 million and a reduction in the cost of capital rate by 0.5 percentage points would increase the value in use of BKS by €32.9 million.

A – Accounting methods

A.6 – Information on other financial statement line items

A.6.1 – Cash and cash equivalents

The cash and cash equivalents reported in the cash flow statement comprise the cash reserve. The cash reserve includes the current accounts at banks and contains the liquidity surplus in excess of the minimum reserve held at the Austrian National Bank. For the reasons mentioned in "A.2 - Basis of preparation of the financial statements - Adjustment of published prior-year figures", this liquidity surplus was reclassified from item "40. a) Financial assets at amortized cost / Loans and advances to banks" to item "10. Cash reserve" in the 2023 financial year.

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

Item “90. Property, plant and equipment” includes:
- land,
- buildings,
- furniture and fixtures,
- plant and machinery,
- other machinery and equipment,

and is divided between
- assets used in the business and
- assets held as investment and
- inventories within the scope of application of IAS 2.

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

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

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

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

Assets held for investment purposes are land and buildings covered by IAS 40, i.e. properties held in order to derive rentals and/or a capital gain.

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

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

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

A – Accounting methods

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

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

With specific reference to investment properties, the entire portfolio is subject to "full/on-site appraisals" over 3 years. Every year part of the portfolio is thus subject to "full/on-site appraisal" while "Desktop appraisals" have to be performed on a semi-annual basis for the remaining ones.
In case the difference between the fair value resulting from the desktop appraisals and the fair value resulting from the last "full/onsite" valuation exceeds 10%, the real estate shall be subject to full/on-site appraisal even if 3 years did not pass yet.

As in the previous year, useful life continues to be assessed in Bank Austria as follows:
- buildings: max. 50 years
- moveable installations: max. 25 years
- electronic systems: max. 15 years
- other: maximum 10 years

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

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

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

A.6.3 – Intangible assets

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

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

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

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

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

A – Accounting methods

A.6.5 – Current and deferred taxes

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

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

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

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

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

The impact of the adopted change in the tax rate (from 2024: 23%) was calculated according to the expected future use of deferred tax assets and liabilities and was taken into account accordingly. This led to a reduction in deferred tax assets of €2 million in the reporting year.

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

An update of the multi-year plan “UniCredit Unlocked” for 2024 to 2026 was available to assess the usability of the tax losses carried forward as at 31 December 2023. For tax purposes, an update was carried out for subsequent years (10-year period) using the Monte Carlo simulation. Furthermore, the valuation was carried out taking into account appropriate valuation assumptions in connection with ongoing tax audits or years not yet finally assessed or annual declaration not yet prepared.

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 impact on the income tax treatment.

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

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

As at December 31, 2023, in accordance with Section 9 of the Austrian Corporate Income Tax Act (KStG), a group of companies consisted of UniCredit Bank Austria AG as the parent company and 135 (previous year: 139) exclusively domestic group members, of which 10 (previous year: 10) companies with profit and loss transfer agreements and 125 (previous year: 129) companies with tax allocation agreements.

A – Accounting methods

A.6.6 – Other assets

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

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

A.6.7.1 – Long-term former employee benefits

The provision for long-term employee benefits is calculated in accordance with the actuarial principles set out in IAS 19.

In the case of company pension benefits - i.e. benefits payable to employees after termination of employment - a distinction is made between defined contribution plans and defined benefit plans, depending on the economic content of the pension plans.

Under defined benefit plans, various benefits are granted depending on age, years of service and remuneration guidelines. Under such plans, the company bears the actuarial risk and the investment risk.

Under defined contribution plans, the company pays fixed contributions. The benefits result from the amount of contributions paid and the return on invested contributions. With such plans, the employer bears no actuarial risk or investment risk because it has no legal or implicit obligation to pay further contributions if the plan is insufficient to pay benefits to all employees.

In the case of defined benefit plans, the present value is determined by an external actuary using the projected unit credit method. This method spreads the cost of benefits evenly over the employee's years of service. The obligations correspond to the present value of the average future benefits pro rata to the ratio of years of service to the theoretical length of service at the time the benefit is paid.

The amount recognised in the item "Provisions for risks and charges – post-retirement benefit obligations" is the present value of the obligation at the balance sheet date. There are currently no plan assets in the Bank Austria Group. Pursuant to IAS 19, actuarial gains and losses are not recognised in profit or loss but in other comprehensive income. Such gains and losses are stated in the table “Other comprehensive income”.

As part of a defined benefit commitment, UniCredit Bank Austria AG bears the claims of employees who retired before the pension reform came into force on December 31, 1999 and - as a special feature of UniCredit Bank Austria AG's employment law - the claims equivalent to compulsory insurance of those pensioners for whom UniCredit Bank Austria AG is the pension insurance provider within the meaning of Section 5 ASVG (i.e. has assumed the obligations of statutory pension insurance) and who left the company due to retirement by December 31, 2016 at the latest.

The claims arising from the provisions for social capital that employees can assert have different durations. The following durations (weighted) were calculated as of 31 December 2023:
- Pensions: 10.94 years (previous year: 11.36 years)
- Severance: 7.38 years (previous year: 7.04 years)
- Anniversary bonus: 7.73 years (previous year: 6.54 years)

The present value of pension obligations and severance-payment obligations as well as anniversary bonuses is determined with due regard to internal service regulations, on the basis of the following actuarial assumptions:
- Discount rate: 3.55 p.a. (previous year: 3.80% p.a.)
  The interest rate was determined by the UniCredit Group on the basis of the DBO cash flows calculated by Mercer and using the UniCredit yield curve. The actuarial assumptions used to determine the obligations vary from plan to plan. The discount rate is determined according to the maturity of the liability by reference to market yields at the balance sheet date for a portfolio of "high quality corporate bonds" in order to reflect the economic correlation and to ensure the mutual consistency of the various valuation assumptions (i.e. inflation rate, salary and pension increase rates, plan assets). As at December 31, 2023, the weighted duration for pension, severance and jubilee benefit obligations was 10.7 years (previous year: 11 years).
- Salary increase: 3.04% (previous year: 3.43%), taking into account an average expected long-term inflation rate (corresponding to the average duration) of 2.67% (previous year: 3.01%)

A – Accounting methods

- Pension increase (BA – ASVG): 2.40% p.a. (previous year: 2.85% p.a.), calculated on the basis of the effective average real pension increases over the last 20 years, taking into account an average expected long-term inflation rate of 2.67% (previous year: 3.01%);
- Pension increase (other): 2.82% p.a. (previous year: 3.14% p.a.), calculated on the basis of the effective average real pension increases, taking into account a long-term expected inflation rate of 2.67% (previous year: 3.01%);
- No discount for staff turnover (like in the previous year);
- AVÖ-2018 P mortality tables for employees (Aktuarverein Österreich, generation tables for employees) (previous year: AVÖ-2018 P for employees).

A.6.7.1 Sensitivity analysis

(€ millions)

		EFFECT ON DEFINED BENEFIT OBLIGATION	
		31.12.2023	31.12.2022
Discount rate	-0.25%	76	79
	0.25%	(72)	(75)
Salary increase rate	-0.25%	(4)	(4)
	0.25%	4	4
Pension increase rate	-0.25%	(69)	(71)
	0.25%	72	75

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

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

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

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

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

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

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

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

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

A – Accounting methods

A.6.7.3 – Share-based payments
Share-based remuneration paid to employees or other service providers as consideration for goods or services received includes:
- stock options;
- performance-related shares (i.e. they are granted when certain targets are achieved);
- blocked shares (i.e. that are subject to a vesting period).

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

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

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

A.6.7.4 – Other long-term employee benefits
Long-term employee benefits – e.g. long-service bonuses, paid on reaching a predefined number of years’ service – are recognised in the item “Other liabilities” on the basis of the measurement at the balance sheet date of the liability, also in this case determined by an external actuary using the projected unit credit method (see section “Provisions for risks and charges – post-employment benefits”).

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

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

UniCredit Bank Austria AG originally used a total of €16.95 billion in central bank refinancing (of which €15.40 billion under the fourth tranche of TLTRO III in June 2020 and €1.55 billion under the seventh tranche of TLTRO III in March 2021). which each had a 3-year term. TLTRO III.4 in remaining size of €5.4 billion was repaid at maturity in June 2023.
As of 31 December 2023 UniCredit Bank Austria AG held €1.55 billion (previous year: €6.95bn) in TLTRO III.7 (due in March 2024).

TLTRO III.7 and TLTRO III.4 have a negative contribution to 2023 income statement in the amount of €-125 million interest recorded. In previous year the contribution to the 2022 income statement was positive in the amount of €123.7 million, which resulted from the following factors: (i) interest recorded from 1 January to 22 November 2022 in the amount of €68.5 million, (ii) interest costs of €-23.6 million for the period from 23 November to 31 December 2022, (iii) €+78.7 million from the derecognition of financial liabilities and the recording of final interest rates.

A.6.9 – Equity

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

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

In December 2021, UniCredit Bank Austria AG issued an additional Tier 1 capital instrument of €600 million in the form of a tier 1 issue (AT1 bonds). This was fully subscribed by the parent company UniCredit S.p.A.

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

A – Accounting methods

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

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

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

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

A.6.10 – Interest income and interest expenses

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

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

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

The ECB's gradual increase of benchmark interest rates from July 2022 ended the previous low interest rate situation. Once again, income was generated in interbank business and expenses were generated from financial liabilities. Likewise, negative interest accrued with large and institutional customers when a certain limit was exceeded has entirely levelled off.

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

Income from fees and commissions and other operating income is recognised in the income statement if the company has fulfilled the performance obligation included in the contract in accordance with the rules of "IFRS 15 - Revenue from Contracts with Customers".
Especially:
- if the performance obligation is fulfilled at a specific *point in time*, the relevant revenue is recorded in the income statement at the time of service provision;
- if the performance obligation is met over time, the relevant revenue is recorded in the income statement in order to reflect the progress of the fulfilment of this obligation.

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

A – Accounting methods

A.6.12 – Dividends

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

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

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

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

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

A.6.15 – Impairments

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

A.6.16 – Impairment/write-backs on property, plant and equipment and on intangible assets

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

A.6.17 – Profit (loss) on equity investments

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

A.6.18 – Gains and losses on disposal of investments

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

A – Accounting methods

A.7 – Information on fair value

A.7.1 – General overview

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).
The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

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

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

The Group may use valuation techniques, such as:
- a market approach (e.g., using quoted prices for similar assets, liabilities or equity instruments held by other parties as assets);
- cost approach (e.g., it reflects the amount that would be required currently to replace the service capacity of an asset, that is the current replacement cost);
- an income approach (e.g., a present value technique that takes into account the future cash flows that a market participant would expect to receive from holding the liability or equity instrument as an asset).

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

These methods use inputs based on prices set in recent transactions for the instrument being valued and/or prices/quotations for instruments having similar characteristics in terms of risk profile. Indeed, these prices/quotations are decisive for determining significant parameters in terms of the credit risk, liquidity risk and price risk of the instrument being valued. Reference to these "market" parameters makes it possible to limit the discretionary nature of the valuation, and ensures that the resulting fair value can be verified. If for one or more risk factors it is not possible to refer to market data, the valuation models employed use estimates based on historical data as inputs.

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

Independent price verification requires that the prices are verified at least monthly by Risk Management units that are independent from the units that assume the risk exposure. This verification calls for comparing and adjusting the daily price in line with valuations obtained from independent market participants. For instruments not quoted in active markets, the above verification process uses prices contributed by info providers as a reference and assigns a greater weighting to those prices that are considered representative of the instrument being valued. This valuation can include the feasibility of the transaction at the price observed, the number of contributors, the degree of similarity of the financial instruments, the consistency of prices from different sources, and the process followed by the info provider to obtain the information.

Fair value levels 2 and 3: valuation techniques and inputs used

Hereby we provide IFRS13 disclosure requirements about accounting portfolios measured at fair value on a recurring basis, not measured at fair value, or measured at fair value on a non-recurring basis.

A – Accounting methods

Assets and Liabilities measured at fair value on a recurring basis

Fixed income securities
Fixed income securities are priced in a two-tier process depending on the liquidity in the respective market. Liquid instruments in active markets are valued at their market price. Holdings of such instruments are therefore reported in Level 1 within the fair value hierarchy.
Instruments not traded in active markets are marked to model through discounted cash flows model whose inputs include implied credit spread curves. With this respect, depending on the proximity of the credit spread curve applied, the bonds are disclosed as Level 2 or Level 3 respectively. Under fair value accounting, fair value adjustments for liquidity and model deficiencies compensate for the lack of market observables for the Level 2 and Level 3 positions.

In the global bond IPV process market prices of liquid bonds as well as pricing models for illiquid bonds are regularly verified for accuracy.

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

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

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

Investment funds
The Bank Austria Group holds investments in certain investment funds that calculate the net asset value (NAV) per share, including mutual funds, private equity funds, and real estate funds. The company's investments include co-investments in funds that are managed by the company and investments in funds that are managed by third parties. In particular:
- Real estate funds are mapped to Level 1 when quoted prices are available on an active market; when this condition does not hold, real estate funds are disclosed as Level 3 and they are evaluated through an adequate credit adjustment of the NAV based on the specific features of each fund.
- Other funds including mutual funds, hedge funds and private equity funds, are usually assigned to Level 1 when a quoted price is available on an active market. Funds are disclosed as Level 2 or Level 3 depending on NAV availability, portfolio transparency and possible issues relating to position write-off; these funds are measured on the basis of internal analysis that consider further information, included those provided by management companies.

Loans
Fair Value of loans measured at fair value is determined using either quoted prices or discounted cash flows analysis. They are classified under Level 2 if implied credit spread curves, as well as any other parameters used for determining fair value, are observable on the market. In the case the spreads curves are not observable they are derived using an internal spread model that is based both on observable and unobservable inputs, in the case the impact of unobservable inputs is significant they are classified as Level 3. These include loans to corporates and household for which no indication of applicable credit spread is available and for which, therefore, fair value has been determined through internal credit risk parameters.

A – Accounting methods

Fair value adjustments
Fair value adjustment is defined as the amount to be added either to the market observed mid-price or to the theoretical price generated by a valuation model with the aim of obtaining a fair value of the position. Therefore, FVA are aimed at insuring that the fair value reflects the actual exit price of a certain position.

Below a list of adjustments:
- Credit/Debit Valuation Adjustment (“CVA/DVA”);
- Funding Cost and Benefit Value Adjustment (“FCA/FBA”);
- model risk;
- close-out costs;
- other adjustments.

Credit/Debit Valuation Adjustment (CVA/DVA)
Credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and UniCredit Bank Austria’s own credit quality respectively.
UniCredit Group’s CVA/DVA methodology is based on the following inputs:
- Positive and negative exposure profiles derived by simulation techniques. Simulated exposures also take into account Specific Wrong-Way Risk that arises from transactions where there is a correlation between counterparty credit risk and the underlying derivative risk factors;
- PD implied by current market default rates, obtained from Credit Default Swaps;
- LGD based on the estimated level of expected recovery should a counterparty default and implied by current market default rates, obtained from credit default swaps.

As at 31 December 2023, a CVA of €-29.5 million (31.12.2022: €-30.0 million) and a DVA of €26.6 million (31.12.2022: €52.4 million) were recognized for the derivatives business.

Funding Valuation Adjustment
Funding Valuation Adjustment (“FundVA”) is the sum of a Funding Cost Adjustment (“FCA”) and of a Funding Benefit Adjustment (“FBA”) that indeed account for the expected future funding costs/benefits for derivatives that are not fully collateralised. Most material contributors are in-themoney trades with uncollateralised counterparties.
UniCredit FundVA methodology is based on the following inputs:
- positive and negative exposure profiles derived leveraging on a risk-neutral spin-off of the counterparty credit risk internal model;
- PD term structure implied by current market default rates obtained from credit default swaps;
- a funding spread curve that is representative of the average funding spread of peer financial groups.

As at 31 December 2023 the Fair Value Adjustment component (FundVA) reflected into P&L amounts to €10,7 million positive (2022: €20,5 million).

Model risk
Financial models are used for the valuation of the financial instruments if direct market quotes are not deemed reliable. Model risk is represented by the possibility that a financial instrument’s evaluation is actually sensitive to the choice of model. It is possible to value the same financial instrument by using alternative models which could provide different results in terms of pricing. The model risk adjustments refer to the risk that the actual fair value of the instrument differs from the value produced by the model.

Close-out cost
It measures the implicit cost of closing a trading position. The position can be closed by a long position (or purchase in the case of a short position), or by entering into a new transaction (or several transactions) that offsets (hedges) the open position. The close-out costs are typically derived from the bid/ask spreads observed on the market. It accounts for the fact that a position is valued at mid but can only be closed at bid or ask. This adjustment is not needed when the position is marked at bid or ask and already represents an exit price. In addition, a close-out adjustment of the NAV is applied when there are some penalties relating to position write-off in an investment fund.

A – Accounting methods

Other adjustments
Other fair value adjustments, which are not included in the previous categories, could be taken into consideration to align the evaluation to the current exit price, also according to the level of liquidity of the market and valuation parameters, e.g., adjustment of equity prices whose quotation on the market are not representative of the effective exit price.

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis
Financial instrument not carried at fair value, for example retail loans and deposit and credit facilities extended to corporate clients, are not managed on a fair value basis. For these instruments fair value is calculated for disclosure purposes only and does not impact the balance sheet or the profit or loss. Additionally, since these instruments generally do not trade, there is significant management judgment required to determine their fair values as defined by IFRS13.

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

Financial assets at amortised cost
For securities, fair value is determined according to what reported in section “Assets and liabilities measured at fair value on a recurring basis - Fixed income securities”.
The fair value of loans and receivables with customers and banks measured at amortised cost is mainly determined using a risk-adjusted net present value approach.
Cash flows include capital repayments and interest payments and depend on contractual conditions and market conditions (i.e. interest rates). In addition, potential premature repayments for some customer segments are taken into account in the assessment.
The risk-free rate represents the amount of interest the market asks for investments with no risk for a specific maturity.
Credit Spread (CS) represents the excess return a market participant asks for a risky investment. The credit spread for non-quoted products, such as loans to non-banks, cannot be derived directly from observable market prices; the bank therefore estimates the credit spread based on counterpart/transaction-specific factors (i.e. recovery-rate assumptions, probability of default), taking into account observable market prices.

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

Description of the valuation techniques
Valuation techniques are used to value positions for which a market price is not directly observable from market sources. The Bank Austria Group uses well known valuation techniques to determine the fair value of financial and non-financial instruments that are not actively traded and quoted. The valuation techniques used for Level 2 and Level 3 assets and liabilities are described as follows.

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

Discounted cash flow
Discounted cash flow valuation techniques generally consist of developing an estimate of future cash flows that are expected to occur over the life of an instrument. The model requires the estimate of the cash flow and the application of market parameters for discounting: discount rate or discount margin reflects the credit and/or funding spreads required by the market for instruments with similar risk and liquidity profiles to produce a “discounted value”. The fair value of the contract is given by the sum of the present values of future cash flows.

Hazard rate model
The valuation of CDS instruments (Credit Default Swap) requires the knowledge of the entity’s survival probability at future dates. The estimate of this probability curve uses the standard model for survival probabilities and requires as parameters the credit default swap market quotes on standard future dates in addition to the risk-free curve and the expected recovery rate. The Hazard Rate is part of the described process, and it indicates the instantaneous probability of default at different future instants.

A – Accounting methods

Market approach
A valuation technique where the value is determined based on the prices generated by market or previous transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities.

Gordon Growth Model
A model used to determine the intrinsic value of a stock, based on a strip of future cash flows growing at a constant rate. Given a single cash flow and a hypothesis on constant growth through time, the model estimates the present value of future cash flows.

Dividend Discount Model
A model used to determine the value of a stock based on expectations on its future dividend flow. Given a series of forecasts on dividends payable in future exercises and a hypothesis on the subsequent annual growth of dividends at a constant rate, the model estimates the fair value of a stock as the sum of the current value of all future dividends

Adjusted Net Asset Value
NAV is the total value of a fund's assets less liabilities. An increase in NAV would result in an increase in a fair value measure.

Description of the inputs used to measure the fair value of items categorised in Level 2 and 3

Hereby a description of the main significant inputs used to measure the fair value of items categorised in Level 2 and 3 of the fair value hierarchy.

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

Differentiated are different macro-types of volatility:
- volatility of interest rate;
- inflation volatility;
- volatility of foreign exchange;
- volatility of equity stocks, equity or other indexes/prices**.**

Correlation
Correlation is a measure of the relationship between the movements of two variables. Therefore, changes in correlation levels can have a major impact, favourable or unfavourable, on the fair value of an instrument, depending on the type of correlation.

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

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

Interest rate curve
The calculation of the interest rate curve is based on standard bootstrapping techniques relying on the set of quotes of appropriate financial instruments, for each currency, which turns interest rates in zero-coupon. Less liquid currencies' interest curve refers to the rates in currencies for which a market liquidity in terms of tightness, depth and resiliency does not exist.

A – Accounting methods

Inflation swap rate
The determination of forward levels for inflation indexes is based on swap quote over inflation indexes. Swap over inflation may present a low liquidity level whether there is no liquid market in terms of rigidity, deepness and resistance.

Credit spreads
Credit spreads reflect the credit quality of the associated credit name. The credit spread of a particular security is reported in relation to the yield on a benchmark security or reference rate and is generally expressed in terms of basis points.

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

Prepayment rate (PR)
The PR is the estimated rate at which forecast prepayments of principal of the related debt instrument are expected to occur. Voluntary unscheduled payments (prepayments) change the future cash flows for the investor and thus also the fair value of the instrument. In general, as prepayment speeds change, the weighted average life of the instrument changes, which impacts the valuation either positively or negatively, depending on the nature of the instrument and the direction of the change in the weighted average life.

Probability of default (PD)
The probability of default is an estimate of the likelihood of not collecting contractual amounts. It provides an estimate of the likelihood that a client of a financial institution will be unable to meet its debt obligations over a particular time horizon. The PD of an obligor not only depends on the risk characteristics of that particular obligor but also on the economic environment and the degree to which it affects the obligor.

Early conversion
The early conversion is the estimate of the probability that the liability would be converted into equity earlier than the terms stated.

EBITDA
EBITDA is an indicator of the current operating profitability of the business, that is the income generated by the use of the company’s assets and the commercialisation of the products manufactured.

Ke
The Ke (cost of capital) represents the minimum rate that the company has to offer to its shareholders as remuneration for the funds received.

Growth rate
It is the constant growth rate used for the future dividends estimate.

A – Accounting methods

Quantitative information on significant unobservable inputs used in the fair value measurement: accounting portfolios measured at fair value categorised as Level 3 - 2023

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

(€ million)

PRODUCT CATEGORIES			FAIR VALUE ASSETS	FAIR VALUE LIABILITIES	VALUATION TECHNIQUE	UNOBSERVABLE PARAMETERS	UNCERTAINTY RANGES	
Derivatives								
	Financial instruments	Equity & Commodities	1.0	0.0	Option Pricing Model	Volatility	1%	12%
						Correlation	2%	24%
					Option Pricing Model/ Discounted Cash Flows	Dividends Yield	1%	26%
		Foreign Exchange	1.9	1.7	Option Pricing Model	Volatility	0%	29%
					Discounted Cash Flows	Interest rate (bps)	0.325	587
		Interest Rate	5.1	16.8	Discounted Cash Flows	Swap Rate (bps)	0.325	587
						Inflation Swap Rate (bps)	2.94	11.59
					Option Pricing Model	Inflation Volatility	1%	3%
						Interest Rate Volatility	0%	29%
						Correlation	0%	22%
	Credit derivatives		0.5	0.0	Hazard Rate Model	Credit Spread (bps)	1	80
						Recovery rate	0%	5%
Debt Securities and Loans		Corporate/ Government/ Other	545.2	0.0	Market Approach	Credit Spread (bps)	1	790
		Mortgage & Asset-Backed Securities	89.2	0.0	Discounted Cash Flows	Credit Spread (bps)	0	0
						Recovery rate	0%	70%
						Default Rate	0%	5%
						Prepayment Rate	0%	30%
Equity Securities		Unlisted Equity & Holdings	104.8	0.0	Market Approach	Price (% of used value)	0%	3%
					Gordon Growth Model	Ke	8%	17%
						Growth Rate	1%	4%
Units in Investment Funds		Real Estate & Other Funds	0.6	0.0	Adjusted NAV	PD	1%	30%
						LGD	35%	60%

In the course of the continued development of the Group Fair Value Level methodology of financial instruments, enhancements with regards to interest rate options were applied in the financial year 2023. 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.

A – Accounting methods

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

Quantitative information on significant unobservable inputs used in the fair value measurement: accounting portfolios measured at fair value categorised as Level 3 - 2022

(€ million)

PRODUCT CATEGORIES			FAIR VALUE ASSETS	FAIR VALUE LIABILITIES	VALUATION TECHNIQUE	UNOBSERVABLE PARAMETERS	UNCERTAINTY RANGES	
Derivatives								
	Financial instruments	Equity & Commodities	0.8	0.2	Option Pricing Model	Volatility	3%	15%
						Correlation	2%	29%
					Option Pricing Model/ Discounted Cash Flows	Dividends Yield	1%	26%
		Foreign Exchange	0.6	0.2	Option Pricing Model	Volatility	0%	161%
					Discounted Cash Flows	Interest rate (bps)	0.315	141
		Interest Rate	0.4	24.0	Discounted Cash Flows	Swap Rate (bps)	0.315	141
						Inflation Swap Rate (bps)	2.94	11.59
					Option Pricing Model	Inflation Volatility	1%	3%
						Interest Rate Volatility	0%	29%
						Correlation	0%	22%
	Credit derivatives		0.1	0.1	Hazard Rate Model	Credit Spread (bps)	1	369
						Recovery rate	0%	5%
Debt Securities and Loans		Corporate/ Government/ Other	566.9	0.0	Market Approach	Credit Spread (bps)	1	1,707
		Mortgage & Asset-Backed Securities	0.0	0.0	Discounted Cash Flows	Credit Spread (bps)	0	0
						Recovery rate	0%	70%
						Default Rate	0%	4%
						Prepayment Rate	0%	20%
Equity Securities		Unlisted Equity & Holdings	112.1	0.0	Marktbasierter Ansatz	Price (% of used value)	0%	3%
					Gordon Growth Model	Ke	8%	17%
						Growth Rate	1%	4%
Units in Investment Funds		Real Estate & Other Funds	1.9	0.0	Adjusted NAV	PD	1%	30%
						LGD	35%	60%

A – Accounting methods

A.7.2. - Valuation processes and sensitivities

Bank Austria verifies that the value attributed to each position reflects the current fair value in an appropriate way. Assets and liabilities subject to fair value measurements are determined using different techniques, among which (but not only) models such as discounted cash flow and internal models. On the basis of the observability of the input used, all the measurements are classified as Level 1, Level 2 or Level 3 of the fair value hierarchy. When a financial instrument, measured at fair value, is valued through the use of one or more significant inputs not directly observable on the market, a further procedure for the price verification is implemented. These procedures may include the revision of relevant historical data, the analyses of profit and loss, the individual valuation of each component for structural products and benchmarking.
This approach involves estimation and expert judgement and, therefore, might require valuation adjustments which take into account bid-ask spreads, liquidity and counterparty risk, besides the employed valuation model.

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

In addition to daily "*marking to market*" or "*marking to model*", Independent Price Verification (IPV) is applied by Market Risk function with the aim of guaranteeing a fair value provided by an independent structure for all instruments, illiquid included.

Fair value sensitivity to variations in unobservable input used in the fair value computation for instruments categorised as Level 3

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 derivatives on equities and commodities: 1% absolute of volatility, 10% relative of dividend, 1% absolute of correlation and 10% relative of volatility skew;
- for foreign exchanges: 1% absolute of underlying volatility;
- for interest rate derivatives: 1 basis point absolute of rates curves and volatilities or 1% absolute of swaption volatilities;
- for credit derivatives: 1 basis point absolute of credit spread or, if Level 3 attribution for a derivative is due to counterparty classification as not performing, the CVA impact of a 5% absolute shift of the recovery rate;
- for debt securities and loans: 1 basis point absolute of credit spread;
- for equities: 1% of the underlying;
- for Units in Investment Funds quotes: 5 basis points absolute shift in PD and LGD, if evaluated leveraging on models considering counterparty credit risk as main risk factor, otherwise 1% of fair value.

A – Accounting methods

A.7.2 Sensitivity analysis - FV hiercharchy - Stage 3

(€ million)

PRODUCT CATEGORIES				FAIR VALUE MOVEMENTS
Derivatives				
	Financial Instruments			
		Equity & Commodities	+/-	0.00
		Foreign Exchange	+/-	0.00
		Interest Rate	+/-	22.02
	Credit Derivatives		+/-	0.04
Debt Securities and Loans				
		Corporate/ Government/Other	+/-	0.24
		Mortgage & Asset Backed Securities	+/-	0.00
Equity Securities				
		Unlisted Equity & Holdings	+/-	0.00
Units in Investment Funds				
		Real Estate & Other Funds	+/-	0.01

A.7.3 - Fair value hierarchy

IFRS13 establishes a fair value hierarchy according to the observability of the input used in the valuation techniques adopted for valuations.

The fair value hierarchy level associated to assets and liabilities is set as the minimum level among all the significant valuation inputs used. A valuation input is not considered significant for the fair value of an instrument if the remaining inputs are able to explain a major part of the fair value variance itself.
In particular, three levels are considered:
- Level 1: the fair value for instruments classified within this level is determined according to the quoted prices on active markets;
- Level 2: the fair value for instruments classified within this level is determined according to the valuation models for which significant inputs are observable on active markets;
- Level 3: the fair value for instruments classified within this level is determined according to the valuation models for which significant inputs are unobservable on active markets.

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

A – Accounting methods

A.7.3.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value levels

(€ million)

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	AMOUNTS AS AT 31.12.2023			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	88	1,917	165	120	2,862	202
a) Financial assets held for trading	-	1,564	8	-	2,424	2
b) Financial assets designated at fair value	88	-	-	119	-	-
c) Financial assets mandatorily at fair value	-	353	157	-	438	200
2. Financial assets at fair value through other comprehensive income	13,362	1,384	586	9,659	1,895	614
3. Hedging derivatives	-	2,862	-	-	4,093	-
4. Property, plant and equipment	-	-	354	-	-	372
5. Intangible assets	-	-	-	-	-	-
Total	**13,450**	**6,163**	**1,105**	**9,779**	**8,850**	**1,188**
1. Financial liabilities held for trading	-	1,556	14	-	2,385	25
2. Financial liabilities designated at fair value	-	60	1	-	59	1
3. Hedging derivatives	-	2,902	4	-	3,930	-
Total	**-**	**4,518**	**20**	**-**	**6,375**	**26**

A – Accounting methods

A.7.3.2 Annual changes in assets measured at fair value on a recurring basis (level 3)

(€ million)

	CHANGES IN 2023							
	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS							
	TOTAL	OF WHICH: A) FINANCIAL ASSETS HELD FOR TRADING	OF WHICH: B) FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	OF WHICH: C) FINANCIAL ASSETS MANDATORILY AT FAIR VALUE	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	HEDGING DERIVATIVES	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
1. Opening balances	**202**	**2**	**-**	**200**	**614**	**-**	**372**	**-**
2. Increases	**33**	**7**	**-**	**26**	**13**	**-**	**22**	**-**
2.1 Purchases	7	7	-	-	-	-	1	-
2.2 Profits recognised in	8	-	-	8	12	-	18	-
2.2.1 Income statement	8	-	-	8	-	-	6	-
- of which unrealised gains	*8*	-	-	*8*	-	-	*6*	-
2.2.2 Equity	X	X	X	X	12	-	12	-
2.3 Transfers from other levels	18	-	-	18	-	-	-	-
2.4 Other increases	-	-	-	-	1	-	3	-
3. Decreases	**69**	**-**	**-**	**69**	**42**	**-**	**40**	**-**
3.1 Sales	-	-	-	-	-	-	3	-
3.2 Redemptions	-	-	-	-	30	-	-	-
3.3 Losses recognised in	5	-	-	5	10	-	29	-
3.3.1 Income statement	5	-	-	5	-	-	20	-
- of which unrealised losses	*5*	-	-	*5*	-	-	*17*	-
3.3.2 Equity	X	X	X	X	10	-	9	-
3.4 Transfers to other levels	55	-	-	55	-	-	6	-
3.5 Other decreases	10	-	-	10	1	-	1	-
of which: business combinations	-	-	-	-	-	-	-	-
4. Closing balances	**165**	**8**	**-**	**157**	**586**	**-**	**354**	**-**

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

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

A – Accounting methods

A.7.3.2b Annual changes in assets measured at fair value on a recurring basis (level 3)

(€ million)

	CHANGES IN 2022							
	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS							
	TOTAL	OF WHICH: A) FINANCIAL ASSETS HELD FOR TRADING	OF WHICH: B) FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	OF WHICH: C) FINANCIAL ASSETS MANDATORILY AT FAIR VALUE	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	HEDGING DERIVATIVES	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
1. Opening balances	**206**	**1**	**-**	**205**	**734**	**-**	**385**	**-**
2. Increases	**66**	**1**	**-**	**65**	**11**	**-**	**20**	**-**
2.1 Purchases	1	1	-	-	1	-	1	-
2.2 Profits recognised in	-	-	-	-	9	-	15	-
2.2.1 Income statement	-	-	-	-	-	-	7	-
- of which unrealised gains	-	-	-	-	-	-	7	-
2.2.2 Equity	X	X	X	X	9	-	7	-
2.3 Transfers from other levels	65	-	-	65	-	-	-	-
2.4 Other increases	-	-	-	-	2	-	4	-
3. Decreases	**71**	**-**	**-**	**70**	**131**	**-**	**33**	**-**
3.1 Sales	1	-	-	-	-	-	6	-
3.2 Redemptions	-	-	-	-	54	-	-	-
3.3 Losses recognised in	21	-	-	21	77	-	14	-
3.3.1 Income statement	21	-	-	21	-	-	11	-
- of which unrealised losses	*21*	-	-	*21*	-	-	7	-
3.3.2 Equity	X	X	X	X	77	-	2	-
3.4 Transfers to other levels	37	-	-	37	-	-	6	-
3.5 Other decreases	13	-	-	13	-	-	7	-
of which: business combinations	*3,000*	-	-	-	-	-	-	-
4. Closing balances	**202**	**2**	**-**	**200**	**614**	**-**	**372**	**-**

A – Accounting methods

A.7.3.3 Annual changes in liabilities measured at fair value on a recurring basis (level 3)

(€ million)

	CHANGES IN 2023			CHANGES IN 2022		
	FINANCIAL LIABILITIES HELD FOR TRADING	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	HEDGING DERIVATIVES	FINANCIAL LIABILITIES HELD FOR TRADING	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	HEDGING DERIVATIVES
1. Opening balances	**25**	**1**	**-**	**-**	**1**	**-**
2. Increases	**2**	**-**	**4**	**24**	**-**	**-**
2.1 Issuance	2	-	4	24	-	-
2.2 Losses recognised in	-	-	-	-	-	-
2.2.1 Income statement	-	-	-	-	-	-
- of which unrealised losses	-	-	-	-	-	-
2.2.2 Equity	X	-	-	X	-	-
2.3 Transfers from other levels	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-
3. Decreases	**12**	**-**	**-**	**-**	**-**	**-**
3.1 Redemptions	12	-	-	-	-	-
3.2 Purchases	-	-	-	-	-	-
3.3 Profits recognised in	-	-	-	-	-	-
3.3.1 Income statement	-	-	-	-	-	-
- of which unrealised gains	-	-	-	-	-	-
3.3.2 Equity	X	-	-	X	-	-
3.4 Transfers to other levels	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-
4. Closing balances	**14**	**1**	**4**	**25**	**1**	**-**

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

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

The main factors for transfers between the fair value levels (between Level 1 and Level 2) include changes in market conditions (including liquidity parameters) as well as improvements in valuation techniques and the weighting of the unobservable parameters used for the valuation itself.

In the 2023 financial year, there were no transfers from Level 2 to Level 1 (previous year: €495 million) and transfers from Level 1 to Level 2 in the amount of €14 million (previous year: €39 million).

A.7.4 – Day One Profit /Loss

In accordance with IFRS 9, a Day-One Profit/Loss is considered to exist if the transaction value differs from the fair value. The fair value of financial instruments, other than those designated at fair value through profit or loss, at their recognition date is set as equal to the amount collected or paid. For financial instruments held for trading (see Part A.5.3.2 above) and instruments designated at fair value (see Part A.5.3.2 above), any difference from the amount collected or paid is posted under the appropriate items of the income statement. In the financial year 2023, as in the previous year, there was no Day One Profit/Loss.

A – Accounting methods

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

A.8.1 – Information on fully consolidated companies

Investments in subsidiaries (consolidated line by line)

			2023		2022	
NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	HOLDING %	VOTING RIGHTS % *)	HOLDING %	VOTING RIGHTS % *)
"BF NINE" Holding GmbH	VIENNA	EUR 35,000	100.00		100.00	
Allegro Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
ALMS Leasing GmbH.	VIENNA	EUR 36,000	100.00		100.00	
Alpha Rent doo Beograde	BELGRADE	RSD 3,285,948,900	100.00		100.00	
ANTARES Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Arno Grundstücksverwaltungs Gesellschaft m.b.H.	VIENNA	EUR 36,337	100.00		100.00	
Austria Leasing GmbH	VIENNA	EUR 36,336	Liquidated on 12.12.2023		100.00	
BA CA SECUND Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BA Eurolease Beteiligungsgesellschaft m.b.H.	VIENNA	EUR 363,364	100.00		100.00	
BA GebäudevermietungsgmbH	VIENNA	EUR 36,336	100.00		100.00	
BA GVG-Holding GmbH	VIENNA		Merged on 05.10.2023		100.00	
BA/CA-Leasing Beteiligungen GmbH	VIENNA	EUR 454,000	100.00		100.00	
BA-CA Andante Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BACA HYDRA Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BACA KommunalLeasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BA-CA Leasing Drei Garagen GmbH	VIENNA	EUR 35,000	100.00		100.00	
BA-CA Leasing MAR Immobilien GmbH	VIENNA	EUR 36,500	100.00		100.00	
BACA Leasing und Beteiligungsmanagement GmbH	VIENNA	EUR 18,287	100.00		100.00	
BA-CA Markets & Investment Beteiligung Ges.m.b.H.	VIENNA	EUR 127,177	100.00		100.00	
BA-CA Presto Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BAHBETA Ingatlanhasznosito Kft.	BUDAPEST	HUF 30,000,000	100.00		100.00	
BAH-OMEGA Zrt. "v.a."	BUDAPEST		Liquidated on 03.04.2023		100.00	
BAL HESTIA Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BAL HORUS Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BAL HYPNOS Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BAL LETO Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BAL OSIRIS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
BAL SOBEK Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
Bank Austria Creditanstalt Leasing Immobilienanlagen GmbH	VIENNA	EUR 36,500	100.00		100.00	
Bank Austria Finanzservice GmbH	VIENNA	EUR 490,542	100.00		100.00	
Bank Austria Leasing ARGO Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
Bank Austria Leasing Ikarus Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	

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

A – Accounting methods

NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2023 HOLDING %	2023 VOTING RIGHTS % *)	2022 HOLDING %	2022 VOTING RIGHTS % *)
Bank Austria Leasing MEDEA Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
Bank Austria Real Invest Immobilien-Kapitalanlage GmbH	VIENNA	EUR 5,000,000	94.95	100.00	94.95	100.00
Bank Austria Real Invest Immobilien-Management GmbH	VIENNA	EUR 10,900,500	94.95		94.95	
Bank Austria Wohnbaubank AG	VIENNA	EUR 18,765,944	100.00		100.00	
Baulandentwicklung Gdst 1682/8 GmbH & Co OG	VIENNA		100.00		100.00	
Beteiligungsverwaltungsgesellschaft der Bank Austria Creditanstalt Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
Brewo Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,337	100.00		100.00	
CABET-Holding GmbH	VIENNA	EUR 290,909	100.00		100.00	
CABO Beteiligungsgesellschaft m.b.H.	VIENNA	EUR 35,000	100.00		100.00	
CA-Leasing Senioren Park GmbH	VIENNA	EUR 36,500	100.00		100.00	
CALG 307 Mobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
CALG 443 Grundstückverwaltung GmbH	VIENNA	EUR 36,336	100.00		100.00	
CALG 445 Grundstückverwaltung GmbH	VIENNA	EUR 18,168	100.00		100.00	
CALG Alpha Grundstückverwaltung GmbH	VIENNA	EUR 36,500	100.00		100.00	
CALG Anlagen Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
CALG Anlagen Leasing GmbH, Wien & Co. Grundstücksvermietung und -verwaltung KG	MUNICH	EUR 2,326,378	99.90		99.90	
CALG Delta Grundstückverwaltung GmbH	VIENNA	EUR 36,336	100.00		100.00	
CALG Gamma Grundstückverwaltung GmbH	VIENNA	EUR 36,337	100.00		100.00	
CALG Grundstückverwaltung GmbH	VIENNA	EUR 36,500	100.00		100.00	
CALG Immobilien Leasing GmbH	VIENNA	EUR 254,355	100.00		100.00	
CALG Minal Grundstückverwaltung GmbH	VIENNA	EUR 18,286	100.00		100.00	
card complete Service Bank AG	VIENNA	EUR 6,000,000	50.10		50.10	
Castellani Leasing Gmbh	VIENNA	EUR 1,800,000	100.00		100.00	
CA-ZETA Real Estate Development Limited Liability Company	BUDAPEST	HUF 3,000,000	100.00		100.00	
Charade Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Chefren Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
Civitas Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Communa - Leasing Grundstücksverwaltungsgesellschaft m.b.H.	VIENNA	EUR 36,337	100.00		100.00	
Contra Leasing-Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
DiRana Liegenschaftsverwertungsgesellschaft m.b.H.	VIENNA	EUR 35,000	100.00		100.00	
DLV Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
DUODEC Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Eurolease ANUBIS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Eurolease ISIS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Eurolease MARDUK Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Eurolease RA Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	

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

A – Accounting methods

NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2023 HOLDING %	2023 VOTING RIGHTS % *)	2022 HOLDING %	2022 VOTING RIGHTS % *)
Eurolease RAMSES Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,336	100.00		100.00	
FactorBank Aktiengesellschaft	VIENNA	EUR 3,000,000	100.00		100.00	
FINN Arsenal Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
FMZ Savaria Szolgáltató Korlátolt Felelösség Tarsaság	BUDAPEST	HUF 3,000,000	Sold on 06.12.2023		75.00	
Folia Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,336	100.00		100.00	
GALA Grundstückverwaltung Gesellschaft m.b.H.	VIENNA	EUR 27,434	100.00		100.00	
Gebäudeleasing Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Gemeindeleasing Grundstückverwaltung Gesellschaft m.b.H.	VIENNA	EUR 18,333	100.00		100.00	
Grundstücksverwaltung Linz-Mitte GmbH	VIENNA	EUR 35,000	100.00		100.00	
HERKU Leasing Gesellschaft m.b.H. in Liqu.	VIENNA	EUR 36,500	Liquidated on 15.12.2023		100.00	
INTRO Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,336	100.00		100.00	
ISB Universale Bau GmbH	BERLIN	EUR 6,288,890	100.00		100.00	
Jausern-Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,336	100.00		100.00	
Kaiserwasser Bau- und Errichtungs GmbH und Co OG	VIENNA	EUR 36,336	99.80	100.00	99.80	100.00
Kutra Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,337	100.00		100.00	
Lagev Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
LARGO Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
LEASFINANZ Alpha Assetvermietung GmbH	VIENNA	EUR 35,000	100.00		100.00	
LEASFINANZ Bank GmbH	VIENNA	EUR 36,500	100.00		100.00	
LEASFINANZ GmbH	VIENNA	EUR 218,019	100.00		100.00	
Legato Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Lelev Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Lipark Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Liva Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
M. A. V. 7., Bank Austria Leasing Bauträger GmbH & Co.OG.	VIENNA	EUR 3,707	100.00		100.00	
MBC Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Menuett Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,337	100.00		100.00	
Nage Lokalvermietungsgesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Oct Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
OLG Handels- und Beteiligungsverwaltungsgesellschaft m.b.H.	VIENNA	EUR 36,336	100.00		100.00	

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

A – Accounting methods

NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2023 HOLDING %	2023 VOTING RIGHTS % *)	2022 HOLDING %	2022 VOTING RIGHTS % *)
Palais Rothschild Vermietungs GmbH & Co OG	VIENNA	EUR 2,180,185	100.00		100.00	
Paytria Unternehmensbeteiligungen Gmbh	VIENNA	EUR 36,336	100.00		100.00	
PELOPS Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,337	100.00		100.00	
Piana Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
POLLUX Immobilien GmbH	VIENNA	EUR 36,500	100.00		100.00	
Posato Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Prelude Grundstücksverwaltungs-Gesellschaft m.b.H. in Liqu.	VIENNA		Liquidated on 07.04.2023		100.00	
Projekt-Lease Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
QUADEC Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Quart Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Quint Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
RANA-Liegenschaftsverwertung GmbH	VIENNA	EUR 72,700	99.90		99.90	
Real Invest Europe d BA RI KAG	VIENNA		96.91		96.91	
Real-Lease Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Real-Rent Leasing Gesellschaft m.b.H.	VIENNA	EUR 73,000	100.00		100.00	
Regev Realitätenverwertungsgesellschaft m.b.H.in Liqu.	VIENNA		Liquidated on 12.04.2023		100.00	
Schoellerbank Aktiengesellschaft	VIENNA	EUR 20,000,000	100.00		100.00	
Schoellerbank Invest AG	SALZBURG	EUR 2,543,549	100.00		100.00	
SECA-Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
SEDEC Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Sext Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Sigma Leasing GmbH	VIENNA	EUR 18,286	100.00		100.00	
Spectrum Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,336	100.00		100.00	
Stewe Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,337	100.00		100.00	
Success 2015 B.V.	AMSTERDAM		Deconsolidation on 01.09.2023		100.00	
Terz Z Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
TREDEC Z Immobilien Leasing Gesellschaft m.b.H. in Liqu.	VIENNA		Liquidated on 07.04.2023		100.00	
UCLA Am Winterhafen 11 Immobilienleasing GmbH & Co OG	VIENNA		100.00		100.00	
UCLA Immo-Beteiligungsholding Gmbh & Co KG	VIENNA	EUR 10,000	100.00		100.00	
Ufficium Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,337	100.00		100.00	

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

A – Accounting methods

NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2023 HOLDING %	2023 VOTING RIGHTS % *)	2022 HOLDING %	2022 VOTING RIGHTS % *)
Unicom Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
UniCredit Achterhaus Leasing GmbH	VIENNA	EUR 35,000	100.00		Added to scope of consolidation on 03.03.2022	
UniCredit AURORA Leasing GmbH	VIENNA	EUR 219,000	100.00		100.00	
UniCredit Bank Austria AG	VIENNA	EUR 1,681,033,521	100.00		100.00	
UniCredit Center am Kaiserwasser GmbH	VIENNA	EUR 35,000	100.00		100.00	
UniCredit Garagen Errichtung und Verwertung GmbH	VIENNA	EUR 57,000	100.00		100.00	
Unicredit Gustra Leasing GmbH	VIENNA	EUR 35,000	100.00		100.00	
Unicredit Hamred Leasing GmbH	VIENNA	EUR 35,000	100.00		100.00	
UniCredit KFZ Leasing GmbH	VIENNA	EUR 648,000	100.00		100.00	
UniCredit Leasing (Austria) GmbH	VIENNA	EUR 17,296,134	100.00		100.00	
UniCredit Leasing Alpha Assetvermietung GmbH	VIENNA	EUR 35,000	100.00		100.00	
UniCredit Leasing Technikum GmbH	VIENNA	EUR 35,000	100.00		100.00	
UniCredit Luna Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
UniCredit Mobilien und KFZ Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
UniCredit OK1 Leasing GmbH	VIENNA	EUR 35,000	100.00		100.00	
UniCredit Pegasus Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
UniCredit Polaris Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
UniCredit Sterneck Leasing GmbH	VIENNA	EUR 35,000	100.00		100.00	
UniCredit TechRent Leasing GmbH	VIENNA	EUR 36,336	100.00		100.00	
UniCredit Zega Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
UNIVERSALE International Realitäten GmbH	VIENNA	EUR 32,715,000	100.00		100.00	
Vape Communa Leasinggesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
WÖM Grundstücksverwaltungs-Gesellschaft m.b.H.	VIENNA	EUR 36,336	100.00		100.00	
Z Leasing Alfa Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing ARKTUR Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing AURIGA Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing CORVUS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing DORADO Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing DRACO Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing Gama Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing GEMINI Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing HEBE Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing HERCULES Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing IPSILON Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	

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

A – Accounting methods

			2023		2022	
NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	HOLDING %	VOTING RIGHTS % *)	HOLDING %	VOTING RIGHTS % *)
Z Leasing Ita Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing JANUS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing KALLISTO Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing KAPA Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing LYRA Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing NEREIDE Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing OMEGA Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing PERSEUS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing VENUS Immobilien Leasing Gesellschaft m.b.H.	VIENNA	EUR 36,500	100.00		100.00	
Zapadni Trgovacki Centar d.o.o.	RIJEKA	EUR 2,655	100.00		100.00	

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

A – Accounting methods

A.8.2 – Breakdown of minority interests

Non-controlling interests

(€ million)

	31.12.2023	31.12.2022
card complete Service Bank AG	23	23
Other entities	4	3
Consolidation adjustments	7	6
TOTAL	**34**	**32**

A – Accounting methods

Investments in subsidiaries with material non-controlling interests, 2023

NAME	TOTAL ASSETS	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	FINANCIAL LIABILITIES	SHAREHOLDERS' EQUITY	SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	NON-CONTROLLING INTERESTS %
card complete Service Bank AG	734,858	29,394	606,805	96,045	341,665	46,709	23,308	49.90

Investments in subsidiaries with material non-controlling interests, 2022

NAME	TOTAL ASSETS	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	FINANCIAL LIABILITIES	SHAREHOLDERS' EQUITY	SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	NON-CONTROLLING INTERESTS %
card complete Service Bank AG	723,955	2,558	623,076	94,577	352,243	45,226	22,568	49.90

A – Accounting methods

(€ thousand)

NET INTEREST MARGIN	OPERATING INCOME	OPERATING COSTS	TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	TOTAL PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	PROFIT (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS	NET PROFIT OR LOSS (1)	OCI (2)	COMPREHENSIVE INCOME (3) = (1) + (2)	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	DIVIDENDS PAID TO NON-CONTROLLING INTERESTS
(4,958)	74,296	(70,741)	2,702	1,570	-	1,570	946	2,516	1,255	-

(€ thousand)

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

A – Accounting methods

A.8.3 - Joint Ventures and associated companies

Investments in associates and joint ventures

NAME	METHOD OF ACCOUNTING	MAIN OFFICE/ OPERATIONAL HQ	NATURE OF RELATIONSHIP	DATE OF PUBLICATION [1]
Bank für Tirol und Vorarlberg Aktiengesellschaft	At equity	INNSBRUCK	1	30.09.2023
BKS Bank AG	At equity	KLAGENFURT	1	30.09.2023
CBD International Sp.z.o.o.	At equity	WARSAW	5	31.12.2022
Fides Leasing GmbH	Joint Venture	VIENNA	2	31.12.2023
HETA BA Leasing Süd GmbH in Liqu.	Joint Venture	KLAGENFURT	2	31.10.2023
NOTARTREUHANDBANK AG	At equity	VIENNA	1	30.09.2023
Oberbank AG	At equity	LINZ	1	30.09.2023
Oesterreichische Kontrollbank Aktiengesellschaft	At equity	VIENNA	1	30.09.2023
Österreichische Wertpapierdaten Service GmbH	At equity	VIENNA	3	31.12.2022
Palatin Grundstückverwaltungs Gesellschaft m.b.H.	Joint Venture	ST. PÖLTEN	2	31.12.2023
PSA Payment Services Austria GmbH	At equity	VIENNA	2	31.12.2022
"UNI" Gebäudemanagement GmbH	At equity	LINZ	5	30.09.2023
WKBG Wiener Kreditbürgschafts- und Beteiligungsbank AG	At equity	VIENNA	1	31.12.2022

1) Last financial statements used for consolidation.

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

A – Accounting methods

(€ thousand)

2023				2022			
ISSUED CAPITAL	HOLDING %	VOTING RIGHTS %	CARRYING AMOUNT € THSD	ISSUED CAPITAL	HOLDING %	VOTING RIGHTS %	CARRYING AMOUNT € THSD
EUR 74.250.000	47.38		809,210	EUR 74,250,000	47.38		710,879
EUR 91.612.000	29.78		496,826	EUR 85,885,800	29.78		355,992
PLN 100.500	49.75		714	PLN 100,500	49.75		5,491
EUR 36.000	50.00		148	EUR 36,000	50.00		211
EUR 36.500	50.00		28	EUR 36,500	50.00		32
EUR 8.030.000	25.00		13,879	EUR 8,030,000	25.00		11,523
EUR 105.873.000	27.17		1,064,178	EUR 105,846,000	27.17		938,561
EUR 130.000.000	49.15		442,497	EUR 130,000,000	49.15		426,279
EUR 100.000	29.30		91	EUR 100,000	29.30		88
EUR 36.336	50.00		55	EUR 36,336	50.00		65
EUR 285.000	24.00		10,110	EUR 285,000	24.00		8,547
EUR 18.168	50.00		201	EUR 18,168	50.00		156
EUR 9.205.109	21.54		3,697	EUR 9,205,109	21.54		3,697

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

A – Accounting methods

Investments in associates and joint ventures: accounting information 2023*)

NAME	TOTAL ASSETS	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	NON-FINANCIAL ASSETS	FINANCIAL LIABILITIES
Under significant influence					
BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT	14,141,864	2,073,911	11,519,535	548,418	11,555,979
BKS BANK AG	10,572,131	573,561	9,745,644	252,926	8,649,851
NOTARTREUHANDBANK AG	2,237,788	3	2,236,586	1,199	2,178,030
OBERBANK AG	27,977,388	2,991,359	24,428,556	557,473	23,591,711
OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT	34,667,673	694,753	33,872,767	100,153	32,028,105

*) Data as at 30.09.2023

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

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

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

A – Accounting methods

(€ thousand)

NON-FINANCIAL LIABILITIES	NET EQUITY	TOTAL REVENUES	NET INTEREST MARGIN	OPERATING COSTS	TAX EXPENSE (INCOME)	PROFIT (LOSS)	PROFIT (LOSS) AFTER REVALUATION RESERVE	DIVIDENDS RECEIVED
389,682	2,196,203	666,263	249,783	(76,084)	(42,904)	156,827	166,079	5,805
269,635	1,652,645	468,343	230,601	(74,547)	(25,446)	145,427	158,286	3,197
4,241	55,518	27,627	24,439	(6,507)	(5,107)	13,423	13,423	1,000
626,631	3,759,046	1,407,747	557,113	(100,364)	(97,228)	493,976	518,267	13,912
1,739,267	900,301	844,426	120,292	(76,560)	(14,892)	71,576	65,714	16,081

(€ thousand)

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

A – Accounting methods

Consolidated companies and changes in consolidated companies of the Bank Austria Group in 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	**9**	**-**	**9**
Companies sold or liquidated	7	-	7
Mergers	1	-	1
Changes in UniCredit Group	1	-	1
CLOSING BALANCE	**163**	**13**	**176**

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

A – Accounting methods

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

NAME	MAIN OFFICE/ OPERATIONAL HQ	HOLDING %
Human Resources Services and Development GmbH	Vienna	100.00
"MARTIANEZ COMERCIAL, SOCIEDAD ANONIMA"	Puerto de la Cruz	100.00
Palais Rothschild Vermietungs GmbH	Vienna	100.00
RE-St.Marx Holding GmbH	Vienna	100.00
Treuconsult Beteiligungsgesellschaft m.b.H.	Vienna	94.95
AI BETEILIGUNGS GMBH	Vienna	Liquidated on 28.12.2023
RAMSES-Immobilienholding GmbH	Vienna	100.00
BA WORLDWIDE FUND MANAGEMENT LTD	Tortola	94.95
BA Alpine Holdings, Inc.	Wilmington	100.00
Bank Austria Real Invest Asset Management GmbH	Vienna	94.95
BA-CA Investor Beteiligungs GmbH	Vienna	94.95
"Neue Heimat" Gemeinnützige Wohnungs-und Siedlungsgesellschaft, Gesellschaft mit beschränkter Haftung	Wiener Neustadt	25.00
GEWOG Gemeinnützige Wohnungsbau-Gesellschaft m.b.H.	Vienna	20.00
Alpine Cayman Islands Ltd.	George Town	100.00
DC elektronische Zahlungssysteme GmbH	Vienna	50.10
Diners Club CS, s.r.o.	Bratislava	50.10
Diners Club Polska Sp.z.o.o.	Warsaw	50.10

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

A – Accounting methods

Exposure towards unconsolidated structured entities

Exposure towards unconsolidated investment funds

Units in investment funds

(€ million)

		31.12.2023			31.12.2022		
EXPOSURE TYPE	CATEGORY	BOOK VALUE	NOMINAL VALUE	FAIR VALUE	BOOK VALUE	NOMINAL VALUE	FAIR VALUE
Units in investment funds	Financial assets mandatorily at fair value through P&L	15	6	15	15	12	15
	Held for trading	-	-	-	-	-	-
TOTAL		**15**	**6**	**15**	**15**	**12**	**15**

Other exposure towards unconsolidated investment funds

Assets

(€ million)

		31.12.2023		31.12.2022	
EXPOSURE TYPE	CATEGORY	BOOK VALUE	NOMINAL VALUE	BOOK VALUE	NOMINAL VALUE
Loans and receivables	Financial assets at amortised cost with customers and financial assets mandatorily at FV through profit or loss	628	628	242	242
Credit derivatives	Held for trading	-	-	-	-
Other derivatives	Held for trading	-	-	-	-
Guarantees	Off-balance sheet			-	-
Credit lines revocable	Off-balance sheet	-	1.896	-	1,829
Credit lines irrevocable	Off-balance sheet	-	42	-	54
TOTAL		**628**	**2,566**	**242**	**2,125**

Liabilities

(€ million)

		31.12.2023	31.12.2022
EXPOSURE TYPE	CATEGORY	BOOK VALUE	BOOK VALUE
Deposits	Financial liabilities at amortised cost: b) Loans and receivables with customers	980	1,266
Other derivatives (no credit risk)	Liabilities		-
TOTAL		**980**	**1,266**

Income from unconsolidated structured entities

In 2023, Bank Austria Group generated €38 million in income from fees and commissions from unconsolidated investment funds (previous year: €40 million).

A – Accounting methods

Disclosure of material restrictions

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

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

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

B – Notes to the income statement

B – Notes to the income statement

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

B.1.1 Interest income and similar revenues: breakdown

(€ million)

ITEMS/TYPES	YEAR 2023 DEBT SECURITIES	YEAR 2023 LOANS	YEAR 2023 OTHER TRANSACTIONS	YEAR 2023 TOTAL	YEAR 2022 TOTAL
1. Financial assets at fair value through profit or loss	**4**	**15**	**514**	**532**	**289**
1.1 Financial assets held for trading	-	-	514	514	254
1.2 Financial assets designated at fair value	1	-	-	1	1
1.3 Other financial assets mandatorily at fair value	3	15	-	17	34
2. Financial assets at fair value through other comprehensive income	**256**	**-**	**X**	**256**	**122**
3. Financial assets at amortised cost	**33**	**3,197**	**X**	**3,230**	**1,139**
3.1 Loans and advances to banks	14	842	X	855	121
3.2 Loans and advances to customers	19	2,355	X	2,375	1,018
4. Hedging derivatives	**X**	**X**	**564**	**564**	**(49)**
5. Other assets	**X**	**X**	**1**	**1**	**19**
6. Financial liabilities	**X**	**X**	**X**	**1**	**141**
Total	**293**	**3,212**	**1,079**	**4,584**	**1,662**
of which: interest income on impaired financial assets	*-*	*25*	*-*	*25*	*43*
of which: interest income on financial lease	*X*	*82*	*X*	*82*	*43*

Total interest income for financial assets not measured at fair value through profit or loss amounts to €3,487 million (previous year: €1,280 million). Interest income from currency-denominated financial assets amounts to €346 million (previous year: €284 million).

Income received on deposits (liabilities) of €1 million (previous year: €141 million) is reported under interest and similar income.
In previous year, interest income also included €68.5 million attributable to participation in TLTRO III (Targeted Longer-Term Refinancing Operations) of the ECB.

The increase in interest income is mainly due to the development of the interest rate environment in 2023.

B – Notes to the income statement

B.1.2 Interest expenses and similar charges: breakdown

(€ million)

ITEMS/TYPES	YEAR 2023 DEBTS	YEAR 2023 SECURITIES	YEAR 2023 OTHER TRANSACTIONS	YEAR 2023 TOTAL	YEAR 2022 TOTAL
1. Financial liabilities at amortised cost	**(1,495)**	**(349)**	**X**	**(1,844)**	**(356)**
1.1 Deposits from central banks	(125)	X	X	(125)	(26)
1.2 Deposits from banks	(693)	X	X	(693)	(100)
1.3 Deposits from customers	(677)	X	X	(677)	(83)
1.4 Debt securities in issue	X	(349)	X	(349)	(147)
2. Financial liabilities held for trading	**-**	**-**	**(517)**	**(517)**	**(251)**
3. Financial liabilities designated at fair value	**-**	**(2)**	**-**	**(2)**	**(1)**
4. Other liabilities and funds	**X**	**X**	**-**	**-**	**-**
5. Hedging derivatives	**X**	**X**	**(532)**	**(532)**	**103**
6. Financial assets	**X**	**X**	**X**	**-**	**(78)**
Total	**(1,495)**	**(351)**	**(1,049)**	**(2,895)**	**(583)**
of which: interest expenses on lease liabilities	*(7)*	*X*	*X*	*(7)*	*(8)*

Total interest expense for liabilities not measured at fair value through profit or loss amounts to €-1,844 million (previous year: €-356 million).

Interest expense on financial liabilities denominated in foreign currencies amounts to €-332 million (previous year: €-139 million).

In addition, €-125 million (previous year: €-24 million) attributable to participation in TLTRO III (Targeted Longer-Term Refinancing Operations) of the ECB is also reported under interest expense.

The increase in interest expenses is mainly due to the development of the interest rate landscape in 2023.

B – Notes to the income statement

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

B.2.1 Fees and commissions income: breakdown

(€ million)

TYPE OF SERVICES/VALUES	YEAR 2023	YEAR 2022
a) Financial Instruments	35	39
1. Placement of securities	-	-
1.1 Underwriting and/or on the basis of an irrevocable commitment	-	-
1.2 Without irrevocable commitment	-	-
2. Reception and transmission of orders	4	4
2.1 Reception and transmission of orders of financial instruments	4	4
2.2 Execution of orders on behalf of customers	-	-
3. Other fees related to activities linked to financial instruments	32	35
of which: proprietary Trading	-	-
of which: individual portfolio management	*32*	*35*
b) Corporate Finance	12	13
1. M&A advisory	-	-
2. Treasury services	-	-
3. Other fee and commission income in relation to corporate finance activities	12	13
c) Fee based advice	20	20
d) Clearing and settlement	-	-
e) Collective portfolio management	137	143
f) Custody and administration of securities	88	70
1. Custodian Bank	-	60
2. Other fee and commission income in relation to corporate finance activities	88	10
g) Central administrative services for collective investment	-	-
h) Fiduciary transactions	-	-
i) Payment services	88	88
1. Current accounts	1	1
2. Credit cards	1	1
3. Debits cards and other card payments	27	25
4. Transfers and other payment orders	43	47
5. Other fees in relation to payment services	16	15
j) Distribution of third party services	62	66
1.Collective portfolio management	43	44
2. Insurance products	15	20
3. Other products	4	2
of which: individual portfolio management	-	-
k) Structured finance	-	-
l) Loan securitization servicing activities	-	-
m) Loan commitment given	-	-
n) Financial guarantees	37	36
of which: credit derivatives	-	-
o) Lending transaction	68	51
of which: factoring services	3	3
p) Currency trading	2	27
q) Commodities	-	-
r) Other fee income	355	332
of which: management of sharing multilateral trading facilities	-	-
of which: management of organized trading systems	-	-
Total	**903**	**886**

The item r) Other fee income mainly includes income from a subsidiary in the amount of €198 million (previous year: €183 million).

B – Notes to the income statement

B.2.2 Fees and commissions expenses: breakdown

(€ million)

SERVICES/VALUES	YEAR 2023	YEAR 2022
a) Financial instruments	(3)	(2)
of which: trading in financial instruments	*(3)*	*(2)*
of which: placement of financial instruments	-	-
of which: individual Portfolio management	-	-
- own portfolio	-	-
- third party portfolio	-	-
b) Clearing and settlement	-	-
c) Portfolio management: collective	(18)	(17)
1. Own portfolio	(5)	(4)
2. Third party portfolio	(14)	(13)
d) Custody and Admnistration	(27)	(33)
e) Collection and payments services	(142)	(134)
of which: debit credit card service and other payment cards	*(131)*	*(124)*
f) Loan securitization servicing activities	-	-
g) Loan commitment given	(13)	-
h) Financial guarantees received	(3)	(3)
of which: credit derivatives	-	-
i) Off - site distribution of financial instruments, products and services	(3)	(6)
j) Currency trading	(1)	(1)
k) Other commission expenses	(4)	(5)
Total	**(214)**	**(201)**

B.3 – 70. Dividend income and similar revenues

B.3.1 Dividend income and similar revenues

(€ million)

ITEMS/REVENUES	YEAR 2023		YEAR 2022	
	DIVIDENDS	SIMILAR REVENUES	DIVIDENDS	SIMILAR REVENUES
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily at fair value	-	-	-	-
C. Financial assets at fair value through other comprehensive income	5	-	5	-
D. Equity investments	3	-	3	-
Total	**9**	**-**	**9**	**-**
Total dividends and similar revenues		**9**		**9**

B – Notes to the income statement

B.4 – 80. Net trading income

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

(€ million)

TRANSACTIONS/P&L ITEMS	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A + B) + (C + D)]
1. Financial assets held for trading	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-
1.3 Units in investment funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Deposits	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**31**
4. Derivatives	**23**	**-**	**(2)**	**-**	**22**
4.1 Financial derivatives	23	-	(2)	-	21
- On debt securities and interest rates	22	-	-	-	22
- On equity securities and share indices	-	-	-	-	-
- On currency and gold	X	X	X	X	-
- Other	1	-	(2)	-	(1)
4.2 Credit derivatives	-	-	-	-	-
of which: economic hedges linked to the fair value option	*X*	*X*	*X*	*X*	-
Total 31.12.2023	**23**	**-**	**(2)**	**-**	**53**
Total 31.12.2022	**91**	**-**	**-**	**-**	**123**

B – Notes to the income statement

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

B.5.1 Fair value adjustments in hedge accounting

(€ million)

P&L COMPONENT/VALUES	YEAR 2023	YEAR 2022
A. Gains on		
A.1 Fair value hedging instruments	1,055	2,659
A.2 Hedged financial assets (in fair value hedge relationship)	1,083	-
A.3 Hedged financial liabilities (in fair value hedge relationship)	161	388
A.4 Cash-flow hedging derivatives	-	-
A.5 Assets and liabilities denominated in currency	-	-
Total gains on hedging activities (A)	**2,299**	**3,047**
B. Losses on		
B.1 Fair value hedging instruments	(1,244)	(2,808)
B.2 Hedged financial assets (in fair value hedge relationship)	(1,016)	(240)
B.3 Hedged financial liabilities (in fair value hedge relationship)	(38)	-
B.4 Cash-flow hedging derivatives	-	-
B.5 Assets and liabilities denominated in currency	-	-
Total losses on hedging activities (B)	**(2,298)**	**(3,048)**
C. Net hedging result (A – B)	**1**	**(1)**
of which: net gains (losses) of hedge accounting on net positions	-	-

The decline in the fair values of derivatives in 2023 is due to the market environment. In 2022, a significant rise in interest rates led to a considerable increase in the fair values of hedges on both the assets and liabilities side.

B – Notes to the income statement

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

B.6.1 Gains (Losses) on disposal/repurchase

(€ million)

ITEMS/P&L ITEMS	YEAR 2023 GAINS	YEAR 2023 LOSSES	YEAR 2023 NET PROFIT	YEAR 2022 GAINS	YEAR 2022 LOSSES	YEAR 2022 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	(8)	(6)	17	(27)	(10)
2.1 Debt securities	2	(8)	(6)	17	(27)	(10)
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**2**	**(19)**	**(18)**	**17**	**(27)**	**(10)**
B. Financial liabilities at amortised cost						
1. Deposits from banks	-	-	-	79	-	79
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities in issue	4	(3)	1	1	(1)	(1)
Total liabilities (B)	**4**	**(3)**	**1**	**79**	**(1)**	**78**
Total financial assets/liabilities			**(16)**			**68**

B.7 – 110. Net change in financial assets and liabilities at fair value through profit or loss

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

(€ million)

TRANSACTIONS/P&L ITEMS	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A + B) + (C + D)]
1. Financial assets	**5**	**-**	**-**	**(1)**	**5**
1.1 Debt securities	5	-	-	(1)	5
1.2 Loans	-	-	-	-	-
2. Financial liabilities	**-**	**-**	**(1)**	**-**	**(1)**
2.1 Debt securities	-	-	(1)	-	(1)
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 31.12.2023	**5**	**-**	**(1)**	**(1)**	**4**
Total 31.12.2022	**119**	**-**	**(138)**	**(13)**	**(32)**

B.7.2 Net gains (losses) on other financial assets/liabilities at fair value through profit or loss: b) other financial assets mandatorily at fair value

(€ million)

TRANSACTIONS/P&L ITEMS	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A + B) + (C + D)]
1. Financial assets	**8**	**1**	**(5)**	**-**	**4**
1.1 Debt securities	2	-	-	-	2
1.2 Equity securities	-	-	-	-	-
1.3 Units in investment funds	-	-	-	-	-
1.4 Loans	5	1	(4)	-	2
2. Financial assets: exchange differences	**X**	**X**	**X**	**X**	**-**
Total 31.12.2023	**8**	**1**	**(5)**	**-**	**4**
Total 31.12.2022	**2**	**2**	**(44)**	**(2)**	**(41)**

B – Notes to the income statement

B.8 – 130. Impairments

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

(€ million)

	YEAR 2023											YEAR 2022
	WRITE-DOWNS						WRITE-BACKS					
			STAGE 3		POCI ASSETS							
TRANSACTIONS/INCOME ITEMS	STAGE 1	STAGE 2	WRITE-OFF	OTHER	WRITE-OFF	OTHER	STAGE 1	STAGE 2	STAGE 3	POCI ASSETS	TOTAL	TOTAL
A. Loans and advances to banks	**-**	**-**	**-**	**(2)**	**-**	**-**	**-**	**7**	**-**	**-**	**6**	**(14)**
- Loans	-	-	-	(2)	-	-	-	7	-	-	6	(15)
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
B. Loans and advances to customers	**(69)**	**(351)**	**(9)**	**(207)**	**-**	**-**	**77**	**241**	**263**	**4**	**(52)**	**(75)**
- Loans	(69)	(351)	(9)	(207)	-	-	77	241	263	4	(53)	(75)
- Debt securities	-	-	-	-	-	-	1	-	-	-	1	-
Total	**(69)**	**(352)**	**(9)**	**(209)**	**-**	**-**	**78**	**248**	**263**	**4**	**(46)**	**(90)**

The development of provisions and write-downs on "loans and advances to customers" is presented in the risk report at the sections “Overall picture of the development of expected credit losses”, “Development of credit risk costs” and “Non-performing loans”.

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

(€ million)

	YEAR 2023											YEAR 2022
	WRITE-DOWNS						WRITE-BACKS					
			STAGE 3		POCI ASSETS							
TRANSACTIONS/INCOME ITEMS	STAGE 1	STAGE 2	WRITE-OFF	OTHER	WRITE-OFF	OTHER	STAGE 1	STAGE 2	STAGE 3	POCI ASSETS	TOTAL	TOTAL
A. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**
B. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Loans and advances to customers	-	-	-	-	-	-	-	-	-	-	-	-
- Loans and advances to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**

B – Notes to the income statement

B.9 – 190. a) Payroll costs

B.9.1 Staff expenses

(€ million)

TYPE OF EXPENSES/VALUES	YEAR 2023	YEAR 2022
1) Employees	**(831)**	**(580)**
a) Wages and salaries	(430)	(427)
b) Social charges	(105)	(108)
c) Severance pay	-	-
d) Social security costs	-	-
e) Allocation to employee severance pay provision	-	-
f) Provision for retirements and similar provisions	(117)	(49)
- Defined contribution	-	-
- Defined benefit	(117)	(49)
g) Payments to external pension funds	(14)	(14)
- Defined contribution	(13)	(13)
- Defined benefit	(1)	(1)
h) Costs arising from share-based payments	(4)	(3)
i) Other employee benefits	(161)	19
2) Other staff	**(12)**	**(13)**
3) Directors and Statutory Auditors	**-**	**-**
4) Early retirement costs	**-**	**-**
5) Recoveries of payments for second employees to other companies	**44**	**40**
6) Early retirement costs	**(28)**	**(9)**
Total	**(827)**	**(563)**

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

(€ million)

	YEAR 2023	YEAR 2022
Current service cost	(10)	(12)
Settlement gains (losses)	-	-
Past service cost	-	(1)
Interest cost on the DBO	(108)	(36)
Interest income on plan assets	-	-
Other costs/revenues	-	-
Administrative expenses paid through plan assets	-	-
Total recognised in profit or loss	**(117)**	**(49)**

B.9.3 Other employee benefits

(€ million)

	YEAR 2023	YEAR 2022
- Seniority premiums	(1)	-
- Leaving incentives	(147)	31
- Other	(13)	(12)
Total	**(161)**	**19**

In 2023, the sub-item "Leaving incentives" mainly includes allocations to the provision for restructuring measures as part of the updated strategic plan for 2024 to 2026 "UniCredit Unlocked" in the amount of €-151 million (before discounting). In 2022, the sub-item "leaving incentives" from UniCredit Bank Austria AG includes €17 million from the discounting of non-current provisions and liabilities and €7 million from the reversal of the restructuring provision from the previous year.

B – Notes to the income statement

B.10 – 190. b) Other administrative expenses

B.10.1 Other administrative expenses: breakdown

(€ million)

TYPE OF EXPENSES/SECTORS	YEAR 2023	YEAR 2022
1) Indirect taxes and duties	**(22)**	**(22)**
1a. Settled	(22)	(22)
1b. Unsettled	-	-
2) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)	**(57)**	**(85)**
3) Guarantee fee for DTA conversion	**-**	**-**
4) Miscellaneous costs and expenses	**(431)**	**(445)**
a) Advertising marketing and communication	(15)	(17)
b) Expenses relating to credit risk	(6)	(5)
c) Indirect expenses relating to personnel	(7)	(6)
d) Information & Communication Technology expenses	(237)	(250)
Lease of ICT equipment and software	-	(1)
Software expenses: lease and maintenance	(6)	(6)
ICT communication systems	(6)	(6)
Services ICT in outsourcing	(215)	(229)
Financial information providers	(10)	(10)
e) Consulting and professional services	(14)	(12)
Consulting	(11)	(9)
Legal expenses	(4)	(3)
f) Real estate expenses	(42)	(37)
Rentals of premises	(3)	(2)
Utilities	(17)	(13)
Other real estate expenses	(22)	(21)
g) Operating costs	(110)	(117)
Surveillance and security services	(3)	(2)
Money counting services and transport	(5)	(5)
Printing and stationery	(4)	(4)
Postage and transport of documents	(17)	(16)
Administrative and logistic services	(49)	(78)
Insurance	(4)	(3)
Association dues and fees and contributions to the administrative expenses deposit guarantee funds	(11)	(8)
Other administrative expenses - other	(17)	(2)
Total (1+2+3+4)	**(510)**	**(552)**

In 2023, bank levies and contributions to the resolution funds and deposit guarantee schemes decreased overall to €-78 million (previous year: €-107 million). Of the total amount, €-5 million (previous year: €-16 million) was attributable to the deposit guarantee schemes and €-51 million (previous year: €-69 million) to the resolution funds and €-22 million (previous year: €-22 million) to the bank levy.

B – Notes to the income statement

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

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

(€ million)

	YEAR 2023		
	PROVISIONS	SURPLUS REALLOCATIONS	TOTAL
Loan commitments	(50)	37	**(13)**
Financial guarantees given	(35)	52	**17**

Details on the development of the provision for loan commitments and financial guarantees issued are presented in E.2.4 "Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions".

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

(€ million)

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

Details on the development of the provision for loan commitments and financial guarantees issued are presented in E.2.4 "Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions".

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

B.12.1 Net provisions for risks and charges

(€ million)

	YEAR 2023			YEAR 2022
ASSETS/P&L ITEMS	PROVISIONS	REALLOCATION SURPLUS	TOTAL	TOTAL
1. Other provisions				
1.1 Legal disputes	(17)	11	(5)	(2)
1.2 Staff costs	-	-	-	-
1.3 Other	(20)	7	(13)	(22)
Total	**(37)**	**18**	**(19)**	**(24)**

B – Notes to the income statement

B.13 – 210. Depreciation, value adjustments and write-backs on tangible fixed assets

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

(€ million)

ASSETS/INCOME ITEMS	YEAR 2023 DEPRECIATION (A)	YEAR 2023 IMPAIRMENT LOSSES (B)	YEAR 2023 WRITE-BACKS (C)	YEAR 2023 NET PROFIT (A+B-C)	YEAR 2022 DEPRECIATION (A)	YEAR 2022 IMPAIRMENT LOSSES (B)	YEAR 2022 WRITE-BACKS (C)	YEAR 2022 NET PROFIT (A+B-C)
A. Property, plant and equipment								
A.1 Used in the business	**(79)**	**(8)**	**-**	**(87)**	**(82)**	**(15)**	**-**	**(97)**
- Owned	(46)	-	-	(46)	(49)	-	-	(49)
- Right of use of Leased Assets	(34)	(8)	-	(42)	(33)	(15)	-	(48)
A.2 Held for investment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Owned	-	-	-	-	-	-	-	-
- Right of use of Leased Assets	-	-	-	-	-	-	-	-
A.3 Inventories	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total A	**(79)**	**(8)**	**-**	**(87)**	**(82)**	**(15)**	**-**	**(97)**
B. Non-current assets and groups of assets held for sale	**X**	**-**	**-**	**-**	**X**	**-**	**-**	**-**
- Used in the business	X	-	-	-	X	-	-	-
- Held for investments	X	-	-	-	X	-	-	-
- Inventories	X	-	-	-	X	-	-	-
Total (A+B)	**(79)**	**(8)**	**-**	**(87)**	**(82)**	**(15)**	**-**	**(97)**

B – Notes to the income statement

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

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

(€ million)

ASSETS/INCOME ITEMS	YEAR 2023			
	AMORTISATION (A)	IMPAIRMENT LOSSES (B)	WRITE-BACKS (C)	NET PROFIT (A+B-C)
A. Intangible assets				
of which: software	*(3)*	*-*	*-*	*(3)*
A.1 Owned	**(3)**	**-**	**-**	**(3)**
- Generated internally by the company	-	-	-	-
- Other	(3)	-	-	(3)
A.2 Right of use of Leased Assets	**-**	**-**	**-**	**-**
Total	**(3)**	**-**	**-**	**(3)**

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

(€ million)

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

B.15 – 230. Other operating income and expenses

B.15.1 Other operating expenses

(€ million)

TYPE OF EXPENSE/VALUES	YEAR 2023	YEAR 2022
Costs for operating leases	-	-
Non-deductible tax and other fiscal charges	-	-
Write-downs on leasehold improvements	(10)	(11)
Costs relating to the specific service of financial leasing	-	-
Other	(33)	(102)
Total of other operating expenses	**(43)**	**(114)**

B – Notes to the income statement

B.15.2 Other operating income

(€ million)

TYPE OF REVENUE/VALUES	YEAR 2023	YEAR 2022
A) Recovery of costs	**1**	**-**
B) Other revenues	**94**	**152**
Revenues from administrative services	12	16
Revenues from operating leases	62	52
Recovery of miscellaneous costs paid in previous years	3	67
Revenues on financial leases activities	-	-
Other	17	17
Total of other operating income (A+B)	**95**	**152**

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

B.16.1 Profit (Loss) from equity investments

(€ million)

P&L ITEMS/VALUES	YEAR 2023	YEAR 2022
A. Income	**394**	**124**
1. Revaluations	293	122
2. Gains on disposal	-	-
3. Writebacks	101	2
4. Other gains	-	-
B. Expenses	**-**	**(115)**
1. Writedowns	-	-
2. Impairment losses	-	(114)
3. Losses on disposal	-	-
4. Other expenses	-	-
Net profit	**394**	**10**

Profit of associated companies amounts to €293 million (previous year: €122 million). This item includes pro rata profits from companies subject to significant influence, mainly the 3-Banken Group and Oesterreichische Kontrollbank.
The Write-backs in the financial year 2023 related to BKS €77 million, BTV €20 million and CBD International Sp.z.o.o. €4 million.
The impairment losses in the 2022 financial year related to BTV €-86 million; BKS €-22 million.

B – Notes to the income statement

B.17 – 260. Gains and losses on tangible and intangible fixed assets at fair value

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

(€ million)

ASSETS/INCOME COMPONENTS	YEAR 2023				
			EXCHANGE DIFFERENCES		
	REVALUATIONS (A)	WRITEDOWNS (B)	POSITIVE (C)	NEGATIVE (D)	NET PROFIT (A-B+C-D)
A. Property, plant and equipment	**6**	**(17)**	**-**	**(1)**	**(12)**
A.1 Used in the business	**-**	**(4)**	**-**	**-**	**(4)**
- Owned	-	(4)	-	-	(4)
- Right of use of Leased Assets	-	-	-	-	-
A.2 Held for investment	**6**	**(13)**	**-**	**(1)**	**(9)**
- Owned	6	(13)	-	(1)	(9)
- Right of use of Leased Assets	-	-	-	-	-
A.3 Inventories	**-**	**-**	**-**	**-**	**-**
B. Intangible assets	**-**	**-**	**-**	**-**	**-**
B.1 Owned	**-**	**-**	**-**	**-**	**-**
- Generated internally by the company	-	-	-	-	-
- Other	-	-	-	-	-
B.2 Right of use of Leased Assets	**-**	**-**	**-**	**-**	**-**
Total	**6**	**(17)**	**-**	**(1)**	**(12)**

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

(€ million)

ASSETS/INCOME COMPONENTS	YEAR 2022				
			EXCHANGE DIFFERENCES		
	REVALUATIONS (A)	WRITEDOWNS (B)	POSITIVE (C)	NEGATIVE (D)	NET PROFIT (A-B+C-D)
A. Property, plant and equipment	**7**	**(8)**	**2**	**-**	**2**
A.1 Used in the business	**-**	**(1)**	**-**	**-**	**-**
- Owned	-	(1)	-	-	-
- Right of use of Leased Assets	-	-	-	-	-
A.2 Held for investment	**7**	**(7)**	**2**	**-**	**2**
- Owned	7	(7)	2	-	2
- Right of use of Leased Assets	-	-	-	-	-
A.3 Inventories	**-**	**-**	**-**	**-**	**-**
B. Intangible assets	**-**	**-**	**-**	**-**	**-**
B.1 Owned	**-**	**-**	**-**	**-**	**-**
- Generated internally by the company	-	-	-	-	-
- Other	-	-	-	-	-
B.2 Right of use of Leased Assets	**-**	**-**	**-**	**-**	**-**
Total	**7**	**(8)**	**2**	**-**	**2**

B – Notes to the income statement

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

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

(€ million)

P&L ITEMS/SECTORS	YEAR 2023	YEAR 2022
A. Property		
- Gains on disposal	1	6
- Losses on disposal	-	-
B. Other assets		
- Gains on disposal	2	-
- Losses on disposal	(1)	-
Net profit	**1**	**6**

B.19 – 300. Income tax

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

(€ million)

P&L ITEMS/SECTORS		YEAR 2023	YEAR 2022
1.	Current taxes (-)	(81)	(20)
2.	Change of current taxes of previous years (+/-)	3	2
3.	Reduction of current taxes for the year (+)	23	18
3.a	Reduction of current taxes for the year due tax credit under Law 214/2011 (+)	-	-
4.	Change of deferred tax assets (+/-)	(275)	135
5.	Change of deferred tax liabilities (+/-)	71	3
6.	**Tax expenses for the year (-) (-1+/-2+3+/-4+/-5)**	**(259)**	**139**

At UniCredit Bank Austria AG, deferred tax liabilities of €17 million (previous year: deferred tax assets of €155 million) were offset outside profit or loss for the period in shareholders' equity, primarily due to the recognition of actuarial gains and losses on pension and severance obligations in the current year.
The increase in current taxes is due to the profit position in 2023.

The change of the deferred tax assets results mainly from the usage of capitalized tax losses carryforwards, from the change in the pension and severance provisions and from the changes in the bad debt allowances.

The change of the deferred tax liabilities results mainly from the changes related to pension and severance obligations as well as financial instruments.

B – Notes to the income statement

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

(€ millions)

	YEAR 2023	YEAR 2022
Total profit of loss before tax from continuing operations	**1,381**	**684**
Applicable tax rate	24%	25%
Theoretical tax	**(331)**	**(171)**
Different tax rates	-	-
Non-taxable income	3	141
Non-deductible expenses	(16)	(2)
Different fiscal laws	2	(4)
Prior years and changes in tax rates	31	(1)
a) effects on current tax	26	(1)
b) effects on deferred tax	4	-
Valuation adjustments and non-recognition of deferred taxes	56	25
Amortisation of goodwill	-	-
Non-taxable foreign income	-	-
Other differences	(2)	151
Recognized taxes on income	**(259)**	**139**

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

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

As in the previous year, there were no discontinued operations in the 2023 financial year. Therefore, no data is to be disclosed.

B.21 – Earnings per share

B.21.1 Earnings per share

	YEAR 2023	YEAR 2022
Net profit or loss attributable to the ordinary shareholders of UniCredit Bank Austria AG in € million	1,120	823
from continuing operations	1,120	823
from discontinued operations	-	-
Weighted average number of ordinary shares (in million) outstanding in the reporting period	231.2	231.2
Basic/diluted earnings per share in €	**4.84**	**3.56**
from continuing operations	4.84	3.56
from discontinued operations	-	-

During the reporting period, no financial instruments with a dilutive effect on the bearer shares were outstanding. Therefore, basic earnings per share in accordance with IAS 33 equal diluted earnings per share in accordance with IAS 33. Earnings per share are calculated based on the average number of shares outstanding (2023: 231.2 million shares; 2022: 231.2 million shares).

B – Notes to the income statement

B.22 – Appropriation of profits

The net profit of UniCredit Bank Austria AG for the financial year from 1 January 2023 to 31 December 2023 amounted to €833,424,121.05. The Management Board proposes to the Annual General Meeting that from the net balance sheet for the financial year 2023 of UniCredit Bank Austria AG in the amount of €1,417,495,343.51, a dividend of €3.60 per share entitled to a dividend be paid out on the share capital of €1,681,033,521.40. As the number of shares is 231,228,820, the total amount of the proposed dividend is €832,423,752.00.

C – Notes to the statement of financial position

Assets

Liabilities and Equity

C – Notes to the statement of financial position

C.1 – 10. Cash and cash balances

C.1.1 Cash and cash balances: breakdown

(€ million)

	AMOUNTS AS AT	
	31.12.2023	31.12.2022
a) Cash	67	77
b) Current accounts and demand deposits with Central Banks	8,259	12,693
c) Current accounts and demand deposits with Banks	403	857
Total	**8,730**	**13,627**

The item "c) Current accounts and demand deposits with Banks" comprises current accounts that can be converted into cash immediately.

In the 2023 financial year, the liquidity surplus in excess of the minimum reserve held at the Austrian National Bank was reclassified from item "40. a) Financial assets at amortized cost / Loans and advances to banks" to item "10. b). Cash reserve" / Balances with central banks". The previous year's figures have been adjusted to ensure comparability. Further information on this adjustment can be found in the subsection "A.2 - Basis of preparation of the financial statements - Adjustment of published prior-year figures".

C.2 – 20. Financial assets measured at fair value through profit or loss

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

(€ million)

	AMOUNTS AS AT 31.12.2023			AMOUNTS AS AT 31.12.2022		
ITEMS/VALUES	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
A. Financial assets (non-derivatives)						
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**
3. Units in investment funds	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Reverse Repos	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments						
1. Financial derivatives	**-**	**1,564**	**8**	**-**	**2,423**	**2**
1.1 Trading	-	1,494	8	-	2,322	2
1.2 Linked to fair value option	-	70	-	-	101	-
1.3 Other	-	-	-	-	-	-
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Trading	-	-	-	-	-	-
2.2 Linked to fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total (B)	**-**	**1,564**	**8**	**-**	**2,423**	**2**
Total (A+B)	**-**	**1,564**	**8**	**-**	**2,424**	**2**
Total Level 1, Level 2 and Level 3			**1,573**			**2,426**

C – Notes to the statement of financial position

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

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 31.12.2023			AMOUNTS AS AT 31.12.2022		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**-**	**7**	**67**	**-**	**4**	**68**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	7	67	-	4	68
2. Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**
3. Units in investment funds	**-**	**-**	**1**	**-**	**-**	**2**
4. Loans	**-**	**346**	**89**	**-**	**434**	**130**
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	346	89	-	434	130
Total	**-**	**353**	**157**	**-**	**438**	**200**
Total Level 1, Level 2 and Level 3			**509**			**638**

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

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 31.12.2023	31.12.2022
1. Equity instruments	**-**	**-**
of which: banks	-	-
of which: other financial companies	-	-
of which: non-financial companies	-	-
2. Debt securities	**74**	**72**
a) Central banks	-	-
b) Governments and other Public Sector Entities	61	59
c) Banks	-	-
d) Other financial companies	13	12
of which: insurance companies	*13*	*12*
e) Non-financial companies	-	-
3. Units in investment funds	**1**	**2**
4. Loans and advances	**435**	**564**
a) Central banks	-	-
b) Governments and other Public Sector Entities	-	-
c) Banks	-	-
d) Other financial companies	5	7
of which: insurance companies	-	-
e) Non-financial companies	235	319
f) Households	195	238
Total	**509**	**638**

C – Notes to the statement of financial position

C.3 – 30. Financial assets measured at fair value through other comprehensive income

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

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 31.12.2023 LEVEL 1	LEVEL 2	LEVEL 3	AMOUNTS AS AT 31.12.2022 LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**13,362**	**1,330**	**478**	**9,659**	**1,841**	**499**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other	13,362	1,330	478	9,659	1,841	499
2. Equity instruments	**-**	**55**	**108**	**-**	**54**	**115**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**13,362**	**1,384**	**586**	**9,659**	**1,895**	**614**
Total Level 1, Level 2 and Level 3			**15,332**			**12,168**

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

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 31.12.2023	AMOUNTS AS AT 31.12.2022
1. Debt securities	**15,170**	**11,999**
a) Central Banks	-	-
b) Governments and other Public Sector Entities	11,491	8,937
c) Banks	3,474	2,855
d) Other financial companies	70	71
of which: insurance companies	-	-
e) Non-financial companies	135	137
2. Equity instruments	**162**	**169**
a) Banks	55	54
b) Other issuers	108	115
- Other financial companies	40	38
of which: insurance companies	-	27
- Non-financial companies	63	72
- Other	5	5
3. Loans and advances	**-**	**-**
a) Central Banks	-	-
b) Governments and other Public Sector Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**15,332**	**12,168**

C – Notes to the statement of financial position

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

(€ million)

	GROSS VALUE					TOTAL ACCUMULATED IMPAIRMENTS				
	STAGE 1									
		OF WHICH: INSTRUMENTS WITH LOW CREDIT RISK EXEMPTION	STAGE 2	STAGE 3	POCI ASSETS	STAGE 1	STAGE 2	STAGE 3	POCI ASSETS	PARTIAL ACCUMULATED WRITE-OFFS(*)
Debt securities	15,171	15,171	-	-	-	1	-	-	-	-
Loans and advances	-	-	-	-	-	-	-	-	-	-
Total 31.12.2023	**15,171**	**15,171**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**-**
Total 31.12.2022	**11,952**	**11,952**	**48**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

C.4 – 40. Financial assets at amortised cost

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

(€ million)

	AMOUNTS AS AT 31.12.2023						AMOUNTS AS AT 31.12.2022					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
TYPE OF TRANSACTIONS/VALUES	STAGE 1 AND STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	LEVEL 1	LEVEL 2	LEVEL 3	STAGE 1 AND STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	LEVEL 1	LEVEL 2	LEVEL 3
A. Loans and advances to Central Banks	**575**	**-**	**-**	**-**	**-**	**575**	**619**	**-**	**-**	**-**	**-**	**644**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserves	575	-	-	X	X	X	619	-	-	X	X	X
3. Reverse repos	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans and advances to banks	**4,053**	**49**	**-**	**1,342**	**2,431**	**144**	**3,493**	**63**	**-**	**1,291**	**1,634**	**420**
1. Loans	2,534	49	-	-	2,389	144	1,683	63	-	-	1,603	119
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2 Time deposits	1,464	-	-	X	X	X	934	-	-	X	X	X
1.3 Other loans	1,070	49	-	X	X	X	749	63	-	X	X	X
- Reverse repos	577	-	-	X	X	X	-	-	-	X	X	X
- Lease Loans	-	-	-	X	X	X	-	-	-	X	X	X
- Other	493	49	-	X	X	X	749	63	-	X	X	X
2. Debt securities	1,520	-	-	1,342	41	-	1,810	-	-	1,291	31	301
2.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other	1,520	-	-	1,342	41	-	1,810	-	-	1,291	31	301
Total	**4,629**	**49**	**-**	**1,342**	**2,431**	**719**	**4,110**	**63**	**-**	**1,291**	**1,634**	**1,064**
Total Level 1, Level 2 and Level 3						**4,492**						**3,989**

In the 2023 financial year, the liquidity surplus in excess of the minimum reserve held at the Austrian National Bank was reclassified from item "40. a) Financial assets at amortized cost: Loans and advances to banks" to item "10. b). Cash reserve" / Balances with central banks". The previous year's figures have been adjusted to ensure comparability. Further information on this adjustment can be found in the subsection "A.2 - Basis for the preparation of the financial statements - Adjustment of published prior-year figures".

C – Notes to the statement of financial position

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

(€ million)

	AMOUNTS AS AT 31.12.2023						AMOUNTS AS AT 31.12.2022					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
TYPE OF TRANSACTIONS/VALUES	STAGE 1 AND STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	LEVEL 1	LEVEL 2	LEVEL 3	STAGE 1 AND STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	LEVEL 1	LEVEL 2	LEVEL 3
1. Loans	**62,187**	**1,381**	**7**	**-**	**25,045**	**36,965**	**64,452**	**1,208**	**8**	**-**	**24,735**	**37,972**
1.1 Current accounts	5,288	138	-	X	X	X	5,228	127	-	X	X	X
1.2 Reverse repos	-	-	-	X	X	X	-	-	-	X	X	X
1.3 Mortgages	14,819	50	1	X	X	X	14,685	50	1	X	X	X
1.4 Credit cards and personal loans, including wage assignment	748	55	1	X	X	X	843	36	-	X	X	X
1.5 Lease loans	1,508	114	-	X	X	X	1,657	74	-	X	X	X
1.6 Factoring	2,331	6	-	X	X	X	2,368	10	-	X	X	X
1.7 Other loans	37,492	1,018	5	X	X	X	39,671	910	6	X	X	X
2. Debt securities	**2,036**	**-**	**-**	**1,630**	**150**	**88**	**2,117**	**-**	**-**	**1,607**	**145**	**115**
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	2,036	-	-	1,630	150	88	2,117	-	-	1,607	145	115
Total	**64,223**	**1,381**	**7**	**1,630**	**25,195**	**37,053**	**66,569**	**1,208**	**8**	**1,607**	**24,880**	**38,087**
Total Level 1, Level 2 and Level 3						**63,878**						**64,574**

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

The item "1.7 Other loans" mainly includes export and special financing in the amount of €16,759 million (previous year: €17,444 million).

C – Notes to the statement of financial position

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 31.12.2023			AMOUNTS AS AT 31.12.2022		
	STAGE 1 OR STAGE 2	STAGE 3	POCI ASSETS	STAGE 1 OR STAGE 2	STAGE 3	POCI ASSETS
1. Debt securities	**2,036**	**-**	**-**	**2,117**	**-**	**-**
a) Governments and other Public Sector Entities	1,646	-	-	1,781	-	-
b) Other financial companies	158	-	-	85	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	232	-	-	252	-	-
2. Loans	**62,187**	**1,381**	**7**	**64,452**	**1,208**	**8**
a) Governments and other Public Sector Entities	6,666	216	-	6,950	257	-
b) Other financial companies	4,240	2	-	4,403	1	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	32,601	816	5	33,575	667	5
d) Households	18,681	347	3	19,524	283	3
Total	**64,223**	**1,381**	**7**	**66,569**	**1,208**	**8**

The breakdown of financial assets into stage 1 and stage 2 and the accumulated impairments of loans and advances to customers at amortized cost can be found in "E.2 - Credit risks".

The gross loan volume of receivables from customers before deduction of impairments as at December 31, 2023 amounted to €65,106 million (previous year: €67,177 million).

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

(€ million)

	GROSS VALUE					TOTAL ACCUMULATED IMPAIRMENTS				
	STAGE 1									
		OF WHICH: INSTRUMENTS WITH LOW CREDIT RISK EXEMPTION	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	STAGE 1	STAGE 2	STAGE 3	POCI ASSETS	PARTIAL ACCUMULATED WRITE-OFFS(*)
1. Debt securities	3,556	3,556	-	-	-	-	-	-	-	-
2. Loans	50,457	6,436	15,503	2,298	10	103	561	868	2	74
Total 31.12.2023	**54,013**	**9,991**	**15,503**	**2,298**	**10**	**103**	**561**	**868**	**2**	**74**
Total 31.12.2022	**67,747**	**8,746**	**16,195**	**2,219**	**10**	**109**	**463**	**949**	**2**	**52**

In the 2023 financial year, the liquidity surplus in excess of the minimum reserve held at the Austrian National Bank was reclassified from item "40. a) Financial assets at amortized cost: Loans and advances to banks" to item "10. b). Cash reserve" / Balances with central banks". The previous year's figures have been adjusted to ensure comparability. Further information on this adjustment can be found in the subsection "A.2 - Basis for the preparation of the financial statements - Adjustment of published prior-year figures".

C – Notes to the statement of financial position

C.5 – 50. Hedging derivatives (assets)

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

(€ million)

	AMOUNTS AS AT 31.12.2023				AMOUNTS AS AT 31.12.2022			
	FAIR VALUE			NOTIONAL AMOUNT	FAIR VALUE			NOTIONAL AMOUNT
	LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3	
A. Financial derivatives	**-**	**2,862**	**-**	**46,528**	**-**	**4,093**	**-**	**64,004**
1) Fair value	-	2,709	-	44,943	-	3,940	-	59,078
2) Cash flows	-	153	-	1,585	-	153	-	4,926
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	**-**	**-**
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**2,862**	**-**	**46,528**	**-**	**4,093**	**-**	**64,004**
Total Level 1, Level 2 and Level 3			**2,862**				**4,093**	

The fair value measurements were classified according to hierarchy levels that reflect the observability of the inputs used in the measurement.

The reduction in the nominal value compared to the previous year is mainly due to hedges for TLTRO transactions that expired in 2023. The table does not include €3.6 million of nominal amount (previous year: €4.5 million) referred to derivatives with a present value equal to zero.

A breakdown of financial derivatives by interest rate and currency derivatives can be found in table "E.5.2 Hedging derivatives: positive and negative gross fair value - breakdown by product".

C.6 – 60. Changes in market value of portfolio hedged items (assets)

C.6.1 Changes to macro-hedged financial assets: breakdown by hedged portfolio

(€ million)

CHANGES TO HEDGED ASSETS/GROUP COMPONENTS	AMOUNTS AS AT 31.12.2023	31.12.2022
1. Positive changes	**893**	**1,233**
1.1 Of specific portfolios	893	1,233
a) Financial assets at amortised cost	893	1,233
b) Financial assets at fair value through other comprehensive income	-	-
1.2 Overall	-	-
2. Negative changes	**2,178**	**3,366**
2.1 Of specific portfolios	2,178	3,366
a) Financial assets at amortised cost	2,178	3,366
b) Financial assets at fair value through other comprehensive income	-	-
2.2 Overall	-	-
Total	**(1,285)**	**(2,133)**

The decrease in the item is largely due to the development of the market yield curves in 2023.

C – Notes to the statement of financial position

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

C.7.1 Investments in associates and joint ventures

(€ million)

	CHANGES IN	
	31.12.2023	31.12.2022
A. Opening balance as at 1 January	**2,470**	**2,415**
B. Increases	**394**	**168**
B.1 Purchases	-	-
B.2 Write-backs	101	2
B.3 Revaluation	293	122
B.4 Other changes	-	44
C. Decreases	**(14)**	**(114)**
C.1 Sales	-	-
C.2 Write-downs	-	-
C.3 Impairment	-	(114)
C.4 Other changes	(14)	-
D. Closing balance as at 31 December	**2,850**	**2,470**

The revaluation amounted to €293 million (previous year: €122 million). This item primarily includes the pro-rata results of the material equity-accounted investments in 3-Banken Group and Oesterreichische Kontrollbank.

The write-backs in the 2023 financial year related to BKS €77 million, BTV €20 million and CBD International Sp.z.o.o. €4 million.
The impairment losses in the 2022 financial year related to BTV €-86 million and BKS €-22 million.

C – Notes to the statement of financial position

C.8 – 90. Property, plant and equipment

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

As at 31 December 2023, as in previous year fair value of both properties held for investment and properties used in business were re-determined through external appraisals. Other properties are measured at amortised costs.

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

(€ million)

ASSETS/VALUES	AMOUNTS AS AT 31.12.2023	AMOUNTS AS AT 31.12.2022
1. Owned assets	**237**	**229**
a) Land	-	-
b) Buildings	-	-
c) Office furniture and fitting	19	23
d) Electronic systems	13	12
e) Other	205	194
2. Right of use of Leased Assets	**247**	**259**
a) Land	-	-
b) Buildings	243	254
c) Office furniture and fitting	-	-
d) Electronic systems	-	-
e) Other	4	5
Total	**484**	**488**
of which: obtained by the enforcement of collateral	-	-

C.8.2 Property, plant and equipment used in the business: breakdown of revalued assets

(€ million)

	AMOUNTS AS AT 31.12.2023			AMOUNTS AS AT 31.12.2022		
ASSETS/VALUES	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Owned assets	**-**	**-**	**151**	**-**	**-**	**153**
a) Land	-	-	59	-	-	58
b) Buildings	-	-	92	-	-	96
c) Office furniture and fitting	-	-	-	-	-	-
d) Electronic systems	-	-	-	-	-	-
e) Other	-	-	-	-	-	-
2. Right of use of Leased Assets	**-**	**-**	**-**	**-**	**-**	**-**
a) Land	-	-	-	-	-	-
b) Buildings	-	-	-	-	-	-
c) Office furniture and fitting	-	-	-	-	-	-
d) Electronic systems	-	-	-	-	-	-
e) Other	-	-	-	-	-	-
Total	**-**	**-**	**151**	**-**	**-**	**153**
of which: obtained by the enforcement of collateral	-	-	-	-	-	-
Total Level 1, Level 2 and Level 3			**151**			**153**

C – Notes to the statement of financial position

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

(€ million)

	AMOUNTS AS AT 31.12.2023			AMOUNTS AS AT 31.12.2022		
ASSETS/VALUES	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Owned assets	**-**	**-**	**203**	**-**	**-**	**219**
a) Land	-	-	102	-	-	112
b) Buildings	-	-	101	-	-	107
2. Right of use of Leased Assets	**-**	**-**	**-**	**-**	**-**	**-**
a) Land	-	-	-	-	-	-
b) Buildings	-	-	-	-	-	-
Total	**-**	**-**	**203**	**-**	**-**	**219**
of which: obtained by the enforcement of collateral	-	-	*46*	-	-	*49*
Total Level 1, Level 2 and Level 3			**203**			**219**

C.8.4 Inventories of property, plant and equipment in accordance with IAS2

As in the previous year, no inventories of property, plant and equipment were reported at the end of the reporting period in accordance with the IAS 2 portfolio.

C – Notes to the statement of financial position

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

(€ million)

	CHANGES IN 2023					
	LANDS	BUILDINGS	OFFICE FURNITURE AND FITTINGS	ELECTRONIC SYSTEMS	OTHER	TOTAL
A. Gross opening balance	**58**	**520**	**52**	**34**	**290**	**953**
A.1 Total net reduction in value	-	(171)	(29)	(21)	(90)	(312)
A.2 Net opening balance	58	349	23	12	199	641
B. Increases	**7**	**38**	**-**	**6**	**84**	**136**
B.1 Purchases	-	2	-	6	83	92
of which: business combinations	-	-	-	-	*1*	*1*
B.2 Capitalised expenditure on improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value	6	6	-	-	-	12
a) In equity	6	6	-	-	-	12
b) Through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfer from properties held for investment	-	-	X	X	X	-
B.7 Other changes	-	30	-	-	1	31
C. Reductions	**5**	**52**	**4**	**6**	**75**	**141**
C.1 Disposals	-	-	-	-	36	37
of which: business combinations	-	-	-	-	-	-
C.2 Depreciation	-	34	4	6	36	79
C.3 Impairment losses	3	10	-	-	-	13
a) In equity	3	2	-	-	-	5
b) Through profit or loss	-	8	-	-	-	8
C.4 Reduction of fair value	2	6	-	-	-	8
a) In equity	2	2	-	-	-	4
b) Through profit or loss	-	4	-	-	-	4
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfer to	-	-	-	-	-	-
a) Property, plant and equipment held for investment	-	-	X	X	X	-
b) Non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-
C.7 Other changes	-	2	-	-	2	4
D. Net final balance	**59**	**335**	**19**	**13**	**209**	**635**
D.1 Total net reduction in value	-	*(207)*	*(34)*	*(25)*	*(112)*	*(378)*
D.2 Gross closing balance	59	542	53	38	321	1,013
E. Carried at cost	**10**	**50**	**-**	**-**	**-**	**59**

C – Notes to the statement of financial position

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

(€ million)

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

C – Notes to the statement of financial position

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

(€ million)

	CHANGES IN 2023			CHANGES IN 2022
	LANDS	BUILDINGS	TOTAL	TOTAL
A. Opening balances	**112**	**107**	**219**	**233**
B. Increases	**5**	**4**	**8**	**11**
B.1 Purchases	-	-	-	-
of which: business combinations	-	-	-	-
B.2 Capitalised expenditure on improvements	-	-	-	-
B.3 Increases in fair value	4	1	6	7
B.4 Write-backs	-	-	-	-
B.5 Positive exchange differences	-	1	1	2
B.6 Transfer from properties used in the business	-	-	-	-
B.7 Other changes	-	1	1	3
C. Reductions	**14**	**9**	**24**	**26**
C.1 Disposals	2	2	3	6
of which: business combinations	-	-	-	-
C.2 Depreciation	-	-	-	-
C.3 Reductions in fair value	7	7	13	7
C.4 Impairment losses	-	-	-	-
C.5 Negative exchange differences	-	1	1	2
C.6 Transfer to	6	-	6	11
a) Properties used in the business	-	-	-	-
b) Non-current assets and disposal groups classified as held for sale	6	-	6	11
C.7 Other changes	-	-	-	-
D. Closing balances	**102**	**101**	**203**	**219**
E. Measured at fair value	**-**	**-**	**-**	**-**

C – Notes to the statement of financial position

C.8.7 Inventories of property, plant and equipment regulated by IAS2: annual changes

(€ million)

	CHANGES IN 2023							
	INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT OBTAINED BY ENFORCEMENT OF COLLATERAL							
	LANDS	BUILDINGS	OFFICE FURNITURE AND FITTINGS	ELECTRONIC SYSTEMS	OTHER	OTHER INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT	TOTAL IN 2023	TOTAL IN 2022
A. Opening balances	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Increases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10**
B.1 Purchases	-	-	-	-	-	-	-	10
of which: business combinations	-	-	-	-	-	-	-	-
B.2 Write-backs	-	-	-	-	-	-	-	-
B.3 Positive exchange differences	-	-	-	-	-	-	-	-
B.4 Other changes	-	-	-	-	-	-	-	-
C. Reductions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10**
C.1 Disposals	-	-	-	-	-	-	-	10
of which: business combinations	-	-	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	-	-	-	-	-
C.3 Negative exchange differences	-	-	-	-	-	-	-	-
C.4 Other changes	-	-	-	-	-	-	-	-
D. Closing balances	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

C – Notes to the statement of financial position

C.9 – 90. Intangible assets

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

C.9.1 Intangible assets: breakdown by asset type

(€ million)

	AMOUNTS AS AT 31.12.2023		AMOUNTS AS AT 31.12.2022	
ASSETS/VALUES	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE
A.1 Goodwill	**X**	**-**	**X**	**-**
A.1.1 Attributable to the Group	X	-	X	-
A.1.2 Attributable to minorities	X	-	X	-
A.2 Other intangible assets	**6**	**-**	**5**	**-**
of which: software	*6*	-	*5*	-
A.2.1 Assets carried at cost	6	-	5	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	6	-	5	-
A.2.2 Assets measured at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**6**	**-**	**5**	**-**
Total finite and indefinite life		**6**		**5**

C – Notes to the statement of financial position

C.9.2 Intangible assets: annual changes

(€ million)

	GOODWILL	OTHER INTANGIBLE ASSETS: GENERATED INTERNALLY: FINITE LIFE	OTHER INTANGIBLE ASSETS: GENERATED INTERNALLY: INDEFINITE LIFE	OTHER INTANGIBLE ASSETS: OTHER: FINITE LIFE	OTHER INTANGIBLE ASSETS: OTHER: INDEFINITE LIFE	TOTAL 31.12.2023	TOTAL 31.12.2022
A. Gross opening balance	**519**	**-**	**-**	**45**	**-**	**565**	**570**
A.1 Total net reduction in value	**(519)**	**-**	**-**	**(40)**	**-**	**(560)**	**(564)**
A.2 Net opening balance	-	-	-	5	-	5	6
B. Increases	X	-	-	4	-	4	3
B.1 Purchases	X	-	-	3	-	3	2
B.2 Increases in intangible assets generated internally	-	-	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-	-
B.4 Increases in fair value	X	-	-	-	-	-	-
- In equity	-	-	-	-	-	-	-
- Through profit or loss	-	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-	-
B.6 Other changes	**-**	**-**	**-**	**-**	**-**	**-**	**-**
of which: business combinations	-	-	-	-	-	-	-
C. Reduction	-	-	-	3	-	3	3
C.1 Disposals	X	-	-	-	-	-	-
C.2 Write-downs	-	-	-	3	-	3	3
- Amortisation	X	-	-	3	-	3	3
- Write-downs	-	-	-	-	-	-	-
- In equity	-	-	-	-	-	-	-
- Through profit or loss	X	-	-	-	-	-	-
C.3 Reduction in fair value	X	-	-	-	-	-	-
- In equity	-	-	-	-	-	-	-
- Through profit or loss	-	-	-	-	-	-	-
C.4 Transfer to non-current assets held for sale	-	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-	-
C.6 Other changes	**-**	**-**	**-**	**-**	**-**	**-**	**-**
of which: business combinations	-	-	-	-	-	-	-
D. Net closing balance	**-**	**-**	**-**	**6**	**-**	**6**	**5**
D.1 Total net write-down	2	-	-	(37)	-	(36)	(560)
E. Gross closing balance	**(2)**	**-**	**-**	**43**	**-**	**42**	**565**
F. Carried at cost	**-**	**-**	**-**	**-**	**-**	**-**	**-**

C – Notes to the statement of financial position

C.10 – 110. Tax claims

C.10.1 Tax claims

(€ million)

	AMOUNTS AS AT	
	31.12.2023	31.12.2022
Deferred tax assets arising from tax losses	**204**	**372**
Deferred tax assets arising from temporary differences	**637**	**703**
Financial assets and liabilities (different from loans and deposits)	145	148
Loans and deposits to/from banks and customers	71	125
Hedging and hedged item revaluation	10	28
Property, plant and equipment and intangible assets different from goodwill	72	3
Goodwill and equity investments	2	2
Current assets and liabilities held for sale	-	-
Other assets and Other liabilities	36	84
Provisions, pension funds and similar	302	314
Other	-	-
Accounting offsetting	**(326)**	**(365)**
Total	**514**	**710**

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

Included in assets are deferred taxes due to capitalized benefits from unused tax loss carryforwards in the amount of €204 million (prior year: €372 million). The majority of these loss carryforwards can be carried forward indefinitely.

For the assessment of the usability of the tax loss carryforwards as of 31 December 2023, the updated Multi-Year Plan "UniCredit Unlocked" for the years 2024 to 2026 was available, for tax purposes a roll-forward for subsequent years (10 years) based on the Monte-Carlo-simulation was used. On the basis of the tax projection, the deferred tax assets on loss carryforwards as of 31 December 2023 are to be regarded as recoverable. It should be noted that assumptions have been made with regard to the utilization of the loss carryforwards, which could change in the event of a change in the economic and other underlying conditions and thus have an impact on the income tax treatment.

No deferred tax assets were recognised for the following items (gross amounts), as from today's perspective a tax benefit does not appear realisable within a reasonable time. The amount of deferred taxes on tax losses carryforwards not recognized amounts to €57 million.

The item "Property, plant and equipment and intangible assets different from goodwill" includes right-of-use assets and lease liabilities from IFRS 16, which will be recognized gross in the 2023 financial year.

C.10.2 Tax losses carried forward

(€ million)

	31.12.2023	31.12.2022
Tax losses carried forward	248	311
Deductible temporary differences	-	-
Total	**248**	**311**

The major part of tax losses carried forward originates from companies in Austria and can be carried forward without time restriction. In Austria, the annual set-off of losses carried forward is limited to 75% of the relevant taxable profit.

C – Notes to the statement of financial position

C.11 – 120. Non-current assets and disposal groups classified as held for sale

C.11.1 Non-current assets and disposal groups classified as held for sale: breakdown by asset type

(€ million)

	AMOUNTS AS AT	
	31.12.2023	31.12.2022
A. Assets held for sale		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Property, plant and equipment	-	3
of which: obtained by the enforcement of collateral	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total (A)	**-**	**3**
of which: carried at cost	-	-
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	-	2
B. Discontinued operations		
B.1 Financial assets at fair value through profit or loss	-	-
- Financial assets held for trading	-	-
- Financial assets designated at fair value	-	-
- Other financial assets mandatorily at fair value	-	-
B.2 Financial assets at fair value through other comprehensive income	-	-
B.3 Financial assets at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Property, plant and equipment	-	-
of which: obtained by the enforcement of collateral	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total (B)	**-**	**-**
of which: carried at cost	-	-
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	-	-
C. Liabilities associated with assets classified as held for sale		
C.1 Deposits	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total (C)	**-**	**-**
of which: carried at cost	-	-
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	-	-
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total (D)	**-**	**-**
of which: carried at cost	-	-
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	-	-

C – Notes to the statement of financial position

Discontinued operations
At the financial year 2023 – like in the prior year – there were no discontinued operations reported.

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

C.12 – 130. Other assets

C.12.1 Other assets: breakdown

(€ million)

ITEMS/VALUES	AMOUNTS AS AT	
	31.12.2023	31.12.2022
Margin with derivatives clearers (non-interest bearing)	-	-
Gold, silver and precious metals	28	15
Accrued income and prepaid expenses other than capitalised income	4	5
Positive value of management agreements (so-called servicing assets)	-	-
Cash and other valuables held by cashier	-	-
- Current account cheques being settled, drawn on third parties	-	-
- Current account cheques payable by group banks, cleared and in the process of being debited	-	-
- Money orders, bank drafts and equivalent securities	-	-
- Coupons, securities due on demand, revenue stamps and miscellaneous valuables	-	-
Interest and changes to be debited to	7	7
- Customers	7	6
- Banks	1	1
Items in transit between branches not yet allocated to destination accounts	-	-
Items in processing	157	138
Items deemed definitive but not-attributable to other items	-	-
- Securities and coupons to be settled	-	-
- Other transactions	-	-
Adjustments for unpaid bills and notes	3	3
Tax items other than those included in item C.10 tax claims	1	-
Commercial credits pursuant to IFRS15	-	-
Other items	174	165
Total	**373**	**333**

The item "Items in processing" mainly includes accruals in connection with credit card transactions.
The item "Other items" in the amount of €174 million (previous year: €165 million) includes mainly improvements to leased assets in the amount of €56 million (previous year: €58 million).

C – Notes to the statement of financial position

C.13 – 10. Financial liabilities at amortised cost

C.13.1 Financial liabilities at amortised cost: breakdown by product of deposits from banks

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 31.12.2023				AMOUNTS AS AT 31.12.2022			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
1. Deposits from central banks	**1,596**	X	X	X	**6,838**	X	X	X
2. Deposits from banks	**10,869**	X	X	X	**9,765**	X	X	X
2.1 Current accounts and demand deposits	1,632	X	X	X	923	X	X	X
2.2 Time deposits	6,695	X	X	X	7,633	X	X	X
2.3 Loans	2,052	X	X	X	261	X	X	X
2.3.1 Repos	2,052	X	X	X	244	X	X	X
2.3.2 Other	-	X	X	X	17	X	X	X
2.4 Liabilities relating to commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
2.5 Lease deposits	-	X	X	X	-	X	X	X
2.6 Other deposits	490	X	X	X	948	X	X	X
Total	**12,466**	**-**	**5,614**	**6,848**	**16,603**	**-**	**9,293**	**7,433**
Total Level 1, Level 2 and Level 3				**12,462**				**16,725**

The decline in deposits from central banks is mainly due to the repayment of €5.4 billion in June 2023 from TLTRO III.4 (Targeted Longer-Term Refinancing Operations). UniCredit Bank Austria AG still holds €1.55 billion in TLTRO III.7 (maturing in March 2024).

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

(€ million)

TYPE OF TRANSACTION/VALUES	AMOUNTS AS AT 31.12.2023				AMOUNTS AS AT 31.12.2022			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
1. Current accounts and demand deposits	47,989	X	X	X	56,385	X	X	X
2. Time deposits	11,506	X	X	X	6,267	X	X	X
3. Loans	2	X	X	X	13	X	X	X
3.1 Repos	-	X	X	X	-	X	X	X
3.2 Other	2	X	X	X	13	X	X	X
4. Liabilities relating to commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
5. Lease liabilities	284	X	X	X	305	X	X	X
6. Other deposits	52	X	X	X	37	X	X	X
Total	**59,834**	**-**	**10,709**	**49,156**	**63,007**	**-**	**1,675**	**61,308**
Total Level 1, Level 2 and Level 3				**59,865**				**62,983**

C – Notes to the statement of financial position

C.13.3 Financial liabilities at amortised cost: breakdown by product of debt securities in issue

(€ million)

	AMOUNTS AS AT 31.12.2023				AMOUNTS AS AT 31.12.2022			
	BOOK	FAIR VALUE			BOOK	FAIR VALUE		
TYPE OF SECURITIES/VALUES	VALUE	LEVEL 1	LEVEL 2	LEVEL 3	VALUE	LEVEL 1	LEVEL 2	LEVEL 3
A. Debt securities								
1. Bonds	12,259	5,922	6,357	-	9,509	3,981	5,481	-
1.1 Structured	332	-	335	-	458	-	464	-
1.2 Other	11,927	5,922	6,022	-	9,050	3,981	5,017	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 Structured	-	-	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-	-	-
Total	**12,259**	**5,922**	**6,357**	**-**	**9,509**	**3,981**	**5,481**	**-**
Total Level 1, Level 2 and Level 3				**12,279**				**9,462**

C.13.4 Amounts payable under lease contracts

(€ million)

	31.12.2023	31.12.2022
	CASH OUTFLOWS LEASES	CASH OUTFLOWS LEASES
Up to 1 year	37	36
1 year to 2 years	36	35
2 year to 3 years	36	35
3 year to 4 years	42	35
4 year to 5 years	36	43
Over 5 years	146	160
Total Lease Payments to be made	**334**	**344**
Reconciliation with deposits	(49)	(39)
Unearned finance expenses (-) (Discounting effect)	(49)	(39)
Lease deposits	**285**	**305**

C – Notes to the statement of financial position

C.14 – 20. Financial liabilities held for trading

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

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 31.12.2023					AMOUNTS AS AT 31.12.2022				
	NOMINAL VALUE	FAIR VALUE			FAIR VALUE	NOMINAL VALUE	FAIR VALUE			FAIR VALUE
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
A. Cash liabilities										
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives instruments										
1. Financial derivatives	X	-	1,556	14	X	X	-	2,385	24	X
1.1 Trading derivatives	X	-	1,498	14	X	X	-	2,281	24	X
1.2 Linked to fair value option	X	-	58	-	X	X	-	104	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading derivatives	X	-	-	-	X	X	-	-	-	X
2.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**-**	**1,556**	**14**	**X**	**X**	**-**	**2,385**	**25**	**X**
Total (A+B)	**X**	**-**	**1,556**	**14**	**X**	**X**	**-**	**2,385**	**25**	**X**
Total Level 1, Level 2 and Level 3				**1,570**					**2,410**	

The change in fair value level 2 in item B.1 Financial derivatives results from the change in the market interest rate in the 2023 financial year.

C.15 – 30. Financial liabilities measured at fair value through profit or loss

C.15.1 Financial liabilities designated at fair value: breakdown by product

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 31.12.2023					AMOUNTS AS AT 31.12.2022				
	NOMINAL VALUE	FAIR VALUE			FAIR VALUE	NOMINAL VALUE	FAIR VALUE			FAIR VALUE
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
1. Deposits from banks	**1**	**-**	**-**	**1**	**1**	**1**	**-**	**-**	**1**	**1**
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	1	-	-	1	X	1	-	-	1	X
of which:										
- loan commitments given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
- financial guarantees given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
2. Deposits from customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- loan commitments given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
- financial guarantees given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
3. Debt securities	**60**	**-**	**60**	**-**	**60**	**60**	**-**	**59**	**-**	**59**
3.1 Structured	60	-	60	-	X	60	-	59	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
Total	**61**	**-**	**60**	**1**	**62**	**61**	**-**	**59**	**1**	**60**
Total Level 1, Level 2 and Level 3				**61**					**60**	

The cumulative change in financial liabilities designated at fair value through profit or loss attributable to changes in credit risk shows an increase of €0.5 million (prior year: €0.3 million).

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

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

(€ million)

	AMOUNTS AS AT 31.12.2023				AMOUNTS AS AT 31.12.2022			
	NOTIONAL AMOUNT	FAIR VALUE			NOTIONAL AMOUNT	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
A. Financial derivatives	**71,207**	**-**	**2,902**	**4**	**65,270**	**-**	**3,930**	**-**
1) Fair value	66,919	-	2,806	4	63,719	-	3,919	-
2) Cash flows	4,288	-	96	-	1,551	-	11	-
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**71,207**	**-**	**2,902**	**4**	**65,270**	**-**	**3,930**	**-**
TOTAL Level 1, Level 2 and Level 3				**2,906**				**3,930**

The change in fair value level 2 in item A.1. Fair value hedge results from the decline in longer-term interest in the 2023 financial year.

C.17 – 50. Changes in fair value of portfolio hedged items (liabilities and equity)

C.17.1 Changes to hedged financial liabilities

(€ million)

	AMOUNTS AS AT	
CHANGES TO HEDGED LIABILITIES/GROUP COMPONENTS	31.12.2023	31.12.2022
1. Positive changes to financial liabilities	117	6
2. Negative changes to financial liabilities	(1,330)	(1,978)
Total	**(1,213)**	**(1,972)**

The change in hedged financial liabilities includes €21.7 million from terminated hedging relationships on sight deposits in USD. Further details can be found in section A.5.3.4 – Further explanations in the context of financial instruments.

C.18 – 60. Tax obligations

C.18.1 Tax obligations

(€ million)

	AMOUNTS AS AT	
	31.12.2023	31.12.2022
Deferred tax liabilities arising from temporary differences	**332**	**371**
Financial assets and liabilities (different from loans and deposits)	94	160
Loans and deposits to/from banks and customers	111	44
Hedging and hedged item revaluation	20	132
Property, plant and equipment and intangible assets different from goodwill	85	26
Goodwill and equity investments	-	-
Assets and liabilities held for sale	-	-
Other assets and Other liabilities	10	7
Other	12	2
Accounting offsetting	**(326)**	**(366)**
Total	**6**	**6**

No deferred taxes were recognised for temporary differences in connection with investments in domestic subsidiaries in the amount of €1.092 million (previous year: €983 million) in accordance with IAS 12.39, as their disposal is not currently planned.

The item "Property, plant and equipment and intangible assets different from goodwill" includes right-of-use assets and lease liabilities from IFRS 16, which will be recognized gross in the 2023 financial year.

C – Notes to the statement of financial position

C.19 – 80. Other liabilities

C.19.1 Other liabilities: breakdown

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 31.12.2023	31.12.2022
Accrued expenses and deferred income other than those to be capitalised for the financial liabilities concerned	39	38
Other liabilities due to employees	413	385
Interest and amounts to be credited to	7	9
- Customers	-	1
- Banks	7	8
Available amounts to be paid to others	1	1
Items in processing	398	355
Items deemed definitive but not attributable to other lines	64	62
- Accounts payable - suppliers	7	18
- Other entries	57	45
Tax items different from those included in item 60	-	2
Other entries	118	113
Total	**1,041**	**966**

An amount of €299 million (previous year: €269 million) is included in the item "Other liabilities due to employees" for those employees who have concluded a termination agreement as part of previous strategic plans. The payment will be made until 2029. The "Items in processing" item mainly includes accruals in connection with credit card transactions.

C.20 – 100. Provisions

C.20.1 Provisions for risks and charges: breakdown

(€ million)

ITEMS/COMPONENTS	AMOUNTS AS AT 31.12.2023	AMOUNTS AS AT 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	2,914	2,956
4. Other provisions for risks and charges	272	220
4.1 Legal and tax disputes	52	51
4.2 Staff expenses	162	119
4.3 Other	57	50
Total	**3,345**	**3,352**

The "Other provisions for risks and charges" item includes amounts of €175 million (previous year: €120 million), excluding discounting, in connection with the updated "UniCredit Unlocked" strategic plan for the years 2024 to 2026.

During the spin-off of the CEE (Central & Eastern Europe) business, UniCredit S.p.A. issued a guarantee for the bank's pension obligations until 31 December 2028.

C.20.2 Provisions for risks and charges: annual changes

(€ million)

	CHANGES IN 31.12.2023			
	PROVISIONS FOR OTHER OFF-BALANCE SHEET COMMITMENTS AND OTHER GUARANTEES GIVEN	PENSION AND POST-RETIREMENT BENEFIT OBLIGATIONS	OTHER PROVISIONS FOR RISKS AND CHARGES	TOTAL
A. Opening Balance	**-**	**2,956**	**220**	**3,176**
B. Increases	**-**	**251**	**205**	**456**
B.1 Current service cost	(0)	10	191	201
B.2 Interest cost	-	108	0	108
B.3 Remeasurements	-	-	-	-
B.4 Other changes	0	134	13	147
of which: business combinations	-	*0*	*2*	*3*
C. Decreases	**-**	**293**	**153**	**446**
C.1 Payments/uses in der reporting period	-	242	9	251
C.2 Remeasurements	-	-	13	13
C.3 Other changes	-	51	131	182
of which: business combinations	-	-	*1*	*1*
D. Closing balance	**-**	**2,914**	**272**	**3,186**

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

The decrease in pensions and similar obligations is due to actual consumption and the change in the mathematical parameters.

C – Notes to the statement of financial position

C.20.2 Provisions for risks and charges: annual changes

(€ million)

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

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

(€ million)

	AMOUNTS AS AT 31.12.2023				
	PROVISIONS FOR CREDIT RISK ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN				
	STAGE 1	STAGE 2	STAGE 3	POCI ASSETS	TOTAL
Loan commitments given	16	31	40	-	87
Financial guarantees given	3	10	59	-	73
Total	**19**	**41**	**99**	**-**	**160**

Details on the development of the provision for loan commitments and financial guarantees issued are presented in E.2.4 "Banking Group - Financial assets, loan commitments, guarantees: changes in value adjustments and provisions".

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

(€ million)

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

Details on the development of the provision for loan commitments and financial guarantees issued are presented in E.2.4 "Banking Group - Financial assets, loan commitments, guarantees: changes in value adjustments and provisions".

C – Notes to the statement of financial position

C.20.4 Commitments and financial guarantees given

(€ million)

	AMOUNTS AS AT 31.12.2023 NOTIONAL AMOUNTS OF COMMITMENTS AND FINANCIAL GUARANTEES GIVEN					AMOUNTS AS AT 31.12.2022
	STAGE 1	STAGE 2	STAGE 3	POCI ASSETS	TOTAL	TOTAL
1. Loan commitments given	**29,852**	**5,637**	**302**	**-**	**35,791**	**32,658**
a) Central Banks	-	-	-	-	-	-
b) Governments and other Public Sector Entities	4,916	26	-	-	4,942	3,014
c) Banks	112	13	-	-	126	38
d) Other financial companies	3,243	690	-	-	3,933	3,376
e) Non-financial companies	18,833	3,701	289	-	22,822	21,727
f) Households	2,748	1,207	13	-	3,968	4,504
2. Financial guarantees given	**5,408**	**2,306**	**162**	**-**	**7,876**	**8,404**
a) Central Banks	-	-	-	-	-	-
b) Governments and other Public Sector Entities	7	2	-	-	9	8
c) Banks	296	36	-	-	332	488
d) Other financial companies	1,136	91	3	-	1,230	1,232
e) Non-financial companies	3,907	2,121	157	-	6,186	6,434
f) Households	62	56	1	-	119	241

The table contains all loan commitments and financial guarantees that are measured in accordance with the requirements of IFRS 9. As in the previous year, there were no other loan commitments and financial guarantees in the 2023 financial year that are not measured in accordance with IFRS 9.

C – Notes to the statement of financial position

C.21 – Equity

The Company's share capital amounts to €1,681,033,521.40 (one billion six hundred and eighty-one million thirty-three thousand five hundred and twenty-one 40/100 euros). It is divided into 10,115 (ten thousand one hundred and fifteen) registered no-par value shares with voting rights and restricted transferability and 231,218,705 (two hundred and thirty-one million two hundred and eighteen thousand seven hundred and five) registered no-par value shares with voting rights, and each no-par value share participates in the share capital to the same extent.

Deferred taxes recognized on the components of other comprehensive income are as follows:
Deferred taxes for items that will not be reclassified to the income statement in the future amounted to €16 million (previous year: €-208 million) and are allocated to the individual components as follows:
- Equity instruments designated at fair value through other comprehensive income in the amount of €2 million (previous year: €3 million)
- Actuarial gains/losses from defined benefit plans in the amount of €18 million (previous year: €-201 million)
- Share of other income and expense items recognized in equity from companies accounted for using the equity method in the amount of €-4 million (previous year: €-10 million)

Deferred taxes for items that may be reclassified to the income statement in the future in the amount of €-9 million (previous year: €92 million) and are allocated to the individual components as follows:
- Cash flow hedges (effective portion) in the amount of €9 million (previous year: €-12 million
- Financial assets (debt instruments) at fair value through other comprehensive income in the amount of €-18 million (previous year: €102 million)
- Share of other income and expense items recognized in equity of companies accounted for using the equity method in the amount of €47 thousand (previous year: €3 million).

C.22 – Statement of Cash Flows

As in the previous year, there were no payments from the repayment of subordinated liabilities in the 2023 financial year. The decrease in subordinated liabilities from €607 million to €606 million at the balance sheet date resulted from interest accruals of €1 million (previous year: €-22 million) and foreign currency translation of €-2 million (previous year: €4 million).

The change in the item "Financial assets measured at fair value through other comprehensive income" resulted from the development of the fair value due to the market environment.

In the 2023 financial year, the repayment of TLTRO III.4 due in June 2023 in the amount of €5.4 billion was recognized in the item "Financial liabilities measured at amortized cost". In the 2022 financial year, the cash outflow in the items "Financial assets at amortized cost" and "Financial liabilities at amortized cost" is attributable to the repayment of TLTRO III in the amount of €10 billion and the cash inflow mainly due to the reduction in central bank balances.

In the 2023 financial year, the liquidity surplus in excess of the minimum reserve held at the Austrian National Bank was transferred from the item "40. a) Financial assets at amortized cost / Loans and advances to banks" to the item "10. b). Cash reserve" / Balances with central banks". In order to ensure comparability, the previous year's figures were adjusted by €12,689 million in the corresponding balance sheet items. The cash flow calculation for the previous year was adjusted accordingly.

In December 2021, UniCredit Bank Austria AG issued an additional Tier 1 capital instrument in the amount of €600 million in the form of a Tier 1 issue (AT1 bond). This was fully subscribed by the parent company UniCredit S.p.A. and reported under net liquidity generated from financing activities. In 2023, a coupon payment of €-29 million (previous year: €-28 million) was made for an Additional Tier 1 capital instrument in the form of a Tier 1 issue (AT1 bond), reported under "Distributions on equity instruments".

D – Segment reporting

D – Segment reporting

D.1 – Reconciliation to segment report

The table on the following pages breaks down the income statement according to controlling aspects and allows **reconciliation to the results and key figures used in segment reporting** (Segment reporting in "UniCredit managerial view", the comparative figures for 2022 have been recast to reflect the consolidation perimeter and the segment structure used in segment reporting for 2023.)

Reconciliation of income statement to segment report

(€ million)

	AS AT	
	31.12.2023	**31.12.2022 (RECAST)**
Net interest (reconciled)	**1,574**	**1,120**
Item 30. Net interest margin	1,689	1,078
less: Trading interest income (expenses) - Derivatives related to Regulatory Trading Book	(6)	(0)
less: Derivatives - economic hedges - interest component	(1)	1
plus: Interest costs on DBO (from Item 190)	(108)	(37)
plus: Gains (losses) on derecognition of TLTRO III	-	79
Dividends and other income from equity investments (reconciled)	**302**	**130**
Item 70. Dividend income and similar revenue	9	9
less: Dividends and similar revenues - on shares and other equity securities - mandatorily at FV	(0)	(0)
Item 250. Gains (Losses) of equity investments - of which: Profit (Loss) of equity investments valued at equity	293	122
Net fees and commissions (reconciled)	**740**	**751**
Item 60. Net fees and commissions	689	685
Mark-up fees on client hedging activities (from Item 80)	50	66
Net other expenses/income in Short P&L (from Item 60)	1	-
Net trading, hedging and fair value income/loss (reconciled)	**6**	**(24)**
Item 80. Net gains (losses) on trading	53	123
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)	(10)
Gains (losses) on disposals/repurchases on deposits	-	79
Gains (losses) on disposals/repurchases on securities in issue	1	(1)
Other operating income and expenses - Gold and Precious Metals Trading	4	4
Trading interest income (expenses) - Derivatives related to Regulatory Trading Book	6	0
Derivatives - economic hedges - interest component	1	(1)
Item 90. Net gains (losses) on hedge accounting	1	(1)
Item 110. a) Net gains (losses) on financial assets/liabilities designated at fair value through profit and loss	4	(32)
Item 110. b) Net gains (losses) on other financial assets mandatorily at fair value through profit and loss	4	(41)
Dividends and similar revenues - on shares and other equity securities - mandatorily at FV	0	0
less: Mark-up fees on client hedging activities (from Item 80)	(50)	(66)
Gains (losses) on derecognition of TLTRO III	-	(79)

D – Segment reporting

	AS AT	
	31.12.2023	31.12.2022 (RECAST)
Net other expenses/income (reconciled)	**34**	**14**
Item 230. Other operating expenses/income	52	38
Item 60. Net other expenses/income in Short P&L	(1)	-
less: Recovery of expenses	(1)	(0)
less: Other operating expenses and earnings - Gold and Precious Metals Trading	(4)	(4)
less: Other operating expenses – amortization on leasehold improvements	10	11
less: Integration cost - Amortization on leasehold improvements classified as Other assets	-	2
Net value adjustments/write-backs of tangible in operating lease assets (from Item 210)	(35)	(32)
Income from amended agreement with SIA (from Item 190. b)	1	1
Adjustment to segmentation logic of UniCredit	11	(2)
OPERATING INCOME (RECONCILED)	**2,656**	**1,991**
Payroll costs (reconciled)	**(583)**	**(582)**
Item 190. a) Administrative expenses – staff costs	(827)	(563)
less: Integration/restructuring costs	145	(32)
less: Interest costs on DBO	108	37
Adjustment to segmentation logic of UniCredit	(8)	(24)
Other administrative expenses (reconciled)	**(412)**	**(421)**
Item 190. b) Other administrative expenses	(510)	(552)
less: Integration/restructuring costs	19	4
less: Ex-ante contributions to resolution funds and deposit guarantee schemes and bank levies	79	107
less: Item 190. b) Income from amended agreement with SIA	(1)	(1)
Other operating expenses – amortization on leasehold improvements	(10)	(11)
Adjustment to segmentation logic of UniCredit	10	32
Recovery of expenses	**1**	**0**
Amortisation, depreciation and impairment losses on intangible and tangible assets (reconciled)	**(48)**	**(53)**
Item 210. Net value adjustments/write-backs on property, plant and equipment	(87)	(97)
less: Impairment/write-backs of right of use	(0)	15
less: Impairment on tangible and intangible assets – other operating leases	35	32
less: Impairment on tangible assets: Integration costs	8	-
Item 220. Net value adjustments/write-backs on intangible assets	(3)	(3)
Adjustment to segmentation logic of UniCredit	(0)	(0)
OPERATING COSTS (RECONCILED)	**(1,042)**	**(1,055)**
OPERATING PROFIT	**1,614**	**935**
Net write-downs on loans and provisions for guarantees and commitments (reconciled)	**(43)**	**(24)**
Item 200. a) Net provisions for risks and charges – Commitments and financial guarantees given	4	66
Item130. Net losses/recoveries on credit impairment	(47)	(90)
Modification gains (losses)	0	0
NET OPERATING PROFIT	**1,571**	**912**
Provisions for risk and charges (reconciled)	**(17)**	**(20)**
Item 200. b) Net provisions for risks and charges - Other net provisions	(19)	(24)
less: Integration/restructuring costs	2	3
Systemic charges	**(79)**	**(107)**
Contributions to Resolution Funds (SRF), Deposit Guarantee Schemes (DGS) and Bank Levy (from Item 190. b)	(79)	(107)
Integration/restructuring costs	**(179)**	**20**
Integration/restructuring costs	(174)	22
Adjustment to segmentation logic of UniCredit	(6)	(2)

D – Segment reporting

	AS AT	
	31.12.2023	31.12.2022 (RECAST)
Net income from investments (reconciled)	**92**	**(117)**
Item 250. Gains (losses) on equity investments	394	10
less: Profits (losses) of joint ventures and associates	(293)	(122)
Item 260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	(12)	2
Item 280. Gains (losses) on disposals of investments	1	6
Net losses/recoveries on impairment relating to: of which: a) financial assets at amortised cost - debt securities (from Item 130)	1	0
Net losses/recoveries on impairment relating to: of which: b) financial assets at fair value through other comprehensive income - debt securities (from Item 130)	0	1
Impairment/write-backs of right of use	0	(15)
Adjustment to segmentation logic of UniCredit	0	-
PROFIT (LOSS) BEFORE TAX	**1,387**	**687**
Income tax for the period	(259)	139
PROFIT (LOSS) FOR THE PERIOD	**1,128**	**826**
Non-controlling interests	(2)	(0)
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**1,126**	**826**

Reconciliation of loans to customers and deposits from customers to segment report

(€ million)

	31.12.2023	31.12.2022
Loans to customers	**63,997**	**66,219**
Item 40. Financial assets at amortised cost: b) Loans and advances to customers	65,611	67,785
less: Reclassification of debt securities in Other financial assets	(2,036)	(2,117)
less: Reclassification of leasing assets IFRS16 in Other financial assets	(14)	(13)
Item 20. Financial assets at fair value through profit or loss: c) Other financial assets mandatorily at fair value	509	638
less: Reclassification of debt securities in Other financial assets	(74)	(74)
Deposits from customers	**59,549**	**62,703**
Item 10. Financial liabilities at amortised cost: b) Deposits from customers	59,834	63,007
less: Reclassification of leasing liabilities IFRS16 in Other financial liabilities	(285)	(305)

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 “**Gains (Losses) of equity investments**” and the exclusion of (i) “Dividends from held for trading equity instruments” and (ii) “Dividends on equity investments, shares and equity instruments mandatorily at fair value” which are included in “Trading income”;
- the inclusion in the “**Net other expenses/income**” of “**Other operating expenses/income**”, excluding “Recovery of expenses” which is classified under its own item, the exclusion of the costs for “Net value adjustments/write-backs on leasehold improvements” classified among “Other administrative expenses”, the inclusion of result of industrial companies and of gains/losses on disposal and repurchase of financial assets at amortised cost represented by performing loans;
- 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 costs” relating to the reorganisation operations, classified as a separate item;

D – Segment reporting

- the exclusion from the “Other administrative expenses” of the Contributions to the Resolution Funds (SRF), the Deposit Guarantee Schemes (DGS) and the Bank Levy reclassified in item “**Systemic charges**”;
- the exclusion from “Amortisation, depreciation and impairment losses on intangible and tangible assets” of impairment/writebacks related to (i) inventories assets (IAS2) obtained from recovery procedures of NPE and (ii) rights of use of land and buildings used in the business (both classified in item “**Net income from investments**”) and (iii) tangible in operating lease assets (classified in item “**Other expenses/income**”);
- in “**Net write-downs of loans and provisions for guarantees and commitments**”, the inclusion of net losses/recoveries on financial assets at amortised cost and at fair value through other comprehensive income net of debt securities, of the gains (losses) on disposal and repurchase of financial assets at amortised cost net of debt securities and of performing loans, 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 amortised cost and at fair value through other comprehensive income - debt securities, of 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 “Profit (Loss) after tax from discontinued operations”;
- the inclusion in “**Net trading, hedging and fair value income/loss**” (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, (v) of gains/losses on disposal and repurchase of financial assets at amortised cost represented by debt securities, (vi) of gains/losses on disposal and repurchase of financial liabilities at amortised cost and (vii) of the interest income and expenses deriving from Trading Book instruments, excluded the economical hedging or funding banking book positions;
- the inclusion in the “**Net fees and commissions**” (i) of the Structuring and mandate fees on certificates, and the connected derivatives, issued or placed by the Group (ii) of Mark-up fees on client hedging activities;
- the inclusion in the “**Net interest**” of interest rate component of the DBO (Defined Benefit Obligation) deriving from HR costs;
- the inclusion in “**Provisions for risks and charges**” of other commitments not yet paid.

Figures of Reclassified consolidated income statement relating to 2022 have been restated with the effects of the following changes:
- the **allocation of net interest income to the individual segments** due to changes in the Fund Transfer Pricing Policy (FTP),
- shift from “**Net trading, hedging and fair value income/loss**” to “**Net fees and commissions**” of the client hedging mark-up (commercial margin between final price to the client and the offer price, the latter being quoted by the trader and containing bid/offer, market risk hedging costs and day one XVA) for FX spot operations, plain vanilla derivatives on FX, Fixed Income and Equity, Commodities derivatives;
- In July 2022, UniCredit Services GmbH, including its back-office units held in Poland and Romania, was transferred to UniCredit Bank Austria AG. The reclassified consolidated income statement shows the items of UniCredit Services GmbH for the full year 2022.

D – Segment reporting

D.2 – Content of segment reporting

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

As of 2023, Bank Austria Group has adapted its segment reporting to the “UniCredit Managerial View” of UniCredit Group, which differs slightly from the previous internal Bank Austria 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, the figures for 2022 have been adjusted accordingly. Bank Austria Group therefore now corresponds to the "Austria" subsegment within the Central Europe (CE) Division of UniCredit Group. As a result, the segment reporting information of Bank Austria Group is compatible with the information communicated by UniCredit Group to the capital market.

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 are the responsibility of this division. Until April 2023, when the business of Bank Austria Finanzservice (BAF) was transferred to Bank Austria, BAF was also allocated to the Retail 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), Trade Solution & Payment Solutions (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. 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.

D – Segment reporting

D.3 – Segment reporting 1–12 2023 / 1–12 2022

(€ million)

		RETAIL	WM & PB	CORPORATES	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST)[1]	RECASTING DIFFERENCES[2]	BANK AUSTRIA GROUP[3]
Net interest	2023	760	138	833	(157)	1,574	-	1,574
	2022	435	59	654	(28)	1,120	0	1,120
Dividends and other income from equity investments	2023	4	0	41	257	302	-	302
	2022	3	0	29	98	130	(0)	130
Net fees and commissions	2023	319	128	302	(9)	740	-	740
	2022	312	134	305	(1)	751	(66)	685
Net trading, hedging and fair value income/loss	2023	(1)	1	0	6	6	-	6
	2022	(9)	1	(2)	(15)	(24)	66	41
Net other expenses/income	2023	(0)	(2)	18	18	34	-	34
	2022	(9)	0	12	10	14	2	16
OPERATING INCOME	**2023**	**1,082**	**264**	**1,195**	**116**	**2,656**	**-**	**2,656**
	2022	**733**	**195**	**999**	**64**	**1,991**	**2**	**1,993**
OPERATING COSTS	**2023**	**(544)**	**(117)**	**(348)**	**(34)**	**(1,042)**	**-**	**(1,042)**
	2022	**(537)**	**(125)**	**(358)**	**(35)**	**(1,055)**	**(7)**	**(1,062)**
OPERATING PROFIT	**2023**	**539**	**147**	**847**	**81**	**1,614**	**-**	**1,614**
	2022	**195**	**70**	**641**	**29**	**935**	**(5)**	**930**
Net write-downs of loans and provisions for guarantees and commitments	2023	(37)	3	(11)	2	(43)	-	(43)
	2022	(32)	(0)	4	5	(24)	0	(24)
NET OPERATING PROFIT	**2023**	**502**	**150**	**836**	**83**	**1,571**	**-**	**1,571**
	2022	**163**	**70**	**645**	**34**	**912**	**(5)**	**907**
Provisions for risk and charges	2023	(3)	(1)	2	(16)	(17)	-	(17)
	2022	(2)	(0)	(7)	(11)	(20)	0	(20)
Systemic charges	2023	(15)	(6)	(37)	(21)	(79)	-	(79)
	2022	(27)	(8)	(46)	(25)	(107)	(0)	(107)
Integration/restructuring costs	2023	(1)	(3)	(1)	(175)	(179)	-	(179)
	2022	1	9	-	10	20	2	22
Net income from investments	2023	(0)	(1)	(0)	93	92	-	92
	2022	(3)	(0)	(3)	(111)	(117)	(0)	(118)
PROFIT BEFORE TAX	**2023**	**482**	**141**	**800**	**(36)**	**1,387**	**-**	**1,387**
	2022	**131**	**71**	**589**	**(104)**	**687**	**(3)**	**684**
Income tax for the period	2023	(115)	(34)	(182)	73	(259)	-	(259)
	2022	(32)	(15)	(140)	326	139	0	139
PROFIT (LOSS) FOR THE PERIOD	**2023**	**368**	**106**	**617**	**37**	**1,128**	**-**	**1,128**
	2022	**100**	**56**	**449**	**222**	**826**	**(3)**	**823**
Non-controlling interests	2023	(1)	(0)	(1)	(0)	(2)	-	(2)
	2022	1	(0)	(1)	0	(0)	0	(0)
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**2023**	**367**	**106**	**616**	**37**	**1,126**	**-**	**1,126**
	2022	**101**	**56**	**448**	**222**	**826**	**(3)**	**823**
Risk-weighted assets (RWA) (avg.) [4]	**2023**	**9,916**	**682**	**18,307**	**10,003**	**38,908**	**-**	**38,908**
	2022	**7,701**	**626**	**19,582**	**10,113**	**38,023**	**(3,726)**	**34,297**
Loans to customers (eop)	**2023**	**19,144**	**713**	**43,990**	**150**	**63,997**	**-**	**63,997**
	2022	**19,778**	**929**	**44,709**	**803**	**66,219**	**0**	**66,219**
Deposits from customers (eop)	**2023**	**27,038**	**6,906**	**24,629**	**976**	**59,549**	**-**	**59,549**
	2022	**28,254**	**7,280**	**26,267**	**902**	**62,703**	**-**	**62,703**
Cost/income ratio in %	2023	50.2	44.2	29.1	n.m.	39.2	n.m.	39.2
	2022	73.3	64.0	35.8	n.m.	53.0	n.m.	53.3

1) Segment reporting shows "UniCredit managerial view", 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 published previous year's 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.
3) Previous year's figures as published (not recast).
4) Recasting difference mainly due to different deductions in UniCredit Managerial View in the RWA and capital calculation in connection with significant investments and deferred tax assets
n.m. = not meaningful

E – Risk report

E – Risk report

E.1 – Overall risk management

Organisation of risk management

UniCredit Bank Austria AG identifies, measures, monitors, and manages all risks of Bank Austria. In performing these tasks, Bank Austria works closely with the risk control and risk management units of UniCredit Group in line with the existing Group structure. In this context, Bank Austria supports UniCredit Group's ongoing projects, in particular the further harmonization of Group-wide risk-controlling procedures and processes. Regular risk monitoring and risk management are also performed in close cooperation with a view to ensuring overall risk management across the Group.

The Management Board and the Supervisory Board determine the risk policy and approve the principles of risk management and the establishment of limits for all relevant risks. The risk monitoring procedure follows Group standards. In performing these tasks, the Management Board is supported by specific committees, independent risk management units and units of other divisions. All centrally organized risk management activities of Bank Austria are combined within a management function at Management Board level directed by the Chief Risk Officer (CRO) and are thus separate from the other divisions up to Management Board level. Lending decisions which exceed the limits of the relevant business units' approval authority, and the handling of problem loans, are the responsibility of the operative credit risk divisions (Credit Risk Operations). These units are supplemented in risk management by the Strategic, Credit & Integrated Risks and Financial Risk divisions. In order to ensure the independence of the Non-Financial Risk and Internal Validation departments, they also report directly to the CRO. The ALM & Funding division reports to the Chief Financial Officer (CFO) and is responsible for risk-adequate pricing of loans and funding (as part of the planning process and under contingency funding arrangements), among other things. The Planning division is responsible for the management of capital.

The Bank's internal control system (ICS) is effective at several levels: (1) in the various business areas, (2) at the Risk & Compliance level and (3) at the Internal Audit level. Internal Audit performs regular audits with regard to the adequacy of risk processes and compliance with them. The Management Board and the Supervisory Board are provided with reports on the results of these audits and recommendations. A comprehensive system of rules ranging from Group Policies to operational instructions governs processes at various levels. The most important policies are adopted directly by the Management Board, managed in a separate system, rolled out and monitored with regard to the degree of implementation.

Cross-divisional management / control and reporting

Bank Austria essentially divides the monitoring and controlling processes associated with risk management into the following categories: credit risk (default risk and migration risk), liquidity and funding risk, market risk (interest rate risk, credit spread risk, currency risk and equity risk), structural FX risk, derivatives-linked risk (counterparty risk, CVA risk), operational risk (including legal), reputational risk, business risk, sustainability risk, pension risk, financial investment risk and real estate risk. Bank Austria participates in a UniCredit Group-wide project to take ESG risks into account in the management of financial risks.

A key element of risk control by the Management Board is the annual definition of Bank Austria's Risk Appetite, which is approved by the Supervisory Board and takes place in coordination with UniCredit Group. The Risk Appetite describes the key principles of the Bank's risk orientation, in qualitative terms of a statement and in the form of a quantitative framework of key metrics. The Risk Appetite defines risk categories and the level of risk that Bank Austria is prepared to accept in pursuit of its strategic objectives and business plan and in view of its role within UniCredit Group. In this context the interests of external and internal parties (customers, shareholders, and supervisory authorities in particular) are taken into account. For example, markets and investment banking operations are concentrated outside Bank Austria at Munich-based UniCredit Bank; this is reflected in Bank Austria's focus on commercial banking business and in correspondingly low trading book limits. The key Risk Appetite dimensions are business strategy, capital, and liquidity adequacy. The defined bundle of key indicators comprises Pillar 1 and Pillar 2 indicators, and recovery plan indicators. The Risk Appetite is integrated in the budgeting process in the context of managing the objectives in defining and selecting the desired risk-return profile. A system of targets, thresholds and limits has been defined for the key indicators to ensure regular monitoring, timely escalation, and a link to the recovery plan. In addition to the risk appetite, the Management Board and the Supervisory Board adopt a resolution, once a year, defining Bank Austria's risk strategy, which further operationalizes the risk appetite and complements it with additional limits and targets.

E – Risk report

Regular risk monitoring at top management level is performed through the overall risk report. The overall risk report is regularly additionally presented to the Supervisory Board. It comprises a description of the risk appetite, the risk-taking capacity (RTC), of credit risk, liquidity risk, market risk and operational risk, and the results of stress tests. Specialized risk committees have been established at senior management level for the management of key risks:

- Operational risks and risks to the Company's reputation are managed in the quarterly Non-Financial Risk Committee (NFRC) meeting.
- Credit risk is assessed by the Transactional Credit Committee (TCC).
- The Financial and Credit Risks Committee (FCRC) deals with liquidity, market, derivative, and non-operational credit risk issues. With regard to liquidity, operational aspects of liquidity management, including ongoing monitoring of the market, are discussed and compliance with the liquidity policy is ensured. Market risk topics include short-term business management with regard to the presentation and discussion of the risk/earnings situation of Markets & Corporate Treasury Sales, and decisions are also made on limit adjustments, product approvals, positioning, replication portfolios and in connection with the derivatives business. The latter deals with classic credit risk and counterparty risk issues and aspects of reputational risk in customer business. The FCRC also discusses cross-divisional risk management issues arising between sales units and the overall bank management, it presents the respective risks from an economic capital perspective (Pillar 2), and discusses all material issues related to risk models, in particular the IRB, IFRS 9 and credit portfolio models.

The resolutions and results from this committee are reported directly to the Bank's entire management board.

Risk-taking capacity (ICAAP/ILAAP)

Beyond compliance with regulatory capital rules and liquidity requirements of Pillar 1, Bank Austria controls capital and liquidity adequacy also via the relevant Pillar-2 approaches: Internal Capital Adequacy Assessment Process (ICAAP); Internal Liquidity Adequacy Assessment Process (ILAAP). As part of the Group-wide ILAAP, and in close coordination with UniCredit Group, the Bank reviews the adequacy of the liquidity risk management process, which comprises various components to ensure sufficient liquidity – such as limiting the short-term and the medium-term and long-term liquidity position, stress testing, the funding plan and key regulatory indicators. Risk measurement is based on Group-internal and regulatory requirements. In the context of ICAAP, Bank Austria applies the UniCredit Group approach to internal capital at the consolidated level (including subsidiaries). This approach includes the following phases:

- Perimeter definition and risk identification
- Risk measurement
- Definition of risk appetite and capital allocation
- Regular monitoring and reporting

The process ensures that Bank Austria’s perimeter including all relevant Group units and risk types are fully covered and that risk and available financial resources are consistently taken into account. The risk types are measured using procedures which have been developed within the Group and also take concentration risks into account. The Risk-Taking Capacity (RTC) compares Available Financial Resources (AFR) with aggregate Internal Capital (IC): RTC = AFR/IC. It is calculated and reported on a quarterly basis under a going concern approach. This approach requires compliance with all regulatory requirements and the application of the relevant valuation rules and accounting standards. The observation period is one year for all risk categories. The unexpected losses are calculated with a confidence level of 99.9% for all risk types. An annual risk inventory analysis ensures that all materially relevant risk categories are taken into account.

Bank Austria calculates internal capital (also referred to as "economic capital" for individual risk categories) for the following risk categories:

- Credit risk (default and mitigation risk) including possible exposure as a result of the counterparty risk
- Market risk including CVA for trading and banking books (interest rate risk, credit spread risk, currency risk and equity risk)
- Structural FX risk
- Pension risk
- Business risk
- Real estate risk
- Operational risk (including legal risks)
- Reputational risk
- Financial investment risk (for those equity investments which are not covered on the basis of their relevant individual risk categories, minority interests in particular)
- Model risk (as percentage surcharges on the risk types listed above)

E – Risk report

The dominant risk category for Bank Austria is classic credit risk while the other risk categories are much less significant. Both ICAAP and ILAAP of Bank Austria are subject to annual review by Internal Audit.

Concentration risk

The VaR models used for internal capital take concentration risk into account, e.g., concentration risk associated with customers/customer groups and countries/sector concentrations in the credit portfolio model or risk factor concentrations in the market and counterparty risk model. At the holding company level, the allocation of limits with regard to individual and sector positions (bulk-risk and industry limits) is based on economic capital. In its lending operations, Bank Austria follows this Group strategy and the related limits for industrial sectors and large exposures. Monitoring and reporting the largest borrowers (individual customers and groups of companies) and the distribution among industries takes place through the overall risk report on a quarterly basis. At Bank Austria level, economic capital is also an important factor in the approval of large transactions. As part of the quarterly ICAAP report, the Credit Risk Economic Capital Detail Report shows credit positions with a large proportion of internal capital and presents capital allocation by various segments (divisions, asset classes, banking subsidiaries, major sub-portfolios, etc.). Granular sensitivity limits and reports complement VaR limits at the portfolio level in the area of market risk. Stress test limits are also used in connection with market risk. Counterparty limits and counterparty-risk simulations including stress considerations are applied to derivatives and repos. Sovereign limits and country limits specify the maximum amounts permitted for cross-border transactions (see section E.8 “Country risk and sovereign risk”).

The macro risk is concentrated in Austria and a few other European countries and also reflects regional areas of focus within the UniCredit Group. If we consider the industry distribution of loans, apart from the private customer business, commercial real estate and public sector customers account for the largest volume of loans, as in the previous year.

Limit system

Regular monitoring of key indicators, with appropriate limits and early warning thresholds, and a detailed network of operational limits ensure that the Bank operates within the adopted risk parameters and that management can take timely measures in the event of unfavorable developments. The top level is the risk appetite, with about 30 key indicators being monitored at Bank Austria Group level (also partly at the Bank Austria AG level). The most significant indicators include liquidity and funding indicators (short-term, structural, and stress-based), capital and leverage indicators, risk/return indicators, and indicators focusing on specific risk categories. Violations of risk-appetite thresholds/limits are dealt with according to the defined escalation hierarchy (several levels up to Supervisory Board approval authority). The complete overview of all key figures (“Risk Appetite dashboard”) is reported on a quarterly basis at FCRC meetings and as part of the overall risk report to the Management Board and the Supervisory Board.

Some of the key figures in the dashboard are monitored on a quarterly basis, others monthly. In addition, numerous key figures or sensitivities are presented regularly outside of the dashboard, which allows us to manage them at a granular level. For example, the development of market and liquidity risk positions, including compliance with the respective sensitivity limits, is discussed every month in the FCRC. Depending on the degree of detail in the relevant dimensions (e.g., maturity buckets, currencies), the escalation hierarchy comprises several levels in these areas, too. Many of the market and liquidity limits are based on daily reports. In the event that these limits are exceeded, the handling and any necessary escalation is therefore carried out very promptly and long before the complete dashboard is presented as part of the quarterly reporting of the Management Board and Supervisory Board. Other key indicators are not determined on a daily basis, with the escalation process following the respective frequency of reporting. A central planning variable on the credit risk side is the expected loss (EL) at the sub-portfolio level for existing and new business. Developments in this context are monitored in detail during the year against the defined targets and thresholds; changes in parameters contributing to such developments are analyzed and discussed with the relevant business areas and at FCRC meetings with regard to a potential need for action. Individual lending decisions follow the defined loan approval process, which involves the operative credit risk departments, Bank Austria’s Credit Committee and the relevant committees at the holding company, according to their respective levels of approval authority (see also section “E.2 – Credit risk”).

E – Risk report

Stress tests

Stress tests are a key component of risk analysis and planning at Bank Austria. The Bank performs overall bank stress tests and individual stress tests. The former cover major risk categories at a specific point in time, with detailed results being aggregated against the background of a coherent scenario and presented on an overall basis. The overall bank stress tests performed regularly include capital stress tests (Pillars 1 and 2) created in line with a regulatory and economic perspective and stress analyses under the recovery plan. Stress analyses under the recovery plan combine capital and liquidity aspects, showing developments over time and in the context of possible management reaction. Reverse stress tests attempt to find out what circumstances could cause the bank's failure. The most important regular individual stress tests cover credit risk, market risk, counterparty risk, liquidity risk and climate stress tests.

The most important individual and overall bank stress tests are presented to the management bodies in the FCRC, but also as part of the overall risk report. Stress tests are performed at defined intervals (capital stress tests at least on a half-yearly basis, individual stress tests on a quarterly basis in most cases) and are also a fixed part of the annual budgeting and planning of the risk appetite. Stress tests may also be performed in response to specific issues, e.g., in response to suggestions made by Internal Audit or supervisory authorities. Scenarios are defined centrally and locally over a horizon of several years. The Holding Stress Test Council defines a minimum set of scenarios for Pillar 2 ICAAP stress tests on a half-yearly basis, which need to be calculated and reported locally. Local scenarios are additionally defined where required. Predefined thresholds for specific stress tests require management to consider action plans or contingency plans.

Stress testing is subject to an annual review by Internal Audit.

E.2 – Credit risk

Credit risk is defined as the risk of incurring losses as a result of non-fulfilment by the borrower of terms and conditions agreed under the loan agreement. The credit risk is the Bank’s most significant risk category which is why the Bank has dedicated itself to this area in particular.

For the purpose of disclosing quantitative information on credit quality, on-balance sheet financial assets include
- bond issues
- loans

off-balance sheet exposures include
- guarantees given
- irrevocable commitments
- derivatives regardless of the classification category of each transaction
- revocable commitments to disburse funds.

The term “loan exposure” does not include equity instruments or units in investment funds.

Information on financial and credit derivatives is disclosed under Section E.5 – Financial derivatives.

On the balance sheet, financial assets, i.e., the volumes subject to credit risk with customers, amounted to €79,614 million at the end of 2023 (previous year: €79,360 million), of which €65,528 million (before the deduction of impairment losses of €1,531 million) is attributable to loans and receivables with customers according to the reclassified balance sheet for segment reporting purposes (previous year: €67,729 million).
€13,884 million (previous year: €11,433 million) of total volumes subject to credit risk with customers is attributable to risk assets arising from securities exposures.

Bank Austria’s credit risk is determined based on the classic commercial customer businesses geared towards the regional Austrian market and the equally significant private customer business.
Of the loans and receivables with customers, approximately two-thirds are attributable to the Corporates segment. The remaining third is attributable to loans and receivables from private customers. Within this Retail segment, it is worth mentioning from a risk perspective that the proportion of CHF loans as risk carriers has been declining steadily for years and is currently around 16% (previous year: 17%).

Details on segment reporting can be found in Part D of the notes.

E – Risk report

The tables under "Section 2 – Risks of the prudential consolidation perimeter" presented in this chapter meet the consolidation requirements of Bank of Italy's Circular No. 262 and may differ from the other presentations in the risk report. With regard to the inclusion of companies the prudential perimeter of consolidated companies is subject to different legal provisions in comparison to the accounting-related perimeter of consolidated companies.

The regulatory perimeter differs from the accounting-related perimeter of consolidated companies in that, subsidiaries, that are not institutions, financial institutions or undertakings offering ancillary services and must be fully consolidated under the accounting perimeter, must be included in the prudential perimeter by application of the equity method.

The accounting-related perimeter of consolidated companies includes companies that are fully consolidated in accordance with IFRS 10. Further information can be found in the Notes to the Consolidated Financial Statements, Part A – Accounting methods, A.8 – Group of consolidated companies and changes in the group of consolidated companies of Bank Austria Group.

The regulatory perimeter of consolidated companies consists of companies that are subject to full consolidation in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on "Prudential requirements for credit institutions and investment firms" (CRR).

Investments in companies of the accounting-related perimeter of consolidation which are not fully consolidated for regulatory purposes, are included in the regulatory presentation in item 70. Equity investments. Companies that may be excluded from full consolidation for reasons of immateriality do not result in any difference in the perimeters of consolidation, as the same companies are excluded from both, the accounting-related and the regulatory perimeter of consolidation. These companies are also included in item 70.

Reconciliation of balance sheet from accounting perimeter to prudential perimeter - Assets

(€ million)

	AMOUNTS AS AT 31.12.2023		
RECONCILIATION ASSETS	ACCOUNTING PERIMETER	PRUDENTIAL PERIMETER	DELTA
10. Cash and cash balances	8,730	8,727	(3)
20. Financial assets at fair value through profit or loss:	2,170	2,170	-
a) financial assets held for trading	1,573	1,573	-
b) financial assets designated at fair value	88	88	-
c) other financial assets mandatorily at fair value	509	509	-
30. Financial assets at fair value through other comprehensive income	15,332	15,332	-
40. Financial assets at amortised cost:	70,289	70,479	190
a) loans and advances to banks	4,678	4,678	-
b) loans and advances to customers	65,611	65,802	190
50. Hedging derivatives	2,862	2,862	-
60. Changes in fair value of portfolio hedged items (+/-)	(1,285)	(1,285)	-
70. Equity investments	2,850	2,866	16
80. Insurance reserves charged to reinsurers	-	-	-
90. Property, plant and equipment	839	510	(329)
100. Intangible assets	6	6	-
of which: goodwill	-	-	-
110. Tax assets:	579	579	-
a) current	65	65	-
b) deferred	514	514	-
120. Non-current assets and disposal groups classified as held for sale	-	-	-
130. Other assets	373	533	160
Total assets	**102,745**	**102,780**	**35**

E – Risk report

Reconciliation of balance sheet from accounting perimeter to prudential perimeter - Liabilities & Shareholders' Equity

(€ million)

RECONCILIATION LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 31.12.2023 ACCOUNTING PERIMETER	PRUDENTIAL PERIMETER	DELTA
10. Financial liabilities at amortised cost:	84,558	84,528	(30)
a) deposits from banks	12,466	12,466	-
b) deposits from customers	59,834	59,804	(30)
c) debt securities in issue	12,259	12,259	-
20. Financial liabilities held for trading	1,570	1,570	-
30. Financial liabilities designated at fair value	61	61	-
40. Hedging derivatives	2,906	2,906	-
50. Value adjustment of hedged financial liabilities (+/-)	(1,213)	(1,213)	-
60. Tax liabilities:	25	24	(1)
a) current	20	19	(1)
b) deferred	6	5	-
70. Liabilities associated with assets classified as held for sale	-	-	-
80. Other liabilities	1,041	1,113	73
90. Provision for employee severance pay	-	-	-
100. Provisions for risks and charges:	3,345	3,338	(7)
a) commitments and guarantees given	160	160	-
b) post-retirement benefit obligations	2,914	2,914	-
c) other provisions for risks and charges	272	265	(7)
110. Technical reserves	-	-	-
120. Valuation reserves	(1,964)	(1,965)	(1)
130. Redeemable shares	-	-	-
140. Equity instruments	600	600	-
150. Reserves	4,845	4,846	1
160. Share premium	4,135	4,135	-
170. Share capital	1,681	1,681	-
180. Treasury shares (-)	-	-	-
190. Minority shareholders' equity (+/-)	34	34	-
200. Profit (Loss) of the year (+/-)	1,120	1,120	-
Total liabilities and shareholders' equity	**102,745**	**102,780**	**35**

E – Risk report

The following table shows the comparison values for the previous business year.

Reconciliation of balance sheet from accounting perimeter to prudential perimeter - Assets

(€ million)

RECONCILIATION ASSETS	AMOUNTS AS AT 31.12.2022		
	ACCOUNTING PERIMETER	PRUDENTIAL PERIMETER	DELTA
10. Cash and cash balances	13,627	13,625	(2)
20. Financial assets at fair value through profit or loss:	3,183	3,183	-
a) financial assets held for trading	2,426	2,426	-
b) financial assets designated at fair value	119	119	-
c) other financial assets mandatorily at fair value	638	638	-
30. Financial assets at fair value through other comprehensive income	12,168	12,168	-
40. Financial assets at amortised cost:	71,960	72,147	187
a) loans and advances to banks	4,175	4,175	-
b) loans and advances to customers	67,785	67,972	187
50. Hedging derivatives	4,093	4,093	-
60. Changes in fair value of portfolio hedged items (+/-)	(2,133)	(2,133)	-
70. Equity investments	2,470	2,478	8
80. Insurance reserves charged to reinsurers	-	-	-
90. Property, plant and equipment	860	534	(326)
100. Intangible assets	5	5	-
of which: goodwill	-	-	-
110. Tax assets:	764	764	-
a) current	54	54	-
b) deferred	710	710	-
120. Non-current assets and disposal groups classified as held for sale	3	2	-
130. Other assets	333	493	161
Total assets	**107,332**	**107,360**	**28**

Adjustment of published prior-year figures

The published figures in the consolidated balance sheet, cash flow statement and corresponding detailed tables in Part C and Part E for 2022 have been adjusted to reflect the change in the presentation of excess liquidity reclassified from the item " 40. a) Financial assets at amortized cost / Loans and advances to banks" to the item "10. Cash reserve" in the amount of €12,689 million. The reclassification is aligned with the representation at UniCredit Group level.

See A.2 - Basis for the preparation of the financial statements

E – Risk report

Reconciliation of balance sheet from accounting perimeter to prudential perimeter - Liabilities & Shareholders' Equity

(€ million)

	AMOUNTS AS AT 31.12.2022		
RECONCILIATION LIABILITIES AND SHAREHOLDERS' EQUITY	ACCOUNTING PERIMETER	PRUDENTIAL PERIMETER	DELTA
10. Financial liabilities at amortised cost:	89,119	89,092	(27)
a) deposits from banks	16,603	16,602	(1)
b) deposits from customers	63,007	62,981	(26)
c) debt securities in issue	9,509	9,509	-
20. Financial liabilities held for trading	2,410	2,411	1
30. Financial liabilities designated at fair value	60	60	-
40. Hedging derivatives	3,930	3,930	-
50. Value adjustment of hedged financial liabilities (+/-)	(1,972)	(1,972)	-
60. Tax liabilities:	32	31	(1)
a) current	27	26	(1)
b) deferred	6	5	-
70. Liabilities associated with assets classified as held for sale	-	-	-
80. Other liabilities	966	1,029	63
90. Provision for employee severance pay	-	-	-
100. Provisions for risks and charges:	3,352	3,345	(7)
a) commitments and guarantees given	177	177	-
b) post-retirement benefit obligations	2,956	2,956	-
c) other provisions for risks and charges	220	212	(7)
110. Technical reserves	-	-	-
120. Valuation reserves	(2,105)	(2,105)	(1)
130. Redeemable shares	-	-	-
140. Equity instruments	600	600	-
150. Reserves	4,270	4,271	1
160. Share premium	4,133	4,133	-
170. Share capital	1,681	1,681	-
180. Treasury shares (-)	-	-	-
190. Minority shareholders' equity (+/-)	32	32	-
200. Profit (Loss) of the year (+/-)	823	823	-
Total liabilities and shareholders' equity	**107,332**	**107,360**	**28**

E – Risk report

Credit risk methods and instruments

Very important factors in the credit approval process are a detailed assessment of risk associated with each loan exposure, and the customer's credit rating in particular. The basis for every loan decision is a thorough analysis of the loan commitment. Following the initial loan application, the Bank's loan exposures are reviewed at least once a year. In case of Watch classification or if the borrower's creditworthiness deteriorates substantially, shorter review intervals are applied.

Our Bank-internal credit rating check is based on three different rating procedures. In order to estimate the (12-month) loss, the parameters (probability of default – PD; loss given default – LGD; exposure at default – EAD) for the customer/business segments to be assessed on the basis of models specifically developed for these purposes are calculated. The calculations are made in line with the various asset classes pursuant to Article 147 of the CRR, Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions. There are country-specific or region-specific models (e.g., for corporate customers, private and business customers) and Group-wide models (e.g., for sovereigns, banks, multinational corporates). For the current status of the application of the internal ratings-based approach (IRB approach) to credit risk in Bank Austria, please see the next chapter.

In order to estimate the expected credit loss (ECL) under IFRS 9 regulations, the aforementioned parameters are used in their appropriate adapted form (for more information, please see A.5.3.3 – Impairment of financial instruments, sub-item parameters and risk definition).

In the individual valuation of a credit exposure, data from the annual financial statements of the customers who prepare annual financial statements and qualitative corporate factors are taken into account in addition to the customer behavior observed internally at the Bank. Bank Austria uses an automated retail scoring system for assessing, monitoring and managing the large number of loan exposures to private customers, small businesses, independent professionals and small non-profit organizations. Retail scoring consists of application scoring, which is based on proven and recognized mathematical-statistical methods, and behavioral scoring, which takes account, among other things, of account deposits and customer payment behavior and results in customer scoring that is updated monthly. This gives the Bank a tool for lending decisions and early recognition of risk. Automated data processing helps Bank Austria to reduce costs required for credit control while accelerating lending decisions.
The various rating and scoring models provide the basis for efficient risk management of Bank Austria and are embedded in all decision-making processes relating to risk management. They are also a key factor for capital required to be held against risk-weighted assets. Great attention is given to consistency in the presentation for supervisory purposes and the requirements of internal control. Risk-adequate pricing and proactive risk management improve the portfolio's diversification and risk/return ratio on an ongoing basis.

All bank-internal rating procedures are subject to ongoing monitoring. The IRB model is verified regularly. The relevant rating model is verified as to whether it depicts the risks to be measured correctly. The focus of the IRB validation in 2023 was on validating the model changes and implementations for the EAD and LGD models, the ongoing validation of the IRB models with regard to the model, data, IT and process, and quarterly model monitoring. Quarterly validation monitoring continues to be carried out on the basis of the latest quarterly developments, which in 2023 has now also included the IFRS 9 components PD and TL in addition to the IRB monitoring reports, that have been prepared for some time. All model assumptions are based on long-term statistical averages of historical defaults and losses, taking into account current risk-relevant information. The modelling follows detailed regulatory and Group-wide specifications. FCRC is defined as an expert body within the meaning of Article 189 of the CRR, which deals with all material aspects related to credit risk models (their development, adjustment, control, and validation of model soundness). The Strategic, Credit & Integrated Risks division, with the relevant methodology and control units and with independent validation units, acts as a credit risk control unit within the meaning of Article 190 of the CRR.

E – Risk report

Current status of the application of the internal ratings-based approach (IRB approach) for credit risk at Bank Austria

UniCredit Bank Austria AG applies the internal ratings-based approach, using its own estimates of loss given default and of conversion factors for a major part of its loan portfolio (advanced IRB approach). Refining and further developing local and Group-wide models and, to a lesser extent, the introduction of additional Group-wide models is taking place on an ongoing basis or according to a multi-year plan (model road map). Following the guidelines of the EBA, the changes to all local PD models were put into production in 2021. Ratings were issued automatically and for the most part immediately for retail models for use in July 2021. They were then converted for corporate models using the re-ratings of individual customers.

With the approval of the local LGD model in the first quarter of 2023, it was put into production in 1Q23. As the expected RWA uplift was already shown in 4Q22 by way of a bulk add-on, there was no relevant further change in RWA.

The revision and submission of the local EAD model was performed in 3Q23. The assessment of the EAD Model is subject to ECB onsite inspection, the implementation of the model foreseen for 1Q25.

With regard to the Group-wide models, the material changes approved by the ECB for the banking rating model were implemented in mid-2023. The recalibrated model for EAD and sovereigns (PD) were also implemented in February and November 2023 respectively.

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

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

All Austrian subsidiaries of UniCredit Bank Austria AG use the standardised approach. From a current perspective and for reasons of materiality, there are no plans to switch to one of the IRB approaches.

E – Risk report

Classification of asset quality

Generally, loans are divided into "performing" loans and "non-performing" loans. In accordance with IFRS 9, performing loans are further subdivided into loans with valuation allowances based on 1-year expected loss (Stage 1) and loans with valuation allowances based on lifetime expected loss (Stage 2). Non-performing loans constitute Stage 3 (see also "A.5.3.3. – Impairment of financial instruments")

In accordance with UniCredit Group guidelines, non-performing loans are divided into the following categories:

- **"Bad loans" (loans in liquidation):** credit exposures, considered uncollectible, to insolvent borrowers, even if insolvency has not been judicially ascertained. A realisation procedure is usually applied to borrowers in this class.
- **"Unlikely to pay"** on-balance sheet and off-balance sheet exposures which do not meet the conditions to be classified as "bad loans". The classification as "unlikely to pay" derives from the assessment of the debtor's unlikeliness, without actions such as realisation of collateral, to fully repay his/her credit obligation (principal and/or interest) regardless of days in arrears. The classification within the "unlikely to pay" (UTP) category is not necessarily related to the explicit presence of a default (failure to repay) but rather is tied to the existence of evidence of a debtor's risk of default. The processes are governed in detail in the related UTP-guideline. UTP assessments can be triggered as part of various credit processes (e.g., credit applications, annual credit reviews, credit monitoring, rating changes, bank-internal warning signals) as well as by a list of specific predefined UTP-signals.
- **"Past due":** On-balance sheet risk volumes that do not meet the criteria for classification in the "Bad loans" or "Unlikely to pay" categories, but where amounts are overdue by more than 90 days or limits are exceeded by more than 90 days. Such amounts are determined at individual debtor level, under consideration of the detailed rules of the relevant EBA guideline (EBA/GL/2016/07).

In each case, impairment is assessed on an analytical basis or, for an exposure of less than €2 million, on the basis of statistical methods. For details, see "A.5.3.3 Measurement of expected credit losses".

If the criterion for allocation to a non-performing category expires due to economic recovery of the client, the client is classified as performing after a period of good conduct of at least 90 days. For distressed restructuring (distressed restructuring in the sense of EBA/GL/2016/07), the period of good conduct is 12 months. Loan exposures with retail scoring are assigned the rating 7 after this period until a behavioural scoring is determined. All other loan exposures are automatically fixed at unrated until a new rating is issued.

Impairment of financial instruments

Bank Austria's impairment model is described in Part A.5.3.3. of the Annual Report. The three-stage concept with the valuation allowance allocated to each stage is presented there, as is the depreciation model that the bank uses.

E – Risk report

Section 1 – Risks of the accounting consolidation perimeter

In the following tables, the volume of impaired assets according to the IFRS definition corresponds to the volume of non-performing exposures according to EBA standards.
For the purposes of disclosure of quantitative information on credit quality, the term “loan exposure” does not include equity instruments or units in investment funds.

E.2.1 Breakdown of financial assets by portfolio and credit quality (carrying value)

(€ million)

PORTFOLIOS/QUALITY	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	PERFORMING PAST-DUE EXPOSURES	PERFORMING EXPOSURES	TOTAL
1. Financial assets at amortised cost	122	1,095	220	956	67,896	70,289
2. Financial assets at fair value through other comprehensive income	-	-	-	-	15,170	15,170
3. Financial assets designated at fair value	-	-	-	-	88	88
4. Other financial assets mandatorily at fair value	-	1	-	-	507	509
5. Financial instruments classified as held for sale	-	-	-	-	-	-
Total 31.12.2023	**122**	**1,096**	**220**	**957**	**83,660**	**86,055**
Total 31.12.2022	**96**	**1,073**	**110**	**1,161**	**82,274**	**84,714**

E.2.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)

(€ million)

PORTFOLIOS/QUALITY	NON-PERFORMING ASSETS				PERFORMING ASSETS			TOTAL (NET EXPOSURE)
	GROSS EXPOSURE	TOTAL WRITEDOWNS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS	GROSS EXPOSURE	TOTAL WRITEDOWNS	NET EXPOSURE	
1. Financial assets at amortised cost	2,307	870	1,437	74	69,516	664	68,852	70,289
2. Financial assets at fair value through other comprehensive income	-	-	-	-	15,171	1	15,170	15,170
3. Financial assets designated at fair value	-	-	-	-	X	X	88	88
4. Other financial assets mandatorily at fair value	2	-	2	-	X	X	507	509
5. Financial instruments classified as held for sale	-	-	-	-	-	-	-	-
Total 31.12.2023	**2,308**	**870**	**1,438**	**74**	**84,687**	**665**	**84,617**	**86,055**
Total 31.12.2022	**2,230**	**951**	**1,279**	**52**	**83,254**	**572**	**83,435**	**84,714**

In the two tables above previous year figures have been adjusted to reflect the change in the presentation of excess liquidity reclassified from the item " 40. a) Financial assets at amortized cost / Loans and advances to banks" to the item "10. Cash reserve" in the amount of €12,689 million. The reclassification is aligned with the representation at UniCredit Group level.

E – Risk report

Section 2 – Risks of the prudential consolidation perimeter

E.2.3 Regulatory consolidation - Breakdown of financial assets by past-due buckets (carrying value)

(€ million)

PORTFOLIOS/RISK STAGES	STAGE 1			STAGE 2			STAGE 3			POCI ASSETS		
	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS
1. Financial assets at amortised cost	812	-	-	56	87	1	33	7	496	-	-	2
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial instruments classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Total 31.12.2023	**812**	**-**	**-**	**56**	**87**	**1**	**33**	**7**	**496**	**-**	**-**	**2**
Total 31.12.2022	**912**	**-**	**-**	**200**	**47**	**1**	**20**	**7**	**501**	**-**	**-**	**1**

E – Risk report

E.2.4 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions 2023

(€ million)

	OVERALL WRITE-DOWNS											
	FINANCIAL ASSETS CLASSIFIED IN STAGE 1						FINANCIAL ASSETS CLASSIFIED IN STAGE 2					
SOURCES/RISK STAGES	CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH BANKS AND CENTRAL BANKS	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR SALE	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT	CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH BANKS AND CENTRAL BANKS	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR SALE	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT
Opening balance (gross amount)	**-**	**110**	**-**	**-**	**1**	**110**	**-**	**463**	**-**	**-**	**-**	**463**
Increases in acquired or originated financial assets	-	38	-	-	-	38	-	85	-	-	-	85
Reversals different from write-offs	-	(13)	-	-	-	(13)	-	(41)	-	-	-	(41)
Net losses/recoveries on credit impairment	-	(32)	-	-	1	(33)	-	58	-	-	-	58
Contractual changes without cancellation	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	2	-	-	-	2	-	(4)	-	-	-	(4)
Closing balance (gross amount)	**-**	**105**	**1**	**-**	**2**	**103**	**-**	**561**	**-**	**-**	**-**	**561**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-
Write-off are not recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-

E – Risk report

continued: E.2.4 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions 2023

(€ million)

SOURCES/RISK STAGES	OVERALL WRITE-DOWNS										
	ASSETS BELONGING TO THIRD STAGE						PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS				
	CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH BANKS AND CENTRAL BANKS	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR SALE	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT
Opening balance (gross amount)	**5**	**946**	**-**	**-**	**642**	**309**	**2**	**-**	**-**	**2**	**-**
Increases in acquired or originated financial assets	-	39	-	-	27	12	-	-	-	-	-
Reversals different from write-offs	-	(4)	-	-	(1)	(4)	-	-	-	-	-
Net losses/recoveries on credit impairment	-	(81)	-	-	(82)	1	(4)	-	-	(4)	-
Contractual changes without cancellation	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-
Write-off	-	(81)	-	-	(25)	(56)	-	-	-	-	-
Other changes	-	47	-	-	47	-	4	-	-	3	-
Closing balance (gross amount)	**4**	**866**	**-**	**-**	**607**	**263**	**2**	**-**	**-**	**2**	**-**
Recoveries from financial assets subject to write-off	-	6	-	-	1	5	-	-	-	-	-
Write-off are not recognised directly in profit or loss	-	(8)	-	-	-	(8)	-	-	-	-	-

E – Risk report

continued: E.2.4 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions 2023

(€ million)

SOURCES/RISK STAGES	OVERALL WRITE-DOWNS: TOTAL PROVISIONS ON LOANS COMMITMENTS AND FINANCIAL GUARANTEES GIVEN: STAGE 1	STAGE 2	STAGE 3	COMMITMENTS FUNDS AND FINANCIAL GUARANTEES PURCHASED OR ORIGINATED CREDIT-IMPAIRED	TOTAL
Opening balance (gross amount)	**25**	**29**	**123**	**-**	**1,703**
Increases in acquired or originated financial assets	5	12	22	-	202
Reversals different from write-offs	(4)	(7)	(30)	-	(100)
Net losses/recoveries on credit impairment	(8)	7	(2)	-	(62)
Contractual changes without cancellation	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-
Write-off	-	-	-	-	(81)
Other changes	-	-	(13)	-	35
Closing balance (gross amount)	**19**	**41**	**99**	**-**	**1,698**
Recoveries from financial assets subject to write-off	-	-	-	-	6
Write-off are not recognised directly in profit or loss	-	-	-	-	(8)

E.2.4 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions 2022

(€ million)

	OVERALL WRITE-DOWNS											
	FINANCIAL ASSETS CLASSIFIED IN STAGE 1						FINANCIAL ASSETS CLASSIFIED IN STAGE 2					
SOURCES/RISK STAGES	CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH BANKS AND CENTRAL BANKS	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR SALE	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT	CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH BANKS AND CENTRAL BANKS	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR SALE	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT
Opening balance (gross amount)	**-**	**63**	**1**	**-**	**1**	**63**	**-**	**466**	**1**	**-**	**-**	**468**
Increases in acquired or originated financial assets	-	45	-	-	-	45	-	85	-	-	-	85
Reversals different from write-offs	-	(7)	-	-	-	(7)	-	(31)	-	-	-	(31)
Net losses/recoveries on credit impairment	-	5	(1)	-	-	4	-	(58)	-	-	-	(59)
Contractual changes without cancellation	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	4	-	-	-	4	-	-	-	-	-	(1)
Closing balance (gross amount)	**-**	**110**	**-**	**-**	**1**	**110**	**-**	**463**	**-**	**-**	**-**	**463**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-
Write-off are not recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-

E – Risk report

continued: E.2.4 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions 2022

(€ million)

SOURCES/RISK STAGES	OVERALL WRITE-DOWNS										
	ASSETS BELONGING TO THIRD STAGE						PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS				
	CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH BANKS AND CENTRAL BANKS	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR SALE	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT
Opening balance (gross amount)	**-**	**977**	**-**	**-**	**653**	**324**	**3**	**-**	**-**	**2**	**1**
Increases in acquired or originated financial assets	-	43	-	-	30	13	-	-	-	-	-
Reversals different from write-offs	-	(11)	-	-	(6)	(5)	-	-	-	-	-
Net losses/recoveries on credit impairment	4	8	-	-	(16)	28	(1)	-	-	-	(1)
Contractual changes without cancellation	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-
Write-off	-	(50)	-	-	(2)	(47)	-	-	-	-	-
Other changes	-	(20)	-	-	(17)	(4)	-	-	-	-	-
Closing balance (gross amount)	**5**	**946**	**-**	**-**	**642**	**309**	**2**	**-**	**-**	**2**	**-**
Recoveries from financial assets subject to write-off	-	6	-	-	1	6	-	-	-	-	-
Write-off are not recognised directly in profit or loss	-	(6)	-	-	-	(6)	-	-	-	-	-

E – Risk report

continued: E.2.4 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: changes in overall impairments and provisions 2022

(€ million)

SOURCES/RISK STAGES	OVERALL WRITE-DOWNS – TOTAL PROVISIONS ON LOANS COMMITMENTS AND FINANCIAL GUARANTEES GIVEN – STAGE 1	STAGE 2	STAGE 3	COMMITMENTS FUNDS AND FINANCIAL GUARANTEES PURCHASED OR ORIGINATED CREDIT-IMPAIRED	TOTAL
Opening balance (gross amount)	**10**	**39**	**184**	**-**	**1,744**
Increases in acquired or originated financial assets	9	6	39	-	227
Reversals different from write-offs	(2)	(8)	(74)	-	(134)
Net losses/recoveries on credit impairment	9	(8)	(35)	-	(78)
Contractual changes without cancellation	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-
Write-off	-	-	-	-	(50)
Other changes	-	-	9	-	(7)
Closing balance (gross amount)	**25**	**29**	**123**	**-**	**1,703**
Recoveries from financial assets subject to write-off	-	-	-	-	6
Write-off are not recognised directly in profit or loss	-	-	-	-	(6)

E – Risk report

E.2.5 Regulatory consolidation - Financial assets, loan commitments and financial guarantees given: transfers between risk stages (gross values and nominal values)

(€ million)

PORTFOLIOS/RISK STAGES	GROSS VALUES/NOMINAL VALUES					
	TRANSFERS BETWEEN STAGE 1 AND STAGE 2		TRANSFERS BETWEEN STAGE 2 AND STAGE 3		TRANSFERS BETWEEN STAGE 1 AND STAGE 3	
	FROM STAGE 1 TO STAGE 2	FROM STAGE 2 TO STAGE 1	FROM STAGE 2 TO STAGE 3	FROM STAGE 3 TO STAGE 2	FROM STAGE 1 TO STAGE 3	FROM STAGE 3 TO STAGE 1
1. Financial assets at amortised cost	3,944	3,261	256	203	342	19
2. Financial assets at fair value through other comprehensive income	-	48	-	-	-	-
3. Financial instruments classified as held for sale	-	-	-	-	-	-
4. Loan commitments and financial guarantees given	2,480	1,624	70	59	180	1
Total 31.12.2023	**6,424**	**4,933**	**326**	**262**	**521**	**20**
Total 31.12.2022	**3,706**	**14,331**	**276**	**78**	**212**	**229**

The above table shows the movement between stages at 12-month intervals. The class membership of customers at the beginning and end of the year is compared.

The method determining the staging was largely kept unchanged in 2023. Only the method regarding the treatment of corporate bullet/balloon loans was refined in 4Q23 in the sense that for such transactions the IFRS 9-PD for the overall maturity instead of the remaining maturity is used for the staging. With this change, Stage 2 Gross Book Values increased by €1,021 million.

E – Risk report

Information on exposures for which concessions were made to debtors due to financial difficulties (“forborne exposures”)

Forbearance measures are concessions made by a bank to a debtor facing or about to face difficulties in meeting its financial commitments. These may take the form of a modification of the terms and conditions of a contract that would not have been agreed if the debtor had not been in financial difficulties, or the form of total or partial refinancing. The primary objective of granting forbearance measures is that the borrower remains solvent and, if possible, to enable the borrower to regain performing status. Debtors that are classified as “forborne” are subject to special monitoring requirements and are to be clearly marked as such. If a forbearance measure is granted for a transaction classified as “performing”, this has the effect that this transaction is assigned to Stage 2 in any case.

Forbearance measures exist if, for example, a deferral or rescheduling agreement has been concluded, a new agreement on the conditions has been concluded at interest rates below the market level or the conversion of part of the loan into an equity investment or the reduction of the capital amount has taken place due to financial difficulties of the borrower. The probation periods to be observed with regard to forbearance status and non-performing classification are in line with the relevant EBA Guideline (EBA/GL/2018/06) or the EBA Technical Standards (ITS 2013/03 (rev1)) and are subject to backtesting / monitoring. For the assessment, if an obligor is deemed in financial difficulties, a Troubled Debt Test – TDT is performed. In order to provide system support for this check. an automatised TDT was implemented in 2023, which checks relevant dimensions such as rating worsening, stage 2-portion of the client’s transactions, past-due-signs and other manual or automatised warning signals. Archiving of the TDT results is mandatory. For Retail results are binding, for Corporates results of individual cases can be overruled provided the reasoning is properly documented.

Before granting a forbearance measure, an assessment of the borrower’s debt service capability must be performed. In addition, it must also be checked whether this measure results in a loss, for example, due to capital or an interest waiver (impairment test), in which case the forbearance measure is registered as distressed restructuring, which always results in a non-performing classification. Any resulting risk provisioning is determined in accordance with point “A.5.3.3 Impairment of financial instruments”.

Apart from the delta net present value calculation, an examination must be performed to see if the modification of the contract results in a partial or full disposal of the financial instrument. In the case of financial assets, there is a disposal if a material change in contractual conditions leads to a situation in which the modified financial instrument, in substance, no longer corresponds to the instrument before the modification. In such a case the previously recognised financial instrument is to be derecognised and a new financial instrument is to be recognised, even if – in legal terms – the same contract continues to exist in an adjusted form. Derecognition in such cases also relates to any provision made in connection with the financial instrument.
See also the information under point “A.5.3.3. – Impairment of financial instruments / Contractual modifications”.

E.2.7 Regulatory consolidation - On- and off-balance sheet credit exposures with banks: gross and net values

(€ million)

	AMOUNTS AS AT 31.12.2023											
	GROSS EXPOSURE					OVERALL WRITE-DOWNS AND PROVISIONS						
EXPOSURE TYPES/VALUES		STAGE 1	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS		STAGE 1	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS(*)
A. On-balance sheet credit exposures												
A.1 On Demand	**8,664**	**8,655**	**4**	**4**	**-**	**4**	**-**	**-**	**4**	**-**	**8,659**	**-**
a) Non-performing	4	X	-	4	-	4	X	-	4	-	-	-
b) Performing	8,659	8,655	4	X	-	-	-	-	X	-	8,659	-
A.2 Other	**8,165**	**8,096**	**7**	**52**	**-**	**3**	**-**	**-**	**3**	**-**	**8,162**	**-**
a) Bad exposures	-	X	-	-	-	-	X	-	-	-	-	-
of which: forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
b) Unlikely to pay	52	X	-	52	-	3	X	-	3	-	49	-
of which: forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
c) Non-performing past due	-	X	-	-	-	-	X	-	-	-	-	-
of which: forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
d) Performing past due	7	6	1	X	-	-	-	-	X	-	7	-
of which: forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
e) Other performing exposures	8,106	8,090	6	X	-	-	-	-	X	-	8,106	-
of which: forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
Total (A)	**16,829**	**16,752**	**11**	**57**	**-**	**8**	**-**	**-**	**8**	**-**	**16,821**	**-**
B. Off-balance sheet credit exposures												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	4,375	309	49	X	-	-	-	-	X	-	4,375	-
Total (B)	4,375	**309**	**49**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,375**	**-**
Total (A+B)	21,204	**17,060**	**61**	**57**	**-**	**8**	**-**	**-**	**8**	**-**	**21,196**	**-**

On-balance sheet credit exposures to banks include all balance-sheet assets, irrespective of their classification by portfolio (financial assets held for trading, assets designated at fair value through profit or loss, financial assets mandatorily at fair value, assets at fair value through other comprehensive income, financial assets at amortised cost, and non-current assets held for sale).
The “Stage 1”, “Stage 2”, “Stage 3” and “acquired or originally impaired financial assets” columns include assets measured at amortised cost, assets measured at fair value through other comprehensive income and non-current assets held for sale; the total gross volume also includes financial assets held for trading, financial assets designated at fair value through profit or loss and other financial assets mandatorily at fair value.
Off-balance-sheet risk exposures to customers include guarantees given and irrevocable commitments, derivatives irrespective of the classification category of the respective transaction and revocable loan commitments.

Exposures on demand include current accounts and demand deposits with central banks and banks.

E – Risk report

E.2.7 Regulatory consolidation - On- and off-balance sheet credit exposures with banks: gross and net values

(€ million)

	AMOUNTS AS AT 31.12.2022											
	GROSS EXPOSURE					OVERALL WRITE-DOWNS AND PROVISIONS						
EXPOSURE TYPES/VALUES		STAGE 1	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS		STAGE 1	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS(*)
A. On-balance sheet credit exposures												
A.1 On Demand	**13,552**	**13,543**	**5**	**5**	**-**	**5**	**-**	**-**	**5**	**-**	**13,548**	**-**
a) Non-performing	5	X	-	5	-	5	X	-	5	-	-	-
b) Performing	13,548	13,543	5	X	-	-	-	-	X	-	13,548	-
A.2 Other	**7,063**	**6,905**	**70**	**66**	**-**	**12**	**1**	**7**	**4**	**-**	**7,051**	**-**
a) Bad exposures	-	X	-	-	-	-	X	-	-	-	-	-
of which: forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
b) Unlikely to pay	66	X	-	66	-	4	X	-	4	-	63	-
of which: forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
c) Non-performing past due	-	X	-	-	-	-	X	-	-	-	-	-
of which: forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
d) Performing past due	2	1	2	X	-	-	-	-	X	-	2	-
of which: forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
e) Other performing exposures	6,994	6,905	68	X	-	8	1	7	X	-	6,986	-
of which: forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
Total (A)	**20,615**	**20,448**	**75**	**71**	**-**	**16**	**1**	**7**	**8**	**-**	**20,599**	**-**
B. Off-balance sheet credit exposures												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	6,277	474	52	X	-	1	-	-	X	-	6,277	-
Total (B)	6,277	**474**	**52**	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**6,277**	**-**
Total (A+B)	26,892	**20,922**	**127**	**71**	**-**	**17**	**1**	**8**	**8**	**-**	**26,876**	**-**

In above table previous year figures have been adjusted to reflect the change in the presentation of excess liquidity reclassified from the item "40. a) Financial assets at amortized cost / Loans and advances to banks" to the item "10. Cash reserve" in the amount of €12,689 million. The reclassification is aligned with the representation at UniCredit Group level.

E – Risk report

E.2.8 Regulatory consolidation - On- and off-balance sheet credit exposures with customers: gross and net values

(€ million)

	AMOUNTS AS AT 31.12.2023											
	GROSS EXPOSURE					OVERALL WRITE-DOWNS AND PROVISIONS						
EXPOSURE TYPES/VALUES		STAGE 1	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS		STAGE 1	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS(*)
A. On-balance sheet credit exposures												
a) Bad exposures	491	X	-	489	2	369	X	-	369	-	122	73
of which: forborne exposures	*83*	*X*	*-*	*83*	*1*	*52*	*X*	*-*	*52*	*-*	*31*	*1*
b) Unlikely to pay	1,521	X	-	1,513	7	474	X	-	472	2	1,047	1
of which: forborne exposures	*507*	*X*	*-*	*500*	*6*	*242*	*X*	*-*	*240*	*2*	*265*	*-*
c) Non-performing past due	241	X	-	241	-	21	X	-	21	-	220	-
of which: forborne exposures	*8*	*X*	*-*	*8*	*-*	*2*	*X*	*-*	*2*	*-*	*7*	*-*
d) Performing past due	964	808	156	X	-	14	2	13	X	-	949	-
of which: forborne exposures	*5*	*-*	*5*	*X*	*-*	*1*	*-*	*1*	*X*	*-*	*4*	*-*
e) Other performing exposures	76,397	60,471	15,340	X	1	651	103	548	X	-	75,746	-
of which: forborne exposures	*476*	*25*	*449*	*X*	*-*	*20*	*1*	*20*	*X*	*-*	*455*	*-*
Total (A)	**79,614**	**61,279**	**15,496**	**2,243**	**10**	**1,530**	**105**	**561**	**862**	**2**	**78,084**	**74**
B. Off-balance sheet credit exposures												
a) Non-performing	464	*X*	-	464	-	99	*X*	-	99	-	364	-
b) Performing	43,279	34,968	7,894	X	-	60	19	41	X	-	43,219	-
Total (B)	**43,743**	**34,968**	**7,894**	**464**	**-**	**159**	**19**	**41**	**99**	**-**	**43,584**	**-**
Total (A+B)	**123,357**	**96,247**	**23,389**	**2,707**	**10**	**1,689**	**124**	**602**	**962**	**2**	**121,668**	**74**

On-balance sheet credit exposures to customers include all balance-sheet assets, irrespective of their classification by portfolio (financial assets held for trading, assets designated at fair value through profit or loss, financial assets mandatorily at fair value, assets at fair value through other comprehensive income, financial assets at amortised cost, and non-current assets held for sale).

The “Stage 1”, “Stage 2”, “Stage 3” and “acquired or originally impaired financial assets” columns include assets measured at amortised cost, assets measured at fair value through other comprehensive income and non-current assets held for sale; the total gross volume also includes financial assets held for trading, financial assets designated at fair value through profit or loss and other financial assets mandatorily at fair value.
Off-balance-sheet risk exposures to customers include guarantees given and irrevocable commitments, derivatives irrespective of the classification category of the respective transaction and revocable loan commitments.

E.2.8 Regulatory consolidation - On- and off-balance sheet credit exposures with customers: gross and net values

(€ million)

	AMOUNTS AS AT 31.12.2022											
	GROSS EXPOSURE					OVERALL WRITE-DOWNS AND PROVISIONS						
EXPOSURE TYPES/VALUES		STAGE 1	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS		STAGE 1	STAGE 2	STAGE 3	PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS(*)
A. On-balance sheet credit exposures												
a) Bad exposures	501	X	-	499	1	405	X	-	405	-	96	51
of which: forborne exposures	*67*	*X*	-	*66*	*1*	*42*	*X*	-	*42*	-	*25*	*1*
b) Unlikely to pay	1,538	X	-	1,529	8	528	X	-	526	2	1,010	1
of which: forborne exposures	*597*	*X*	-	*590*	*7*	*298*	*X*	-	*296*	*2*	*299*	-
c) Non-performing past due	122	X	-	122	-	12	X	-	12	-	110	-
of which: forborne exposures	*4*	*X*	-	*4*	-	*2*	*X*	-	*2*	-	*3*	-
d) Performing past due	1,174	914	260	X	-	16	2	14	X	-	1,158	-
of which: forborne exposures	*37*	*29*	*7*	*X*	-	*1*	-	*1*	*X*	-	*35*	-
e) Other performing exposures	76,025	59,380	15,912	X	1	549	109	441	X	-	75,476	-
of which: forborne exposures	*705*	*20*	*682*	*X*	-	*21*	*1*	*20*	*X*	-	*684*	-
Total (A)	**79,360**	**60,294**	**16,172**	**2,151**	**10**	**1,510**	**110**	**455**	**943**	**2**	**77,850**	**52**
B. Off-balance sheet credit exposures												
a) Non-performing	339	*X*	-	339	-	123	*X*	-	123	-	216	-
b) Performing	40,978	33,232	6,979	X	-	54	25	28	X	-	40,925	-
Total (B)	**41,317**	**33,232**	**6,979**	**339**	**-**	**176**	**25**	**28**	**123**	**-**	**41,141**	**-**
Total (A+B)	**120,677**	**93,525**	**23,151**	**2,489**	**10**	**1,686**	**135**	**484**	**1,065**	**2**	**118,991**	**52**

E – Risk report

E.2.9a Regulatory consolidation - On-balance sheet credit exposures with customers: changes in gross non-performing exposures

(€ million)

	CHANGES IN 2023		
SOURCES/CATEGORIES	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST DUE
A. Opening balance (gross amount)	**501**	**1,538**	**122**
of which sold non-cancelled exposures	2	*1*	-
B. Increases	**155**	**573**	**170**
B.1 Transfer from performing loans	64	421	150
B.2 Transfer from acquired or originated impaired financial assets	-	-	-
of which: business combinations	-	-	-
B.3 Transfer from other non-performing exposures	46	47	2
B.4 Contractual changes with no cancellations	-	-	-
B.5 Other increases	45	105	19
of which: business combinations - mergers	-	-	-
C. Decreases	**164**	**590**	**52**
C.1 Transfers to performing loans	-	236	20
C.2 Write-offs	59	35	1
C.3 Collections	57	257	20
C.4 Sale proceeds	-	-	-
C.5 Losses on disposals	-	-	-
C.6 Transfers to other non-performing exposures	43	43	8
C.7 Contractual changes with no cancellations	-	-	-
C.8 Other decreases	4	20	2
of which: business combinations	-	-	-
D. Closing balance (gross amount)	**491**	**1,521**	**241**
of which sold non-cancelled exposures	-	-	-

E – Risk report

E.2.9a Regulatory consolidation - On-balance sheet credit exposures with customers: changes in gross non-performing exposures

(€ million)

SOURCES/CATEGORIES	CHANGES IN 2022 BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST DUE
A. Opening balance (gross amount)	**576**	**1,418**	**33**
of which sold non-cancelled exposures	*2*	*1*	*1*
B. Increases	**97**	**523**	**120**
B.1 Transfer from performing loans	43	377	115
B.2 Transfer from acquired or originated impaired financial assets	-	-	-
of which: business combinations	-	-	-
B.3 Transfer from other non-performing exposures	32	58	-
B.4 Contractual changes with no cancellations	-	-	-
B.5 Other increases	21	89	5
of which: business combinations - mergers	-	-	-
C. Decreases	**172**	**404**	**31**
C.1 Transfers to performing loans	2	61	9
C.2 Write-offs	27	29	-
C.3 Collections	77	283	11
C.4 Sale proceeds	-	-	-
C.5 Losses on disposals	-	-	-
C.6 Transfers to other non-performing exposures	51	29	10
C.7 Contractual changes with no cancellations	-	-	-
C.8 Other decreases	15	1	-
of which: business combinations	-	-	-
D. Closing balance (gross amount)	**501**	**1,538**	**122**
of which sold non-cancelled exposures	*2*	*1*	-

E – Risk report

E.2.9b Regulatory consolidation - On-balance sheet exposures with customers: changes by credit quality in gross forborne exposures

(€ million)

SOURCES/QUALITY	CHANGES IN 2023		CHANGES IN 2022	
	FORBORNE EXPOSURES: NON-PERFORMING	FORBORNE EXPOSURES: PERFORMING	FORBORNE EXPOSURES: NON-PERFORMING	FORBORNE EXPOSURES: PERFORMING
A. Opening balance (gross amount)	**668**	**741**	**761**	**1,085**
of which sold non-cancelled exposures	*1*	-	*1*	-
B. Increases	**142**	**398**	**84**	**164**
B.1 Transfers from performing non-forborne exposures	35	268	15	138
B.2 Transfers from performing forbone exposures	60	X	51	X
B.3 Transfers from non-performing forborne exposures	X	110	X	26
of which: business combinations	*X*	-	*X*	-
B.4 Other increases	47	21	18	-
of which: business combinations - mergers	-	-	-	-
C. Reductions	**212**	**659**	**177**	**508**
C.1 Transfers to performing non-forborne exposures	X	511	X	265
C.2 Transfers to performing forbone exposures	110	X	26	X
C.3 Transfers to non-performing forborne exposures	X	60	X	51
C.4 Write-offs	3	-	2	-
C.5 Collections	86	81	111	161
C.6 Sale proceeds	-	-	-	-
C.7 Losses from disposal	-	-	-	-
C.8 Other reductions	13	6	38	30
of which: business combinations	-	-	-	-
D. Closing balance (gross amount)	**598**	**481**	**668**	**741**
of which sold non-cancelled exposures	-	-	*1*	-

E – Risk report

E.2.10 Regulatory consolidation - On-balance sheet non-performing credit exposures with customers: changes in overall write-downs

(€ million)

	CHANGES IN 2023					
	BAD LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE	
SOURCES/CATEGORIES	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES
A. Opening balance (gross amount)	**405**	**42**	**528**	**298**	**12**	**2**
of which sold non-cancelled exposures	*1*	-	*1*	*1*	-	-
B. Increases	**109**	**23**	**303**	**38**	**21**	**2**
B.1 Write-downs of acquired or originated impaired financial assets	-	X	-	X	-	X
of which: business combinations	-	-	-	-	-	-
B.2. Other write-downs	56	8	145	38	14	1
B.3 Losses on disposal	-	-	-	-	-	-
B.4 Transfers from other categories of non-performing exposures	24	15	35	1	-	-
B.5 Contractual changes with no cancellations	-	X	-	X	-	X
B.6 Other increases	29	-	123	-	7	1
of which: business combinations - mergers	-	-	-	-	-	-
C. Reductions	**145**	**13**	**357**	**95**	**12**	**2**
C.1 Write-backs from valuation	7	-	17	-	1	-
C.2. Write-backs from collections	31	6	216	46	7	1
C.3 Gains from disposals	-	-	-	-	-	-
C.4 Write-offs	59	2	35	1	1	-
C.5 Transfers to other categories of non-performing exposures	34	-	22	15	3	1
C.6 Contractual changes with no cancellations	-	X	-	X	-	X
C.7 Other decreases	15	5	67	34	1	-
of which: business combinations	-	-	-	-	-	-
D. Closing balance (gross amount)	**369**	**52**	**474**	**242**	**21**	**2**
of which sold non-cancelled exposures	-	-	-	-	-	-

E – Risk report

E.2.10 Regulatory consolidation - On-balance sheet non-performing credit exposures with customers: changes in overall write-downs

(€ million)

SOURCES/CATEGORIES	CHANGES IN 2022					
	BAD LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE	
	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES
A. Opening balance (gross amount)	**455**	**39**	**516**	**334**	**10**	**2**
of which sold non-cancelled exposures	*2*	-	-	-	-	-
B. Increases	**58**	**13**	**231**	**36**	**10**	**1**
B.1 Write-downs of acquired or originated impaired financial assets	-	X	-	X	-	X
of which: business combinations	-	-	-	-	-	-
B.2. Other write-downs	42	7	117	33	9	1
B.3 Losses on disposal	-	-	-	-	-	-
B.4 Transfers from other categories of non-performing exposures	10	6	36	1	-	-
B.5 Contractual changes with no cancellations	-	X	-	X	-	X
B.6 Other increases	6	-	78	2	1	-
of which: business combinations - mergers	-	-	-	-	-	-
C. Reductions	**108**	**10**	**218**	**72**	**7**	**1**
C.1 Write-backs from valuation	7	-	17	-	-	-
C.2. Write-backs from collections	21	2	89	43	3	-
C.3 Gains from disposals	-	-	-	-	-	-
C.4 Write-offs	27	1	29	1	-	-
C.5 Transfers to other categories of non-performing exposures	34	-	8	6	3	1
C.6 Contractual changes with no cancellations	-	X	-	X	-	X
C.7 Other decreases	19	7	75	21	1	-
of which: business combinations	-	-	-	-	-	-
D. Closing balance (gross amount)	**405**	**42**	**528**	**298**	**12**	**2**
of which sold non-cancelled exposures	*1*	-	*1*	*1*	-	-

E – Risk report

E.2.11 Regulatory consolidation - Breakdown of financial assets, loan commitments and financial guarantees given by external rating classes (gross amounts)

(€ million)

	AMOUNT AS AT 31.12.2023							
	EXTERNAL RATING CLASSES							
EXPOSURES	CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6	NO RATING	TOTAL
A. Financial assets at amortised cost								
- Stage 1	2,557	2,067	920	216	-	-	48,444	54,205
- Stage 2	-	8	-	-	6	-	15,488	15,503
- Stage 3	-	-	-	-	-	-	2,295	2,295
- POCI Assets	-	-	-	-	-	-	10	10
B. Financial assets at fair value through other comprehensive income								
- Stage 1	10,545	4,269	354	-	-	-	4	15,171
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- POCI Assets	-	-	-	-	-	-	-	-
C. Financial instruments classified as held for sale								
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- POCI Assets	-	-	-	-	-	-	-	-
Total (A+B+C)	**13,102**	**6,344**	**1,274**	**216**	**6**	**-**	**66,240**	**87,183**
D. Loan commitments and financial guarantees given								
- Stage 1	20	945	2,851	53	19	2	31,386	35,276
- Stage 2	-	11	233	15	3	-	7,682	7,943
- Stage 3	-	-	-	-	-	-	464	464
- POCI Assets	-	-	-	-	-	-	-	-
Total (D)	**20**	**956**	**3,083**	**68**	**22**	**2**	**39,531**	**43,683**
Total (A+B+C+D)	**13,122**	**7,300**	**4,357**	**285**	**28**	**2**	**105,771**	**130,866**

*) Includes non-performing volume and assets without external rating. A large share of Bank Austria customers, due to the size of the companies, does not have an external rating and is rated only internally.

The table considers the ratings of the following rating agencies: S&Ps and Fitch
Class 1 (AAA /AA–), 2 (A+/A–), 3 (BBB+/BBB–), 4 (BB+/BB–), 5 (B+/B/B–), 6 (CCC), impaired risk volumes are included in column "without external rating".
98,7% of the externally rated volume had a good credit rating (investment grade, classes 1 to 3).

E – Risk report

E.2.11 Regulatory consolidation - Breakdown of financial assets, loan commitments and financial guarantees given by external rating classes (gross amounts)

(€ million)

	AMOUNT AS AT 31.12.2022							
	EXTERNAL RATING CLASSES							
EXPOSURES	CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6	NO RATING	TOTAL
A. Financial assets at amortised cost								
- Stage 1	2,655	2,476	1,585	489	320	5	47,715	55,247
- Stage 2	5	-	122	14	47	191	15,816	16,195
- Stage 3	-	-	-	-	-	-	2,217	2,217
- POCI Assets	-	-	-	-	-	-	10	10
B. Financial assets at fair value through other comprehensive income								
- Stage 1	7,992	3,277	679	-	-	-	4	11,952
- Stage 2	-	34	14	-	-	-	-	48
- Stage 3	-	-	-	-	-	-	-	-
- POCI Assets	-	-	-	-	-	-	-	-
C. Financial instruments classified as held for sale								
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- POCI Assets	-	-	-	-	-	-	-	-
Total (A+B+C)	**10,652**	**5,787**	**2,401**	**504**	**366**	**196**	**65,761**	**85,668**
D. Loan commitments and financial guarantees given								
- Stage 1	823	1,842	1,976	199	166	139	28,561	33,706
- Stage 2	3	-	13	3	39	1	6,972	7,031
- Stage 3	-	-	-	-	-	-	339	339
- POCI Assets	-	-	-	-	-	-	-	-
Total (D)	**826**	**1,842**	**1,989**	**202**	**205**	**140**	**35,872**	**41,076**
Total (A+B+C+D)	**11,478**	**7,629**	**4,390**	**706**	**571**	**336**	**101,633**	**126,743**

*) Includes non-performing volume and assets without external rating. A large share of Bank Austria customers, due to the size of the companies, does not have an external rating and is rated only internally.

The table considers the ratings of the following rating agencies: Moody's, S&Ps, Fitch and DBRS.
Class 1 (AAA /AA–), 2 (A+/A–), 3 (BBB+/BBB–), 4 (BB+/BB–), 5 (B+/B/B–), 6 (CCC), impaired risk volumes are included in column "without external rating".
93,6% of the externally rated volume had a good credit rating (investment grade, classes 1 to 3).

Previous year figures have been adjusted to reflect the change in the presentation of excess liquidity reclassified from the item " 40. a) Financial assets at amortized cost / Loans and advances to banks" to the item "10. Cash reserve" in the amount of €12,689 million. The reclassification is aligned with the representation at UniCredit Group level.

E – Risk report

E.2.12 Regulatory consolidation - Breakdown of financial assets, loan commitments and financial guarantees given by internal rating classes (gross amounts)

(€ million)

	AMOUNT AS AT 31.12.2023									
	INTERNAL RATING CLASSES									
EXPOSURES	1	2	3	4	5	6	7	8	NO RATING	TOTAL
A. Financial assets at amortised cost										
- Stage 1	11,547	12,699	9,145	7,297	5,798	4,296	278	16	3,129	54,205
- Stage 2	66	580	1,735	4,067	2,919	2,875	1,451	971	839	15,503
- Stage 3	-	-	-	-	-	-	-	-	2,295	2,295
- POCI Assets	-	-	-	-	-	-	-	-	9	10
B. Financial assets at fair value through other comprehensive income										
- Stage 1	8,985	1,560	4,269	354	-	-	-	-	4	15,171
- Stage 2	-	-	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-	-	-
- POCI Assets	-	-	-	-	-	-	-	-	-	-
C. Financial instruments classified as held for sale										
- Stage 1	-	-	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-	-	-
- POCI Assets	-	-	-	-	-	-	-	-	-	-
Total (A+B+C)	**20,597**	**14,838**	**15,149**	**11,718**	**8,716**	**7,171**	**1,730**	**987**	**6,276**	**87,183**
D. Loan commitments and financial guarantees given										
- Stage 1	12,228	11,275	5,527	3,047	1,593	1,053	133	25	396	35,276
- Stage 2	181	593	1,833	2,113	1,658	1,054	315	155	41	7,943
- Stage 3	-	-	-	-	-	-	-	-	464	464
- POCI Assets	-	-	-	-	-	-	-	-	-	-
Total (D)	**12,409**	**11,868**	**7,360**	**5,160**	**3,250**	**2,107**	**448**	**180**	**901**	**43,683**
Total (A+B+C+D)	**33,006**	**26,706**	**22,510**	**16,878**	**11,967**	**9,277**	**2,178**	**1,167**	**7,176**	**130,866**

*) Includes non-performing volume and assets without external rating (risk volumes in the standardized approach).

E – Risk report

E.2.12 Regulatory consolidation - Breakdown of financial assets, loan commitments and financial guarantees given by internal rating classes (gross amounts)

(€ million)

	AMOUNT AS AT 31.12.2022										
	INTERNAL RATING CLASSES										
EXPOSURES	1	2	3	4	5	6	7	8	9	NO RATING	TOTAL
A. Financial assets at amortised cost											
- Stage 1	10,632	10,796	12,213	7,793	5,998	4,114	485	13	-	3,203	55,247
- Stage 2	53	247	2,508	2,983	3,881	3,566	1,212	723	140	882	16,195
- Stage 3	-	-	-	-	-	-	-	-	-	2,217	2,217
- POCI Assets	-	-	-	-	-	-	-	-	-	9	10
B. Financial assets at fair value through other comprehensive income											
- Stage 1	5,729	2,263	3,277	679	-	-	-	-	-	4	11,952
- Stage 2	-	-	34	14	-	-	-	-	-	-	48
- Stage 3	-	-	-	-	-	-	-	-	-	-	-
- POCI Assets	-	-	-	-	-	-	-	-	-	-	-
C. Financial instruments classified as held for sale											
- Stage 1	-	-	-	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-	-	-	-
- POCI Assets	-	-	-	-	-	-	-	-	-	-	-
Total (A+B+C)	**16,414**	**13,305**	**18,031**	**11,469**	**9,879**	**7,680**	**1,697**	**736**	**140**	**6,315**	**85,668**
D. Loan commitments and financial guarantees given											
- Stage 1	8,172	11,337	6,888	2,970	2,398	1,387	89	34	-	430	33,706
- Stage 2	112	896	1,984	1,672	1,261	629	246	138	-	92	7,031
- Stage 3	-	-	-	-	-	-	-	-	-	339	339
- POCI Assets	-	-	-	-	-	-	-	-	-	-	-
Total (D)	**8,284**	**12,233**	**8,872**	**4,642**	**3,659**	**2,016**	**336**	**172**	**-**	**861**	**41,076**
Total (A+B+C+D)	**24,698**	**25,539**	**26,904**	**16,112**	**13,538**	**9,697**	**2,033**	**908**	**141**	**7,175**	**126,743**

*) Includes both, non-performing volume, and assets without rating (volumes treated under the standardized approach).

Previous year figures have been adjusted to reflect the change in the presentation of excess liquidity reclassified from the item " 40. a) Financial assets at amortized cost / Loans and advances to banks" to the item "10. Cash reserve" in the amount of €12,689 million. The reclassification is aligned with the representation at UniCredit Group level.

E – Risk report

The **internal rating distribution for 2023** follows the UniCredit master scale below (amended compared to 2022) and considers the probability of default (PD) ranges shown below. Classes 1 to 3 correspond to the investment grade classes of the external ratings. The external rating classes can be reconciled to internal rating classes via the PD bands.
In 2023, the number of internal rating classes was reduced to 8 compared to 9 in 2022. In 2023, the internal rating 8D is reported in class 8 whereas in 2022 8D was reported in class 9. Impaired / Stage 3 exposures are reported under “not rated”.

E.2.13 UniCredit Masterscale 2023

INTERNAL RATING CLASSES	PD MINIMUM	PD MAXIMUM
1	0.00%	0.05%
2	0.05%	0.12%
3	0.12%	0.31%
4	0.31%	0.77%
5	0.77%	1.96%
6	1.96%	4.96%
7	4.96%	12.57%
8	12.57%	100.00%
9	IMPAIRED	

The PD value of the class has to be considered as “greater or equal” than the lower bound of each rating class.
The PD value of the class has to be considered “strictly lower” than the upper bound of each rating class.

The **internal rating distribution for the year 2022** shown below follows the Group-wide UniCredit rating master scale set out below.

E.2.13 UniCredit Masterscale 2022

INTERNAL RATING CLASSES	PD MINIMUM	PD MAXIMUM
1	0.00%	0.05%
2	0.05%	0.12%
3	0.12%	0.31%
4	0.31%	0.77%
5	0.77%	1.96%
6	1.96%	4.96%
7	4.96%	12.57%
8	12.57%	31.82%
9	31.82%	99.99%

E – Risk report

Credit risk mitigation techniques

Bank Austria uses various credit risk mitigation techniques to reduce credit losses in case of debtor default.
With specific reference to credit risk mitigation, guidelines issued by UniCredit and Bank Austria are in force. These guidelines govern and standardize credit risk mitigation processes, in line with Group principles and best practice as well as in accordance with the relevant regulatory requirements – especially strategies and procedures for collateral management. Specifically, these relate to eligibility for recognition as collateral, valuation and monitoring rules and ensure the stable value, legal enforceability, and timely realization of collateral in accordance with local law.

According to the credit policies, collateral or guarantees can be accepted only to support loans and they cannot serve as a substitute for the borrower's ability to meet obligations. Collateral and guarantees are also subject to a specific valuation and analysis with regard to their supporting function to repay the outstanding amount.
The main types of collateral accepted in support of loans granted by Bank Austria include real estate (both residential and commercial), guarantees and tangible financial collateral (including cash deposits, bonds, equities, and investment fund units). Further types of collateral comprise pledged goods, receivables, and insurance contracts as well as other types of funded protection. Bank Austria also makes use of bilateral netting agreements for OTC derivatives (by means of ISDA and CSA agreements), repos and securities lending.

Processes and controls focus on the requirements of legal certainty, hedging and the assessment of the suitability of the collateral or guarantee. In the case of personal guarantees, the ability to pay and the risk profile of the guarantor (or in the case of credit default swaps, of the protection provider) must be assessed.

In the case of collateral, market values are recognized reduced by corresponding haircuts in order to consider any lower revenue, in the case of utilization.
Monitoring processes of credit risk mitigation techniques ensure that general and specific requirements established by credit policies and regulatory rules are met at all times.

E – Risk report

E.2.14 Regulatory consolidation - Secured on-balance and off-balance sheet credit exposures with banks

(€ million)

	AMOUNT AS AT 31.12.2023					
			COLLATERALS			
	GROSS EXPOSURE	NET EXPOSURE	PROPERTY - MORTGAGES	PROPERTY - LEASE LOANS	SECURITIES	OTHER COLLATERALS
1. Secured on-balance sheet credit exposures						
1.1 Totally secured	748	747	-	-	536	-
of which non-performing	*47*	*46*	-	-	-	-
1.2 Partially secured	48	48	-	-	41	-
of which non-performing	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures						
2.1 Totally secured	85	85	-	-	-	-
of which non-performing	-	-	-	-	-	-
2.2 Partially secured	14	14	-	-	-	-
of which non-performing	-	-	-	-	-	-

continued: E.2.14 Regulatory consolidation - Secured on-balance and off-balance sheet credit exposures with banks

(€ million)

	AMOUNT AS AT 31.12.2023									
	GUARANTEES									
	CREDIT DERIVATIVES					SIGNATURE LOANS (LOANS GUARANTEES)				
		OTHER CREDIT DERIVATIVES								
	CLN	GOVERNMENT AND CENTRAL BANKS	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	TOTAL (1)+(2)
1. Secured on-balance sheet credit exposures										
1.1 Totally secured	-	-	-	-	-	211	-	-	-	**747**
of which non-performing	-	-	-	-	-	*46*	-	-	-	***46***
1.2 Partially secured	-	-	-	-	-	2	-	-	-	**43**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**
2. Secured off-balance sheet credit exposures										
2.1 Totally secured	-	-	-	-	-	-	83	-	2	**85**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**
2.2 Partially secured	-	-	-	-	-	-	-	-	-	**-**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**

E – Risk report

E.2.14 Regulatory consolidation - Secured on-balance and off-balance sheet credit exposures with banks

(€ million)

	AMOUNT AS AT 31.12.2022					
			COLLATERALS			
	GROSS EXPOSURE	NET EXPOSURE	PROPERTY - MORTGAGES	PROPERTY - LEASE LOANS	SECURITIES	OTHER COLLATERALS
1. Secured on-balance sheet credit exposures						
1.1 Totally secured	197	194	-	-	-	-
of which non-performing	*7*	*3*	-	-	-	-
1.2 Partially secured	62	62	-	-	-	-
of which non-performing	*60*	*60*	-	-	-	-
2. Secured off-balance sheet credit exposures						
2.1 Totally secured	9	9	-	-	-	-
of which non-performing	-	-	-	-	-	-
2.2 Partially secured	35	35	-	-	-	-
of which non-performing	-	-	-	-	-	-

continued: E.2.14 Regulatory consolidation - Secured on-balance and off-balance sheet credit exposures with banks

(€ million)

	AMOUNT AS AT 31.12.2022									
	GUARANTEES									
	CREDIT DERIVATIVES					SIGNATURE LOANS (LOANS GUARANTEES)				
		OTHER CREDIT DERIVATIVES								
	CLN	GOVERNMENT AND CENTRAL BANKS	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	TOTAL (1)+(2)
1. Secured on-balance sheet credit exposures										
1.1 Totally secured	-	-	-	-	-	193	-	-	1	**194**
of which non-performing	-	-	-	-	-	*3*	-	-	-	***3***
1.2 Partially secured	-	-	-	-	-	57	-	-	-	**57**
of which non-performing	-	-	-	-	-	*57*	-	-	-	***57***
2. Secured off-balance sheet credit exposures										
2.1 Totally secured	-	-	-	-	-	2	8	-	-	**9**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**
2.2 Partially secured	-	-	-	-	-	8	-	-	-	**8**
of which non-performing	-	-	-	-	-	-	-	-	-	**-**

E – Risk report

E.2.15 Regulatory consolidation - Secured on-balance and off-balance sheet credit exposures with customers

(€ million)

	AMOUNT AS AT 31.12.2023						
			COLLATERALS				
	GROSS EXPOSURE	NET EXPOSURE	PROPERTY - MORTGAGES	PROPERTY - LEASE LOANS	SECURITIES	OTHER COLLATERALS
1. Secured on-balance sheet credit exposures						
1.1 Totally secured	25,892	25,623	19,945	661	194	961
of which non-performing	*924*	*778*	*436*	*56*	*3*	*73*
1.2 Partially secured	23,842	22,892	4,522	90	145	988
of which non-performing	*1,060*	*544*	*161*	*-*	*4*	*37*
2. Secured off-balance sheet credit exposures						
2.1 Totally secured	3,435	3,421	1,408	7	177	374
of which non-performing	*152*	*141*	*85*	*-*	*1*	*9*
2.2 Partially secured	13,860	13,751	97	-	21	670
of which non-performing	*305*	*221*	*-*	*-*	*-*	*25*

continued: E.2.15 Regulatory consolidation - Secured on-balance and off-balance sheet credit exposures with customers

(€ million)

	AMOUNT AS AT 31.12.2023									
	GUARANTEES									
	CREDIT DERIVATIVES					SIGNATURE LOANS (LOANS GUARANTEES)				
		OTHER CREDIT DERIVATIVES								
	CLN	GOVERNMENT AND CENTRAL BANKS	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	TOTAL (1)+(2)
1. Secured on-balance sheet credit exposures										
1.1 Totally secured	-	-	-	-	-	1,842	497	-	1,522	**25,623**
of which non-performing	-	-	-	-	-	*196*	*5*	-	*9*	***778***
1.2 Partially secured	-	-	-	-	-	2,471	113	567	1,031	**9,928**
of which non-performing	-	-	-	-	-	*118*	*2*	-	*1*	***322***
2. Secured off-balance sheet credit exposures										
2.1 Totally secured	-	-	-	-	-	404	112	-	940	**3,421**
of which non-performing	-	-	-	-	-	*2*	*44*	-	-	***141***
2.2 Partially secured	-	-	-	-	-	578	18	-	65	**1,449**
of which non-performing	-	-	-	-	-	*2*	-	-	-	***27***

E – Risk report

E.2.15 Regulatory consolidation - Secured on-balance and off-balance sheet credit exposures with customers

(€ million)

	AMOUNT AS AT 31.12.2022					
			COLLATERALS			
	GROSS EXPOSURE	NET EXPOSURE	PROPERTY - MORTGAGES	PROPERTY - LEASE LOANS	SECURITIES	OTHER COLLATERALS
1. Secured on-balance sheet credit exposures						
1.1 Totally secured	22,492	22,315	17,385	609	184	929
of which non-performing	*714*	*574*	*226*	*34*	*2*	*67*
1.2 Partially secured	27,329	26,345	5,600	113	218	1,055
of which non-performing	*1,020*	*491*	*94*	*-*	*5*	*33*
2. Secured off-balance sheet credit exposures						
2.1 Totally secured	2,896	2,877	1,065	-	79	397
of which non-performing	*89*	*70*	*44*	*-*	*2*	*17*
2.2 Partially secured	14,116	14,003	104	-	29	1,057
of which non-performing	*238*	*152*	*3*	*-*	*-*	*4*

continued: E.2.15 Regulatory consolidation - Secured on-balance and off-balance sheet credit exposures with customers

(€ million)

	AMOUNT AS AT 31.12.2022									
	GUARANTEES									
	CREDIT DERIVATIVES					SIGNATURE LOANS (LOANS GUARANTEES)				
		OTHER CREDIT DERIVATIVES								
	CLN	GOVERNMENT AND CENTRAL BANKS	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES	BANKS	OTHER PUBLIC ENTITIES	OTHER ENTITIES	TOTAL (1)+(2)
1. Secured on-balance sheet credit exposures										
1.1 Totally secured	-	-	-	-	-	1,869	539	-	796	**22,310**
of which non-performing	*-*	*-*	*-*	*-*	*-*	*236*	*4*	*-*	*6*	***574***
1.2 Partially secured	-	-	-	-	-	2,791	123	580	590	**11,070**
of which non-performing	*-*	*-*	*-*	*-*	*-*	*142*	*13*	*-*	*1*	***287***
2. Secured off-balance sheet credit exposures										
2.1 Totally secured	-	-	-	-	-	333	90	-	914	**2,877**
of which non-performing	*-*	*-*	*-*	*-*	*-*	*8*	*-*	*-*	*-*	***70***
2.2 Partially secured	-	-	-	-	-	464	20	-	78	**1,752**
of which non-performing	*-*	*-*	*-*	*-*	*-*	*11*	*-*	*-*	*-*	***18***

E – Risk report

Assessment of potential loss due to the current environment

Geopolitical environment

For the entire UniCredit Bank Austria AG portfolio, the constantly deteriorating macro environment is taken into account by means of regular macro scenario adjustments on the basis of internal projections prepared by UniCredit Research. Since the introduction of IFRS 9, this has been the primary tool for considering forward-looking information - "FLI". The macroeconomic factors are translated into changes in the credit risk parameters using the Group's macro dependency model ("Satellite Model") (see also Part A). The most recent macro adjustment was made in the 4Q23 (see also below). In this regard, the scheduled point-in-time calibrations and semi-annual adjustments to the macro scenarios were carried out in 2023 - the cumulative effect of these adjustments resulted in a total expected credit loss (ECL) impact of €48 million). If we add the comparatively smaller impact from the half-year update as well (€-2 million) and the annual recalibration of the through-the-cycle PD-curves (€-7 million), the aggregated effect amounts to overall €38 million (compared to €46 million in 2022). In addition, a one-off effect came from the recalibration of the Satellite Models in the 4Q23, which led to an ECL reduction of €-44 million and hence leads to a total impact of €-6 million (there was no recalibration in 2022).

At the same time, geopolitical threats continue to be of great importance for understanding the performing portfolio ECL. While the general consideration of forward-looking information - "FLI" - is incorporated into the ECL by means of macro-dependency models (as stated above), overlays represent a complementary measure to the IFRS 9 models that aims to additionally consider the scenario impact of particularly vulnerable sub-segments.

In UniCredit taxonomy, adjustments related to temporary one-off measures, complementary to the IFRS 9 models, aimed at coping with specific exogenous contingent situations are the ones strictly qualifiable as “overlays”. The other adjustments are generally qualifiable as “PMAs” (Post Model Adjustments) being usually more connected to credit risk models anticipation as well as tactical corrections prior to the full technical implementation into models and IT-systems. In contrast to the exogenously triggered overlays the latter are generally more endogenously driven.

The **Geopolitical Overlay** introduced in 4Q22 continues to be seen as an important means of maintaining the level of stage 1 and 2 impairments for the specifically at-risk segments at an adequate level. Although some of the effects of the Russia /Ukraine conflict have weakened somewhat compared to the previous year, the current macroeconomic context continues to be burdened by a high level of uncertainty - primarily due to geopolitical tensions in the Middle East. This makes the situation on the energy markets still very uncertain. Furthermore, inflation is still high and domestic price pressures remains strong. Despite interest rate forecasts suggesting some incremental relief, we expect interest rate levels to approach the former ones only very slowly. Hence the stress stemming from the sharp rate increase is expected to prevail longer. In this environment, downside risks to economic growth also remain high. Consequently, the Geopolitical Overlay measure continues to be necessary for 4Q23, given underlying source of risks has neither realized nor faded away with reliable level of confidence. At the end of 2023, the overlay amounts to €110 million (compared to €123 million end of 2022).

Furthermore, steadily high interest rate environment has been increasingly affecting the commercial real estate and construction sectors, which are also struggling with lower orders, higher construction costs due to inflation and in some cases falling real estate prices and increased refinancing risk. For this reason, the Bank has decided to supplement the existing Geopolitical Overlay with a new Commercial Real Estate Finance - CREF Overlay, which covers not only CRE companies but also the entire building construction and real estate sector. There is no overlap between the geopolitical and the CREF overlay. The relevant methodological approach works in the same way as the geopolitical overlay. Based on the default rates of the specific segments, a stressed default rate is derived, which implies an additional flow into the non-performing portfolio that goes beyond the FLI-related one. As a result, higher value adjustments are already being recognized in the performing portfolio. The additional value adjustments booked in this way amount to €27 million at the end of the year, or in other words, approximately 3.8% of the value adjustments in the performing portfolio.

The total Overlay (Geopolitical and CREF) now amounts to €137 million as at December 2023, or 19.2% of the performing portfolio LLPs (vs. €123 million or 20.1%, respectively, in 4Q22). Overlay methods including the underlying parameters as well as all relevant amendments are submitted to the local FCRC for approval. In line with the temporary nature of overlays, the bank plans medium term to transfer them into the models, unless the necessity changes substantially meanwhile.

Other materially relevant methodological adjustments to Stage 1 and 2 impairments

The new IRB LGD model for RWA and EL purposes was implemented in 1Q23 (one-year horizon). Subsequently, the technical requirements for an implementation for ECL purposes were created. This simulation was used to calculate an LGD post-model adjustment (PMA), which led to an increase in impairments compared to the preliminary anticipation in 4Q22 and on the basis of the current portfolio. At the end of the year, this PMA amounted to €86 million (versus 8 million 4Q22). Replacement of the PMA in favor of a full implementation in production environment is planned for 2024.

The new method for bullet/balloon loans introduced as a PMA in 4Q22 to account for the specific risk of loans with bulk payments at the end was technically implemented into the production environment in 4Q23 and was also amended with regard to its impact on staging, which led to a migration from S1 to S2 of about €1billion. The method increases ECL levels to €36 million in 4Q23 (the value for end of 2022 had been €21 million).

Loans in the regions of Russia (Belarus) and Ukraine continue to be allocated to stage 2. As at the end of 2023, these do not play a material role (counting for approx. €163.3 million) or are largely secured by export guarantee agencies (hence not materially relevant for the level of ECL).

The below table shows an overview of the changes of the main Overlays and Post-Model Adjustments (PMA).

E.2.15a Overlays and Post-Model Adjustments

(€ million)

		2023	2022	CHANGE
OVERLAYS	Geopolitical	110	123	-12
	Commercial Real Estate Finance (CREF)	27	0	27
PMA	Bullet/Balloon	36	21	15
	Loss-Given Default (LGD)	86	8	78
STAGE 1&2 - LLP OVERALL		**713**	**610**	**103**

Consideration of baseline and adverse scenarios

Macroeconomic forecasts are considered in the determination of expected credit losses. They were updated as per 4Q23 and are an important input for the forward-looking calibration of core IFRS 9 parameters. For Stage 1 and 2, the scenarios are considered by estimating the impact of specific factors on the ECL ("*overlay factor*"). The same scenarios are taken into account when calibrating the loss rates for the portfolio-based specific provisioning methods.

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

As in the previous year, UniCredit Bank Austria AG selected two macro scenarios based on the economic environment in December 2023 to determine the forward-looking information – a baseline scenario and an adverse scenario The positive scenario is weighted with 0% since first half of 2022. The baseline scenario is considered the most likely and therefore forms a central reference point. The adverse scenario represents a possible a development, which is worse than the baseline scenario.

Probabilities of occurrence:

UniCredit Group has determined the following probabilities of occurrence for the 2 scenarios:
- 60% for the baseline scenario ("slight growth")
- 40% for the adverse scenario ("recession")

Weights are proposed by UniCredit Research and approved group-wide. Weights were not changed compared to 4Q22.

E – Risk report

Baseline scenario:

The baseline scenario expects a weak growth for the next quarters as increased requirements for financing, which makes borrowing more difficult, dampen activity. Inflation is expected to be on a declining path. No material gas rationing will be necessary in most countries. Country's counter actions (high storage level and gas savings) in total are assumed to be able to compensate even a very low gas supply from Russia. This scenario is characterized by still high energy prices and weak global trade. ECB rates are expected to remain at around 400 bps, stable until mid-2024 and then reducing subsequently.

The deceleration largely reflects the lagged effects of tighter monetary policy amid depleted household savings buffers. Inflation has declined considerably from its peak, mainly due to energy prices, but core inflation is falling too thanks to lower price pressure.

In the Eurozone compression of corporate profit margins amid weakening demand seems to have started and will probably continue. The continuing decline in inflation will have a positive impact on the development of real incomes and, in combination with a relatively stable labour market, could strengthen private consumptions in 2024. Positive trends are expected for financial markets.

Adverse scenario:

In this scenario, we assume that an escalation of the conflict in Ukraine leads to a complete stop of Russia's gas supply, which leads to adverse shocks in the energy market. The price of energy soars while that of food and other commodities rise strongly fueling inflation. High uncertainty, supply-chain disruption and erosion of real incomes push the European economy in a recession. Inflation expectations at short maturities rise, but, crucially, it is assumed that expectations at intermediate and longer maturities remain well anchored and even decline in the following years. The ECB responds to the shock cutting rates meaningfully in 2024 (higher decline vs. baseline scenario).

Eurozone GDP will turn negative in 2024 leading to a recession. A tentative recovery is expected in 2025 as the commodity price shock fades and supply chains start to normalize. The inflation in the Eurozone is expected to be higher than in the baseline scenario in 2024, however, will be back to baseline level in subsequent years due to demand weakness. In this scenario inflation remains above the ECB's 2% target in 2024 and eases to 2% from 2025. The ECB rate is expected smaller than in the baseline scenario as central banks focus more on growth damage and its implications for price stability. Equity markets will have significant losses in 2024 reflecting the recessionary environment.

The adjusted macroeconomic factors are translated into changes in credit risk parameters by the macro dependency model ("*Satellite Model*") of UniCredit Group. The following table contains an extract of the relevant macroeconomic factors.

E.2.15b Scenarios (Baseline- and Adverse Scenario)

FACTORS	DETAILS	BASELINE SCENARIO				ADVERSE SCENARIO			
		2023	2024	2025	2026	2023	2024	2025	2026
Real GDP	**Eurozone**	0.5	0.6	1.3	1.4	0.5	-2.0	0.4	1.4
Annual change (%)	**Austria**	0.1	0.9	1.7	1.6	0.1	-2.0	0.5	1.9
Inflation	**Eurozone (HVPI)**	5.6	2.6	2.0	2.0	5.6	3.5	2.0	2.0
Annual index change (%)	**Austria (VPI)**	7.8	3.6	2.3	1.9	7.8	4.5	2.1	2.1
Unemployment (%)	**Eurozone**	6.6	6.9	6.8	6.8	6.6	8.3	8.3	7.8
	Austria	5.0	5.0	4.8	4.6	5.0	6.0	6.2	5.5
Financial Indicators	**EURIBOR 3m (end of period)**	4.00	3.25	2.55	2.55	4.00	2.00	2.00	2.00
	Brent raw oil price ($/b)	86.0	89.0	80.0	80.0	86.0	108.8	100.1	102.3
Disposable Income Annual change (%)	**Austria**	-0.8	0.9	1.3	1.3	-0.8	-0.6	0.8	0.8
Public Debt (% of GDP)		75.5	74.0	72.8	72.2	75.5	80.0	83.3	86.4

E – Risk report

For comparison, the scenarios of the following table were applied for the business year 2022:

E.2.15b Scenarios (Baseline- and Adverse Scenario)

FACTORS	DETAILS	BASELINE SCENARIO				ADVERSE SCENARIO			
		2022	2023	2024	2025	2022	2023	2024	2025
Real GDP	**Eurozone**	3.1	0.2	1.3	1.5	3.1	-3.0	1.7	1.7
Annual change (%)	**Austria**	5.3	0.4	1.9	1.9	5.3	-3.3	2.0	1.9
Inflation	**Eurozone (HVPI)**	8.4	5.5	2.5	2.0	8.4	7.0	3.0	2.0
Annual index change (%)	**Austria (VPI)**	8.3	5.5	2.3	1.9	8.3	7.7	3.6	2.0
Unemployment (%)	**Eurozone**	6.7	6.7	6.7	6.7	6.7	7.8	7.5	7.5
	Austria	4.5	4.5	4.4	4.3	4.5	5.9	5.2	5.0
Financial Indicators	**EURIBOR 3m (end of period)**	2.25	2.50	2.25	2.25	2.25	2.50	2.25	2.25
	Brent raw oil price ($/b)	103.2	99.2	88.8	75.0	103.2	140.1	105.0	87.5
Disposable Income Annual change (%)	**Austria**	-0.4	2.3	1.8	1.8	-0.4	-0.3	0.8	0.8
Public Debt (% of GDP)		78.5	76.3	74.6	74.6	78.5	80.5	80.1	80.1

Sensitivity analysis

As explained above, the consideration of forward-looking information is an important element when calculating impairment losses, with the macro-dependency model of the Group used acting as a multi-factor model and considering the changes in multiple macrofactors as a whole. To be able to interpret sensitivities easily, we therefore present them as sensitivities to the adverse scenario explained above as a whole (this means that the factors are changed simultaneously to the respective overall extent and not just by 1%). Moreover, the impairment losses of Stage 1 and 2 have been calculated individually using the baseline and adverse scenarios. If we took the adverse scenario instead of the basis scenario for ECL calculation, ECL would increase by 5,9% (the comparable amount in 4Q22 was 8,7%).

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

E – Risk report

Overall picture of the development of expected credit losses

Due to the tense economic situation and tight monetary policy, there was a decline in corporate loans in 2023, with an even greater weakening in the portfolio of loans to private households and a noticeable decline in new business with housing loans.
Overall, we see higher allocations to risk provisions on loans and advances in the performing portfolio compared to the same period of the previous year, primarily due to the LGD model update, offset by declines in risk provisions on loans and advances in the non-performing portfolio, mainly due to successful recovery. Overall, total allowances for losses on loans and advances to customers are therefore increased in 2023 compared to 2022 (€1,510 million) at €1,531 million.
This is accompanied by the continuous development of monitoring and control mechanisms (expansion of 2nd level controls and optimized management reporting) as well reduction of the real estate backlog.

At the end of 2022, the impairment losses for Stage 1 and Stage 2 risk costs stood at €565 million and increased to €666 million at the end of 2023. At the end of 2023, provisions for Stage 3 risk volumes (including acquired or originally impaired financial assets) amounted to €864 million. At the end of 2022, the same figure was €945 million.

Measured in terms of loans and advances to customers, the impairments recognized for stage 1 and 2 risk volumes amounted to €563 million at the end of 2022 and increased to €664 million at the end of 2023. Provisions for stage 3 (including financial assets that are credit impaired on initial recognition) fell from €947 million at the end of 2022 to €867 million at the end of 2023.

Further quantitative details on credit quality can be found in Table E.2.8 Regulatory Consolidation – On- and off-balance sheet credit exposures with customers.

E.2.16 Regulatory consolidation - Distribution by segment of on-balance and off-balance sheet credit exposures with customers

(€ million)

	GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES		FINANCIAL COMPANIES		FINANCIAL COMPANIES (OF WHICH INSURANCE COMPANIES)		NON-FINANCIAL COMPANIES		HOUSEHOLDS	
EXPOSURES/COUNTERPARTIES	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS
A. On-balance sheet credit exposures										
A.1 Bad exposures	-	-	1	-	-	-	44	171	78	197
of which: forborne exposures	-	-	-	-	-	-	*14*	*32*	*18*	*20*
A.2 Unlikely to pay	145	13	1	3	-	-	665	399	236	58
of which: forborne exposures	-	-	*1*	*3*	-	-	*220*	*228*	*44*	*10*
A.3 Non-performing past-due	71	-	-	-	-	-	111	4	37	17
of which: forborne exposures	-	-	-	-	-	-	*4*	-	*3*	*1*
A.4 Performing exposures	19,942	2	4,486	17	13	-	33,394	254	18,874	393
of which: forborne exposures	*1*	-	*3*	-	-	-	*274*	*11*	*182*	*11*
Total (A)	**20,158**	**16**	**4,487**	**20**	**13**	**-**	**34,214**	**829**	**19,225**	**666**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	-	-	-	3	-	-	351	96	13	-
B.2 Performing exsposures	5,095	-	5,171	1	-	-	28,894	43	4,058	15
Total (B)	**5,095**	**-**	**5,172**	**5**	**-**	**-**	**29,245**	**139**	**4,072**	**15**
Total (A + B) 31.12.2023	**25,253**	**16**	**9,659**	**24**	**13**	**-**	**63,459**	**968**	**23,297**	**681**
Total (A + B) 31.12.2022	**21,147**	**13**	**9,413**	**21**	**45**	**-**	**63,657**	**976**	**24,774**	**675**

E – Risk report

E.2.17 Regulatory consolidation - Distribution of on-balance and off-balance sheet credit exposures with customers by geographic area

(€ million)

EXPOSURES/GEOGRAPHIC AREAS	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS
A. On-balance sheet credit exposures										
A.1 Bad exposures	-	-	122	364	-	4	-	-	-	-
A.2 Unlikely to pay	8	1	870	447	12	23	82	2	75	2
A.3 Non-performing past-due	-	-	148	21	-	-	-	-	71	-
A.4 Performing exposures	2,348	2	69,502	658	588	4	2,128	1	2,128	-
Total (A)	**2,356**	**3**	**70,643**	**1,491**	**601**	**31**	**2,210**	**3**	**2,274**	**2**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	-	-	363	96	1	3	-	-	-	-
B.2 Performing exposures	64	-	42,320	59	317	-	430	-	87	-
Total (B)	**64**	**-**	**42,684**	**155**	**318**	**4**	**430**	**-**	**87**	**-**
Total (A+B) 31.12.2023	**2,420**	**3**	**113,327**	**1,646**	**919**	**35**	**2,641**	**4**	**2,361**	**2**
Total (A+B) 31.12.2022	**2,145**	**5**	**110,665**	**1,631**	**891**	**38**	**3,350**	**3**	**1,941**	**9**

E.2.18 Regulatory consolidation - Distribution of on-balance and off-balance sheet credit exposures with banks by geographic area

(€ million)

EXPOSURES/GEOGRAPHIC AREAS	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS
A. On-balance sheet credit exposures										
A.1 Bad exposures	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	49	8	-	-	-	-	-	-
A.3 Non-performing past-due	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	113	-	15,939	-	194	-	374	-	152	-
Total (A)	**113**	**-**	**15,988**	**8**	**194**	**-**	**374**	**-**	**152**	**-**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	37	-	4,163	-	8	-	103	-	63	-
Total (B)	**37**	**-**	**4,163**	**-**	**8**	**-**	**103**	**-**	**63**	**-**
Total (A+B) 31.12.2023	**150**	**-**	**20,151**	**8**	**202**	**-**	**477**	**-**	**216**	**-**
Total (A+B) 31.12.2022	**174**	**-**	**25,735**	**17**	**137**	**-**	**404**	**-**	**425**	**-**

A.4. Performing loans include current accounts and demand deposits with central banks and banks.

E – Risk report

Development of credit risk costs

The year 2023 showed an increase in credit risk costs to €42.9 million (2022: €23.6 million). The allocations to the performing portfolio were primarily driven by parameter adjustments and methodological changes at product level as well as the allocation of overlay for commercial real estate. The non-performing portfolio recorded a surplus, characterized by repayments and economic recoveries.

Of the cost of risk described in detail in Section D - Segment reporting, Stage 1 and Stage 2 accounted for €154.1 million (2022: €77.5 million). The majority of this was attributable to the Corporates segment. In comparison with the surplus of stage 3 2022 (€53.9 million), a higher level of reversals was posted as allowances in 2023 in the amount of €111.2 million. The Corporate segment also made a significant contribution here.

Further details on the segments:

Cost of risk in the Retail segment amounted to €33.9 million (2022: €32.6 million), a surplus of €33.2 million thereof was allocated to non-performing loans (2022: €11.1 million). Risk provisioning for the Corporates segment resulted in €9.5 million (2022: surplus of €4.1 million) with a share of €78.0 million being released for non-performing loans (2022: surplus of €60.3 million).

Non-performing loans

On-balance-sheet financial assets with customers subject to credit risk increased in the 2023 fiscal year from €79,360 million (end of 2022) to €79,614 million (before deduction of risk provisions of €1,530 million). The non-performing volume increased from €2,161 million to €2,254 million in the same period, mainly due to inflows from large commercial real estate companies in Q4 2023, partially offset by the recovery of individual borrowers in the non-performing portfolio due to successful restructurings.

The on-balance-sheet non-performing risk volume is therefore 2.8% (2.7% at the end of 2022), and the share of non-performing loans in total loans and receivables with customers is 3.4% (3.0% in 2021).

In the non-performing portfolio, the level of impairment losses equated to around 38.4% of the defaulted volume at the end of 2023 (2022: 43.8%). The decline in the loan loss provision coverage ratio is primarily due to the fact that only minor loan loss provisions were required for these exposures due to the high level of collateralization of the recently defaulted loans of large commercial real estate companies. The Retail segment recorded the highest coverage at 43.8%.

E – Risk report

Operative credit risk strategy under a changed macroeconomic environment

The impact of geopolitical events and changes in the macroeconomic environment is reflected within credit processes by applying an active and forward-looking screening of the credit portfolios and early adaptation of credit risk strategies and measures.

The Screening focuses on identifying and containing the direct and indirect effects of the crisis on credit customers. The correct determination of effects on our customers e.g., due to the change in ECB interest rate policy, inflation and changes in the real estate market is of particular importance; furthermore, ESG related effects gain more importance.
These topics and effects are reflected within the credit decision process, in case of automatic credit decisions the credit decision engines are calibrated accordingly. Customers operating in identified high-risk industries are analyzed with particular care.

These specific adjustments were complemented by measures generally aimed at preventing and limiting the increase in the non-performing portfolio, furthermore an ongoing evaluation of the sale of non-performing loans and the timely write-off of non-recoverable receivables is conducted. At the same time, there was a continuous development of the general risk culture in the bank, monitoring, and control mechanisms (through the implementation of specific KPIs and optimised management reporting) and risk processes (e.g., lending, monitoring processes including an annual verification of the value of real-estate guarantees). In addition, the processes for providing viable forbearance measures and credit restructuring were continuously being improved and standardised.

Realisation of mortgage collateral

Mortgages are the main type of collateral accepted by UniCredit Bank Austria AG for real estate finance. If the mortgage needs to be realised, Bank Austria will first try to sell the property in the market by mutual agreement with the customer and to use the proceeds for loan repayment. Where this is not possible, the property will be sold in accordance with the rules of the Austrian Enforcement Code or the Austrian Bankruptcy Code. As there are orderly market conditions in Austria, mortgaged real estate is normally not acquired by Bank Austria (debt asset swap).

Credit risk stress testing

Credit risk stress tests are an essential component of Pillar 1 and Pillar 2 stress tests (which analyse the impact on regulatory capital and economic capital) and are therefore also presented at meetings of the FCRC.

The main dimensions of stress analysis include the following:
- increase of non-performing loans and associated losses
- increase of losses in already non-performing loans (LGD change)
- impact on expected loss on performing exposures (IFRS 9)
- impact on Pillar 1 RWAs and shortfall
- impact on economic capital

The calculation is based on dependency models developed and continuously updated by the UniCredit Group. The model takes into account both local and regional macroeconomic factors, such as changes in gross national product, interest rate levels, unemployment, inflation and exchange rates. The resulting impact on credit risk parameters is analysed with regard to the respective loan portfolio.

As a minimum, the relevant multi-year ICAAP scenarios are used as stress scenarios (typically, a base scenario and three different stress scenarios for a reference date) complemented by additional scenarios on an ad-hoc basis.

E – Risk report

ALM & Funding

The ALM & Funding department performs the following tasks relevant to credit risk:

First, preparing and monitoring the risk-adequate pricing of loans. To ensure uniform pricing within the UniCredit Group, the risk-adjusted spread is calculated on the basis of multi-year default probabilities / PDs (depending on the term of the loan), added as a price component and monitored continuously. Such pricing rationale follows the approach defined in the Group Risk Adjusted Pricing Discipline, which was approved as a Policy in UniCredit Bank Austria AG in July 2014.

The unit is also responsible throughout Bank Austria for transactions to reduce credit risk and increase liquidity. The instruments available for these purposes include securitisations, CLNs and CDSs

Securitisation transactions

Qualitative information

Bank Austria did not make use of traditional or synthetic securitisation transactions to obtain additional liquidity or broaden the refinancing base of the Group in the 2023 financial year.

In 2015, UniCredit Leasing (Austria) GmbH carried out a traditional securitisation transaction with receivables from motor vehicles and mobile capital goods for refinancing purposes ("SUCCESS 2015"). In the period from October 2018 to October 2020, the Class A notes were repaid in full to the extent of the payments received on the receivables sold. From October 2020, the Class B notes were repaid to the extent of the payments received on the receivables sold. In June 2023, the clean-up call option was exercised with effect from 21 July 2023, the receivables sold were repurchased and the remaining Class B notes were repaid. The securitisation transaction was therefore terminated in July 2023 and the subordinated loan was also repaid. All transactions in connection with the sale and repurchase of the receivables and the issue and redemption of the securities were carried out at nominal value (carrying amount) and had no effect on the income statement.

E.2.19 Originator: UniCredit Leasing (Austria) GmbH

NAME	SUCCESS 2015	
Type of securitisation:	Traditional	
Originator:	UniCredit Leasing (Austria) GmbH	
Issuer:	Success 2015 B.V.	
Servicer:	UniCredit Leasing (Austria) GmbH	
Arranger:	UniCredit Bank AG	
Target transaction:	Funding	
Type of asset:	Leasing Assets (Vehicle and Equipment)	
Quality of asset:	Performing Loans	
Closing date:	11/9/2015	
Nominal value of disposal portfolio:	325,300,000 €	
Net amount of preexisting writedown / writebacks:	-	
Disposal Profit & Loss realized:	-	
Portfolio disposal price:	325,300,000 €	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank lines of credit:	-	
Third Parties lines of credit:	-	
Other credit enhancements:	Subordinated Loan 4,618,000 €, redeemed July 2023	
Other relevant information:		
Rating agencies:	Fitch & DBRS	
Amount of CDS or other more senior risk transferred:	-	
Amount and Conditions of tranching:		
ISIN	XS1317727698	XS1317727938
Type of security	**Senior**	**Junior**
Class	A	B
Rating	AAA	-
Quotation	listed at Luxembourg Stock Exchange	not listed
Issue date	11/9/2015	11/9/2015
Original legal maturity	10/31/2029	10/31/2029
Call Option	10% clean up call exercised in July 2023	
Rate	3M Euribor + 0.47%	3M Euribor + 2%
Subordinated level	-	sub A
Reference Position at closing date	230,900,000 €	94,400,000 €
Reference Position at the end of accounting period	0 €	0 €
Security subscribers	European Investment Bank	UniCredit Leasing (Austria) GmbH

Securitisations by third parties

Bank Austria does not hold any positions in third-party securitisations.

E – Risk report

E.3 – Liquidity risk

Qualitative information

Liquidity risk is defined as the risk that the bank may find itself unable to fulfil its expected or unexpected payment obligations (by cash or delivery), current and future, without jeopardizing its day-to day operations or its financial condition.

UniCredit Bank Austria is integrated within UniCredit Group framework and has implemented a comprehensive set of liquidity risk rules, metrics, and methodologies in compliance to national binding laws and regulations.

Liquidity management in UniCredit Bank Austria is an integral part of UniCredit Group liquidity management. In line with the Group-wide distribution of tasks, UniCredit Bank Austria as liquidity reference bank (LRB) ensures the consolidation of liquidity flows and the funding for Austrian subsidiaries. The flow of funds is thereby optimized, and external funding is reduced to the necessary extent. The solid funding is based on a strong customer base, supplemented with capital market activities in the mortgage bond and benchmark format.

The overall liquidity framework (processes, governance and methodologies) is comprehensively detailed and assessed in the annual internal liquidity adequacy assessment process (ILAAP)

Strategies and processes to manage the liquidity risk

The banks' liquidity framework is based upon the Liquidity Risk Mismatch Model which is characterized by the following fundamental principles:
- the short-term liquidity risk management (operational liquidity), which considers the events that will impact upon the banks' liquidity position from 1 day up to one year. The primary objective is to maintain the banks' capacity to fulfil its ordinary and extraordinary payment obligations while minimizing the relevant costs;
- structural liquidity risk management (structural risk) which considers the events that will impact upon the bank's liquidity position over one year. The primary objective is to maintain an adequate ratio between medium/long term liabilities and medium to long-term assets, with a view to avoid pressures on short-term funding sources (both current and future), while in the meantime optimizing the cost of funding;
- stress testing, which is an excellent tool to reveal potential vulnerabilities in the balance sheet. The bank uses several scenarios ranging from general market crisis to idiosyncratic crisis, and a combination hereof.

The risk measurement and reporting are ensured through a set of regulatory and internally defined metrics based on which the liquidity component of the Risk Appetite Framework is defined. One of the key pillars is represented by the regulatory standards. On the short-term maturity range (Liquidity Coverage Ratio – LCR), under this standard, net outflows of liquidity have been required to be covered by high-quality liquid assets to the minimum extent of 100%. In addition to the regulatory requirements mentioned above, UniCredit Bank Austria AG defines its internal risk appetite far more conservatively; as a result, the liquidity coverage ratio had to exceed at least 115% in 2023. The liquidity outflows that might be generated by the margin calls on derivatives due to stress on the market are considered in the LCR calculation and are updated on regular basis. Quantification of potential liquidity outflows, raised by the necessity of additional guarantees in case of adverse market scenarios, is measured leveraging on the historical analysis of net collateral posted (Historical Look Back Approach) (2023: €1,025 million.; 2022: €618 million). The regulatory liquidity coverage ratio for UniCredit Bank Austria AG as of 31 December 2023 stands at 155% (2022: 164%).
On the medium-term and long-term range (Net Stable Funding Ratio – NSFR) under this standard, it is required a full structural funding of the structural assets side to the minimum extent of 100%. By optimizing the structure of assets and liabilities and the holdings of high-quality liquid assets (cash and government bonds), the ratios required by law are exceeded. The Net Stable Funding Ratio (NSFR) based on CRR2 must be held above this limit at the individual bank level. At the end of 2023, UniCredit Bank Austria AG a NSFR of 125% for the > 1-year segment (2022: 121%).

In addition to the regulatory framework, in line with Group Standards UniCredit Bank Austria deals with liquidity risk as a central risk in banking business and has in place monitoring processes for the short- term and long-term liquidity requirements. In this context the liquidity situation for the next few days and months and also for longer periods is analyzed against a standard scenario and stress scenarios.

E – Risk report

For the purpose of short-term liquidity management, volume limit values have been implemented in UniCredit Bank Austria and at individual bank level of the Austrian perimeter for maturities up to nine months, which limit all treasury transactions and the securities portfolio of the respective bank. Liquidity fluctuations resulting from customers' investment decisions and market volatility in terms of margin calls on derivatives have also been taken into account via a specific daily liquidity buffer. Volume limits are also established for open maturities in various currencies to keep down the risk of a need for follow-up funding in the event that foreign currency markets dry up.
For the medium- and long-term perspective, structural liquidity ratios (SLR) for different time horizons are in place, for the >1-year segment, the SLR of UniCredit Bank Austria AG was 106% (2022: 118%) and for the > 3-year segment 124% (2022: 147%).
In addition, absolute limits are defined for material currencies – in the case of UniCredit Bank Austria AG, these are US dollars while other currencies are combined in a group; cross-currency refinancing is therefore only possible within the limits stated.

Funding Concentration Risk can arise when the bank leverages on a limited number of funding sources, that they become of such significance that the withdrawal of one or few could trigger liquidity problems.
In the bank the governance and control of funding concentration risk is mainly performed through the setting and monitoring of metrics, managerial and regulatory, aimed at preventing potential vulnerabilities in the bank's ability to meet its liquidity obligations when the funding contracts expire.

UniCredit Bank Austria AG performs liquidity stress tests for Bank Austria and for relevant subsidiary banks on a regular basis, using a standardized Group-wide instrument and standardized Group-wide scenarios. These scenarios describe the effects of market-driven or name-driven crisis signals on liquidity inflows and outflows, with assumptions also being made about the behavior of non-banks.

A simulated name and market crisis with assumptions regarding the prolongation behavior of customer deposits and loans, increased drawing of credit lines, additional funding obligations from the derivatives business (stressed margin calls on derivatives due to volatility on the market) and rating downgrades currently results in a "survival period" of more than 12 months from a liquidity perspective; the prescribed minimum of this "time-to-wall" period is defined as one month.

The liquidity outflows expected to occur in stress situations are compared with available liquidity reserves (essentially, securities – government bonds – and credit instruments eligible as collateral at the central bank) to examine the Bank's risk-taking capacity in the maturity range of up to one year.

The decrease in the overall liquidity reserve is driven by the change in the commercial gap (distance between commercial deposits and commercial loans) for the period 31.12.2022 to 31.12.2023. The partial reallocation between the cash reserve/central bank balances and level 1 assets is mainly due to the TLTRO repayment, where the decline in cash is compensated by HQLA level 1 securities that have been released.

E.3.1 Composition of Liquidity Reserve

(€ million)

COMPOSITION OF LIQUIDITY RESERVE [1]	31.12.2023	31.12.2022
Cash and balances with central banks	8,325	12,770
Level 1 assets	14,474	11,997
Level 2 assets	1,683	1,481
Other assets eligible as collateral for central bank borrowings	428	108
Liquidity reserve	**24,910**	**26,356**

1) The liquidity reserve contains only freely available assets; the minimum reserve obligation is not included; amounts are shown at fair value.

General information, processes, IT, and management model

The governance and control of liquidity risk is mainly performed through the setting and monitoring of operating restrictions, managerial and regulatory, aimed at preventing potential vulnerabilities in the bank's ability to meet its cash flow obligations that are embedded in risk metrics limits or warning/trigger levels. In case of limit breach or warning level activation, risk management function investigates the rationale of the events, triggering the proper escalation and reporting them to the relevant committees.

All methods, procedures, management model, responsibilities and reporting lines in are embedded in a set of internal policies and internal handbooks at group level and cascaded down at the Austrian Perimeter. The Contingency Liquidity Management in the event of a liquidity crisis is described in a specific Contingency Liquidity Policy.

E – Risk report

Quantitative Information

The following tables comprise the companies included in the regulatory group of consolidated companies. For more details on the prudential consolidation perimeter, see E.2. - Credit risks.

E.3.2 Time breakdown by contractual residual maturity of financial assets and liabilities

(€ million)

	AMOUNT AS AT 31.12.2023									
ITEMS/MATURITY	ON DEMAND	1 TO 7 DAYS	7 TO 15 DAYS	15 DAYS TO ONE MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	INDEFINITE MATURITY
A. On-balance sheet assets	**6,732**	**253**	**1,592**	**1,048**	**2,040**	**1,803**	**3,740**	**25,368**	**43,670**	**1**
A.1 Government securities	-	-	48	58	56	68	570	4,830	7,646	-
A.2 Other debt securities	-	-	-	47	82	150	280	3,590	1,462	-
A.3 Units in investment funds	-	-	-	-	-	-	-	-	-	1
A.4 Loans	6,732	253	1,544	942	1,902	1,586	2,890	16,947	34,562	-
- Banks	957	46	402	69	351	683	129	99	422	-
- Customers	5,775	206	1,143	873	1,551	903	2,761	16,849	34,141	-
B. On-balance sheet liabilities	**52,215**	**1,539**	**1,424**	**2,816**	**4,429**	**1,442**	**1,456**	**11,971**	**7,296**	**-**
B.1. Deposits and current accounts	51,703	1,504	1,424	2,297	4,334	1,391	1,340	4,716	2,763	-
- Banks	3,594	805	652	504	1,764	71	455	1,613	2,518	-
- Customers	48,109	700	772	1,794	2,571	1,320	885	3,103	245	-
B.2 Debt securities	-	34	-	519	95	50	116	7,239	4,266	-
B.3 Other liabilities	512	-	-	-	-	-	1	17	267	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with capital swap										
- Long positions	93	1	78	14	113	117	95	61	-	-
- Short positions	93	1	78	14	113	117	95	61	-	-
C.2 Financial derivatives without capital swap										
- Long positions	27	-	-	95	103	94	504	4,067	5,243	-
- Short positions	27	-	-	95	103	94	504	4,067	5,243	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- Long positions	18,976	1	71	50	548	518	2,424	10,496	2,276	-
- Short positions	18,976	1	71	50	548	518	2,424	10,496	2,276	-
C.5 Financial guarantees given	19	-	-	-	3	43	29	120	145	-
C.6 Financial guarantees received	3,064	6,793	-	88	2,161	1,250	638	2,591	4,633	734
C.7 Credit derivatives with capital swap										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital swap										
- Long positions	-	-	-	-	-	-	50	-	10	-
- Short positions	-	-	-	-	-	-	50	-	10	-

E – Risk report

E.3.2 Time breakdown by contractual residual maturity of financial assets and liabilities

(€ million)

ITEMS/MATURITY	AMOUNT AS AT 31.12.2022									
	ON DEMAND	1 TO 7 DAYS	7 TO 15 DAYS	15 DAYS TO ONE MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	INDEFINITE MATURITY
A. On-balance sheet assets	**6,463**	**254**	**1,801**	**1,069**	**2,909**	**1,618**	**5,023**	**24,967**	**40,798**	**2**
A.1 Government securities	-	-	-	83	143	245	1,081	4,627	4,696	-
A.2 Other debt securities	13	105	-	87	342	250	265	2,395	1,787	-
A.3 Units in investment funds	-	-	-	-	-	-	-	-	-	2
A.4 Loans	6,450	149	1,801	899	2,424	1,123	3,677	17,946	34,316	-
- Banks	635	1	576	25	486	9	43	147	444	-
- Customers	5,815	149	1,225	874	1,938	1,114	3,634	17,799	33,872	-
B. On-balance sheet liabilities	**59,764**	**171**	**2,228**	**599**	**1,995**	**7,055**	**855**	**10,746**	**5,713**	**-**
B.1. Deposits and current accounts	58,808	171	2,204	599	1,962	6,996	738	4,367	2,477	-
- Banks	2,302	25	1,841	20	116	5,484	80	3,634	2,154	-
- Customers	56,507	145	364	579	1,846	1,513	658	732	323	-
B.2 Debt securities	-	-	23	-	33	59	116	6,325	3,011	-
B.3 Other liabilities	956	-	-	-	-	-	-	55	225	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with capital swap										
- Long positions	50	29	21	46	152	186	128	121	-	-
- Short positions	50	29	21	46	152	186	128	121	-	-
C.2 Financial derivatives without capital swap										
- Long positions	43	9	-	43	376	870	1,098	3,006	5,394	-
- Short positions	43	9	-	43	376	870	1,098	3,006	5,394	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- Long positions	17,837	1	14	178	286	661	2,371	8,132	2,780	-
- Short positions	17,837	1	14	178	286	661	2,371	8,132	2,780	-
C.5 Financial guarantees given	35	-	-	-	8	16	30	89	192	-
C.6 Financial guarantees received	3,665	8,646	9	18	246	188	327	2,516	4,031	-
C.7 Credit derivatives with capital swap										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital swap										
- Long positions	-	-	-	-	-	-	-	50	10	-
- Short positions	-	-	-	-	-	-	-	50	10	-

In the table above, previous year figures have been adjusted to reflect the change in the presentation of excess liquidity reclassified from the item "40. a) Financial assets at amortized cost / Loans and advances to banks" to the item "10. Cash reserve" in the amount of €12,689 million. The reclassification is aligned with the representation at UniCredit Group level.

Funding

The business model of Bank Austria as a Commercial Bank leads to a well-diversified refinancing basis. The funding pillars are a strong customer base and an extensive product mix (call, fixed-term, and savings deposits), supplemented by the placement of own issues in the medium-term and long-term maturity segment to fulfil the relevant funding needs under the various regulatory requirements, including buffers (e.g., Liquidity Coverage Ratio, Net Stable Funding Ratio). Against this backdrop, the medium and long-term refinancing base was significantly strengthened in 2023. In addition to a conventional covered bond issue in the amount of €1.0 billion in January 2023, Bank Austria very successfully placed its second green covered bond in February 2023 in the amount of €750 million. In addition, the Bank placed a senior non-preferred issue with UniCredit S.p.A. in the amount of €800 million in 2023 in order to comply with the “internal MREL requirements”.

Following the early repayment of central bank refinancing taken out under the ECB’s TLTRO III program in December 2022, the bank repaid the remaining outstanding in the amount of €5.4 billion of the fourth tranche of TLTRO III in June 2023. As at the end of 2023, central bank refinancing under the TLTRO III program amounted to €1.55 billion.

E – Risk report

E.4 – Market risk

Market risk management at Bank Austria encompasses all activities in connection with our Markets and Corporate Treasury Sales operations and management of the balance sheet structure. Risk positions are aggregated at least daily, analysed by the independent risk management unit, and compared with the risk limits set by the Management Board and the committees, such as the Financial and Credit Risk Committee ("FCRC") designated by the Management Board. At Bank Austria, market risk management includes ongoing reporting of the risk position, limit utilisation of all positions associated with market risk. The existing positions in Bank Austria are largely attributable to the banking book; trading book activities were primarily driven by XVA hedges. In addition to the regulatorily-relevant dimensions of trading book and banking book, internal management focuses on accounting categories and makes a distinction between P&L (profit and loss) and OCI (other comprehensive income).
Bank Austria uses uniform Group-wide risk management procedures for all market risk positions. These procedures provide aggregate data and make available the major risk parameters for the various risk takers once a day. Value-at-Risk (VaR) is calculated daily with a 99% quantile based on 250 P&L strips (i.e., P&L of the last 250 business days) and is scaled to a ten-day horizon to calculate the regulatory RWAs. Besides Value at Risk (VaR), other factors of equal importance are stress-oriented sensitivity and position limits. Additional elements of the limit system are the loss-warning level (applied to accumulated results for a specific period), the stressed VaR (SVaR) limit (determined for the trading book with a separate observation period), incremental risk charge (IRC)[1] limits, the stress test warning limit (limiting losses when a pre-defined stress event is applied) and granular market risk limits (GML)[2]. There is a separate GML framework for XVA hedging activities.

Bank Austria uses a standard measurement procedure which is also applied in UniCredit Group. The model, approved by supervisory authorities, is used for internal risk management and for determining regulatory capital requirements for market risk. Bank Austria is embedded in the market risk governance framework of UniCredit Group and leverages on the Group-wide risk management platform UGRM. The Group-wide Front-to-Back Office platform "Murex" and UGRM form an integrated risk system.

It is applied by Financial Risk within Bank Austria and is being further developed in cooperation with UniCredit Group. Further development includes reviewing the model as part of back-testing procedures, integrating new products, implementing requirements specified by the Management Board and the FCRC, and executing the Model Maintenance Report on a quarterly basis.

Risk governance

A new product process (NPP) has been established for the introduction of new products in the Financial Risk department whereby risk managers play a decisive role in approving products. The risk model covers all major risk categories: interest rate risk and equity risk (both general and specific), credit spread risk, currency risk and commodity position risk. The IMOD[3] is subject to an annual review by Group Internal Validation (GIV) and internal audit. The risk report presented at the FCRC meetings, which are held every month, covers (stress) sensitivities in addition to VaR, and utilisation levels in the areas of IRC and SVaR (both for the regulatory trading books). Regular and specific stress tests complement the information provided to FCRC and the Management Board.

[1] IRC (Incremental Risk Change) depicts the migration and default risks for a specified period and confidence interval (1 year, 99.9%). The scope includes CDS and bond positions in the trading book
[2] e.g. BPV or CPV limits, which describe the sensitivity to changes in interest rates or credit spreads
[3] Internal Model for Market Risk in accordance with Regulation (EU) No 575/2013 (CRR)

E – Risk report

Stress tests

Bank Austria executes a comprehensive stress test programme for market risk. The results are reviewed and reported in the FCRC at least quarterly or on an ad-hoc basis given unfavourable market developments. Macro scenarios show the potential adverse impacts of global developments with specific effects on the respective risk categories, while stress sensitivities of individual risk factors or groups of risk factors show the potential adverse impacts on partial market segments. Stress scenarios are based on assumptions of extreme movements in individual market risk parameters. The Bank analyses the effect of such fluctuations and a liquidity disruption in specific products and risk factors on the Bank's results. The assumed fluctuations are dependent on currency, region, liquidity, and credit rating, and are set in the Open Market Risk Forum (OMRF) with the relevant experts from other bank areas (such as UniCredit research, trade, and market risk). Bank Austria takes part in the UniCredit Group-wide Open Market Risk Forum (OMRF), which is the platform for CRO units to discuss stress test results and agree on further common Group-wide scenario definitions. The "ICAAP scenarios" are updated at least once per year and used for stress test analyses, monitoring stress test limits and the regulatory stress report in the entire UniCredit Group.

Fair value measurement

The principles established in IFRS 13 to determine fair value have been implemented. In this context the presentation of results also reflects CVAs/DVAs (Credit/Debit Valuation Adjustments) and FundVA (Funding Valuation Adjustment) for OTC derivatives. Reporting covers the components reflected in IFRS-based profit and the marking to market of all investment positions regardless of their recognition in the IFRS-based financial statements ("total return"). The daily explanation of results is organised by the Accounting and Regulatory Reporting department and is supported by the Intranet application "ERCONIS"; results are available to Bank Austria's trading and risk management units broken down by portfolio, income statement item and currency.

Prudent valuation

The regulatory approach to prudent valuation in the trading book is implemented primarily by Market Risk and further developed on an ongoing basis through cooperation within UniCredit Group. A Group-wide Independent Price Verification (IPV) process ensures the independence and reliability of valuation and risk measurement. The front-end system "MUREX" is supplied with the "golden copy" market data of UniCredit Group for daily valuation purposes. The Group-wide "golden copy" is drawn up by competence centres which are structured by asset class and independent of trading operations. Moreover, UniCredit Bank Austria AG takes part in meetings of the asset-class committees, which address and resolve valuation and market-data issues. The regulatory principle of prudence is met by determining all relevant Additional Valuation Adjustments (AVA).

Market risk

The VaR and SVaR key figures from the regulatory trading book at the end of 2023 increased compared with the previous year (VaR to €1.7 million in comparison with €1.5 million at the end of 2022; SVaR to €2.6 million compared with €2.2 million) and reflect XVA hedge activities driven by the underlying customer business.
Credit spread risk, FX, and interest rate risk account for most of the total risk in the trading and banking books of Bank Austria. Other risk categories (e.g., share price risk) are less significant by comparison.

E – Risk report

As of 31 December 2023, the entire **interest rate position for Bank Austria's trading book and banking book for major currencies** was composed as follows:

E.4.1 Basis point values (BPVs) of Bank Austria, 2023 [1]

(in €) Granular Market Limits Warning Level

		31.12.2023						ANNUAL AVERAGE 2023, MINIMUM/MAXIMUM		
		0 TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 3 YEARS	3 TO 10 YEARS	OVER 10 YEARS	TOTAL	MAXIMUM	MINIMUM	ABSOLUTE AVERAGE[2]
Europe	EUR	(170,964)	(125,531)	(257,572)	(647,530)	303,485	(898,113)	202,472	(1,501,853)	625,002
	CHF	(12,424)	(6,723)	20,477	(153,958)	(57,139)	(209,767)	(177,057)	(220,262)	203,993
	GBP	340	3,344	5,117	(3,952)	(19,988)	(15,139)	(8,769)	(41,138)	23,563
New EU countries	BGN	(7)	0	-	-	-	(7)	(5)	(68)	30
	HUF	27	(0)	(0)	(0)	-	26	186	(262)	91
	PLN	7	(3)	(7)	(2)	-	(4)	177	(269)	87
	RON	(79)	17	(1)	(0)	-	(63)	(11)	(145)	62
Central and Eastern Europe, incl. Türkiye	RUB	0	-	-	-	-	0	0	(22)	2
	TRY	(0)	-	-	-	-	(0)	0	(2)	0
Overseas – developed	USD	7,372	(335)	9,344	89,762	29,698	135,841	135,841	6,193	60,440
	JPY	(1,301)	(131)	61	1,257	(558)	(672)	6,456	(29,929)	4,932
Other countries	CNH	(79)	(2)	(15)	(12)	-	(108)	(12)	(108)	40
	BPV < 500	(17)	(240)	799	(5,531)	-	(4,990)	(3,566)	(9,460)	7,046
TOTAL		**(177,126)**	**(129,603)**	**(221,796)**	**(719,967)**	**255,497**	**(992,996)**	**(11,866)**	**(1,734,752)**	**766,560**

1) Basis-point value indicates the sensitivity in relation to interest rate movements to the extent of +1 basis point.
2) Average of the monthly absolute values.

E.4.1 Basis point values (BPVs) of Bank Austria, 2022 [1]

(in €) Granular Market Limits Warning Level

		31.12.2022						ANNUAL AVERAGE 2022, MINIMUM/MAXIMUM		
		0 TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 3 YEARS	3 TO 10 YEARS	OVER 10 YEARS	TOTAL	MAXIMUM	MINIMUM	ABSOLUTE AVERAGE[2]
Europe	EUR	(268,216)	(617,044)	(487,088)	(738,583)	979,273	(1,131,658)	687,665	(1,772,356)	664,085
	CHF	(17,201)	(2,934)	8,709	(129,716)	(73,077)	(214,220)	(214,220)	(466,865)	295,582
	GBP	1,547	(4,872)	(705)	(12,661)	(20,967)	(37,657)	(2,545)	(46,964)	20,835
New EU countries	BGN	(96)	4	-	-	-	(92)	(10)	(185)	85
	HUF	(1)	24	-	-	-	23	79	(63)	39
	PLN	34	(129)	128	(12)	-	21	21	(4,787)	1,658
	RON	(28)	(31)	(7)	-	-	(66)	(66)	(457)	211
Central and Eastern Europe, incl. Türkiye	RUB	-	-	-	-	-	-	-	(22)	3
	TRY	(1)	-	-	-	-	(1)	-	(11)	2
Overseas – developed	USD	(19,062)	(7,430)	(18,507)	21,138	32,071	8,209	59,884	(6,986)	26,216
	JPY	(325)	(150)	369	4,745	(12)	4,628	13,275	(6,885)	5,816
Other countries	CNH	8	(1)	(13)	-	-	(7)	123	(43)	28
	BPV < 500	(1,479)	(610)	804	(9,097)	-	(10,382)	10,208	(10,382)	2,460
TOTAL		**(304,820)**	**(633,174)**	**(496,311)**	**(864,186)**	**917,287**	**(1,381,204)**	**259,591**	**(2,002,639)**	**786,729**

1) Basis-point value indicates the sensitivity in relation to interest rate movements to the extent of +1 basis point.
2) Average of the monthly absolute values.

Main driver of the decrease of the total BPVs exposure is the closure of the TLTRO III hedges following the repayment of the fourth tranche in June 2023, complemented by updates of behavioural models including the introduction of the new saving deposits model.

E – Risk report

By analogy to the detailed presentation **of basis point positions in the interest rate sector**, daily reporting presents details of credit spread by sector and maturity band.

E.4.2 Credit spread basis-point values (CPVs) of Bank Austria in 2023 1)

(in €)

CPVs	SECTOR	31.12.2023	MAXIMUM	MINIMUM	AVERAGE	31.12.2022
Main sectors	ABSs	(3,348)	(3,348)	(4,057)	(3,677)	(3,948)
	Financial sector	(1,442,821)	(1,254,321)	(1,442,821)	(1,325,423)	(1,323,265)
Corporates	Industrial sector	-	-	-	-	-
	Consumer non-cyclical	-	-	-	-	-
	Other sectors	(29,768)	(29,768)	(46,579)	(37,886)	(48,021)
Government	Europe	(5,576,870)	(4,204,887)	(5,576,870)	(5,021,890)	(3,652,277)
	Other	(2,824,441)	(2,414,948)	(2,824,441)	(2,655,082)	(2,299,817)
TOTAL		**(9,877,248)**	**(8,076,697)**	**(9,877,248)**	**(9,043,958)**	**(7,327,328)**

1) Credit spread basis-point value refers to the sensitivity in relation to the movements of the credit spread to the extent of +1 basis point

Bank Austria's credit spread position in 2023 was between €-8.1 million and -€-9.9 million as measured by the total basis point value. The increase in the exposure is mainly driven by higher sovereign exposure in Government bonds +2bn, in particular Republic of Austria, Kingdom of Belgium, Kingdom of Spain, Caisse d'Amortissement de la Dette Sociale (France), Republic of Italy and European Union. The financials and corporates exposures are low by comparison.

Backtesting

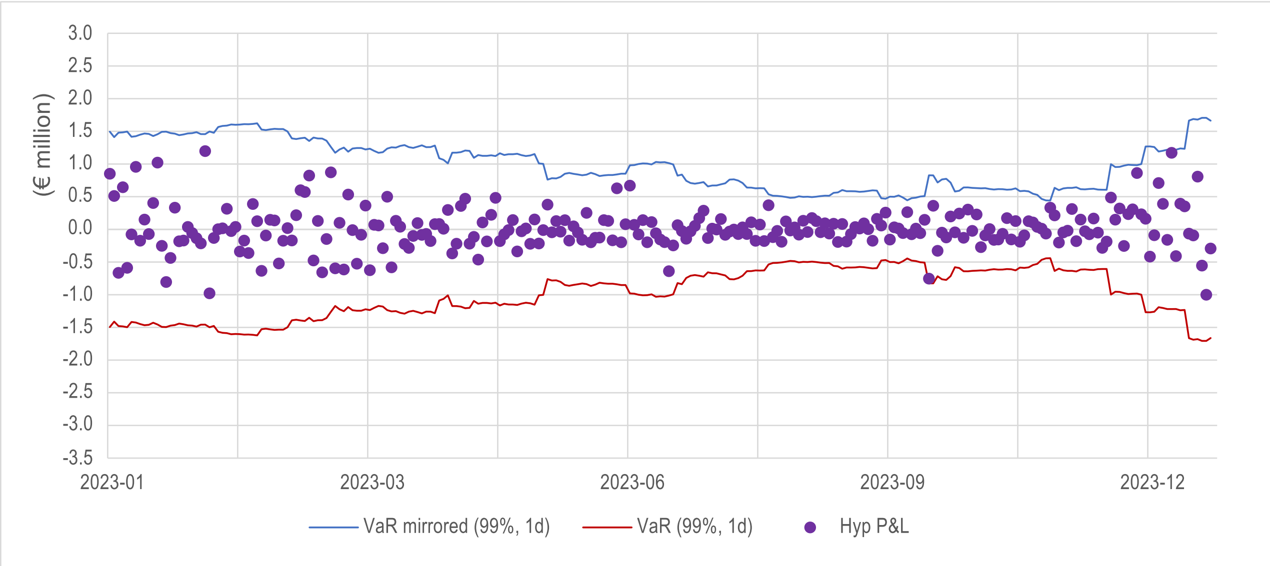
Bank Austria performs a daily backtesting of both the hypothetical and actual (i.e., economic P/ L excluding fees, commissions, and net interest income) changes in the portfolio's value in accordance with Article 366 of the CRR. As of 31 December 2023, the number of backtesting excesses (negative change in value larger than model result) for Bank Austria in both, hypothetical and actual P/L dimensions, was equal to 0, accordingly the add-on factor for the VaR multiplier for the number of excesses is equal to 0.

The chart below shows the hypothetical P/L backtesting time series for Bank Austria's regulatory trading book; the hypothetical P/L is based on hypothetical changes in the portfolio value assuming unchanged positions.

E – Risk report

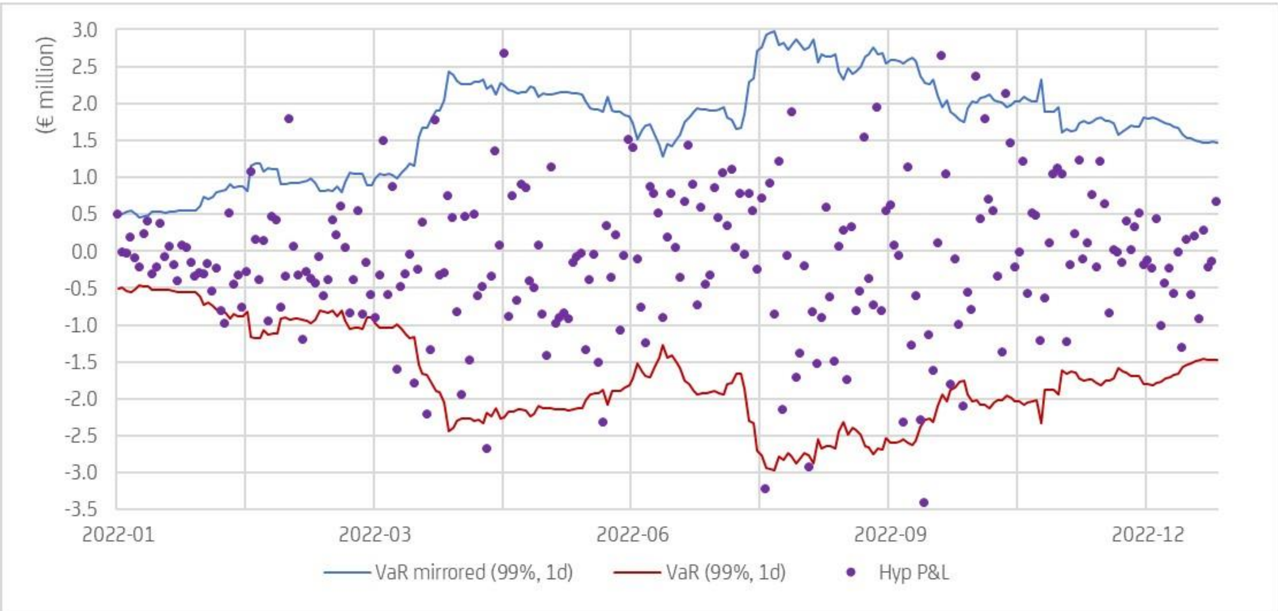
Backtesting time series for the regulatory trading book of Bank Austria 2023

E.4.3a Chart (reporting year)



Backtesting time series for the regulatory trading book of Bank Austria 2022

E.4.3b Chart (previous year)



E – Risk report

Capital requirements for market risk

The parameters used for calculating capital requirements are a 10-day holding period, a confidence level of 99% and a multiplier of 3 (base is 3 and the current add-on is 0) in respect of the Value-at-Risk figures, which is used in determining the capital requirement for market risk. In comparison to end of 2022, the multiplier decreased from 4 to 3 due to the reduction of the number overshooting's in the one-year observation period from 11 to 0 – section Backtesting.

As of 31 December 2023, the following capital requirements resulted for Bank Austria in connection with Value at Risk (VaR), stressed VaR (SVaR) and incremental risk charge (IRC):

- VaR: €8.2 million (€22.7 million year-end 2022)
- SVaR: €13.8 million (€31.2 million year-end 2022)
- IRC: €0 million (€0.03 million year-end 2022)

The decrease in capital requirements compared with the previous year resulted from the decrease in the multiplier as well as lower VaR and SVaR figures in the averaging window of the regulatory capital calculation formula.

Management of balance sheet structure

An allocation to the Bank's business divisions according to the costs-by-cause principle is possible as a result of the reference interest rate system applied across UniCredit Group. The Bank's risk committee ensures that the Bank's overall liquidity and interest rate gap structure is optimised.

To assess the Bank's balance-sheet and profit structure, an integrated Interest Rate Risk in the Banking Book (IRRBB) management framework is established following UniCredit Group standards aiming to facilitate an effective decision-making process and governance. The Financial and Credit Risk Committee is responsible for defining the operational strategy for managing the interest rate risk of the banking book, including the strategy for managing the capital and the structural gap between assets and liabilities not sensitive to the interest rate. The management of the interest rate risk of the Banking book is aimed at reducing adverse impacts on the long-term interest margins, due to the volatility of interest rates, to achieve a flow of profits and a return on capital consistent with the strategic plan. The strategy does not envisage any directional or discretionary positioning aimed at generating additional profits, unless approved by the competent bodies and monitored separately. The Treasury function manages the interest rate risk deriving from commercial transactions while maintaining the exposure within the limits set by the Risk Committee. The strategic transactions in the Banking book are managed by the Asset and Liability Management department, ALM.
Limits and alert thresholds are defined for in terms of sensitivity to the economic value or interest margin. The set of metrics is defined according to the Group IRRBB standards and level of complexity of the Bank's business model.
On a regular basis, at least quarterly, the relevant IRR exposure, complemented by the analysis of the compliance to the limits, must be reported to the FCRC.

The interest rate risk management strategy is established considering also the main impacts deriving from the behavioral aspects of customers, which can impact on the value of interest margins and the economic value of the banking book, such as the example of early repayments of disbursed loans ("prepayment") as well as the maturity and repricing profile of non-maturity deposits. Asset and Liability Management department is responsible for defining the hedging strategy on non-maturity deposits aiming to optimize the NII over time within IRRBB RAF framework; a prudential stance is kept in determining the volume and duration of the hedging strategy to limit over-hedging risk.
The assumptions and parameters of the behavioral models are the same for the internal measurement framework as well as for the generation of the regulatory exposures.

E – Risk report

The measurement of Interest Rate Risk in the Banking Book covers both, the economic value and the earnings perspective, in particular:
- the analysis of the sensitivity of the Economic Value to changes in interest rates: it includes the economic value sensitivity of the balance sheet items for different time buckets and a 1bp rate shock, as well as the impact on the economic value deriving from large changes in market rates, according to the scenarios of the "Supervisory Outlier Test" required by the EBA Guideline (EBA/GL/2022/14),
- the sensitivity analysis of interest margins to changes in interest rates ("NII sensitivity") under the assumptions and considerations of a constant balance sheet during the time period and different shocks of the interest rate curves as required by the EBA guidelines as well as additional scenarios to consider basis risk and other non-parallel shocks.

Both perspectives are part of the Risk Appetite framework of UCBA AG where for the earnings perspective the Net Interest Income (NII) is monitored in relation to budget while Economic Value (EV) change is measured in relation to Tier1-capital.
As of 31 December 2023, the **sensitivity to interest rates changes** for the worst-of-six "Supervisory Outlier Test", as envisioned by EBA guideline (EBA/GL/2022/14), was the Parallel up scenario and equal to €-562 million (2022: €-636 million), which translates in relation to Tier 1 capital to -8.0% (2022: -9.4%).

The table below contains the **interest rate risk exposure metrics in the banking book** as of 31 December 2023 and 31 December 2022:

E.4.4 Interest rate risks on positions in the banking book

(€ million)

SUPERVISORY SHOCK SCENARIOS	CHANGES OF THE ECONOMIC VALUE OF EQUITY	
	31.12.2023	31.12.2022
Parallel up	(562)	(636)
Parallel down	246	340
Steepener	42	112
Flattener	(94)	(252)
Short rates up	(249)	(425)
Short rates down	70	160

The changes in the sensitivity of the Economic Value in 2023 are mainly due to the closure of the TLTRO III hedges following the repayment of the fourth tranche in June 2023, supplemented by updates to the customer behaviour models, including the introduction of the new savings deposit model.

As at 31 December 2023, the net interest income sensitivity ("NII Sensitivity") to an immediate parallel and positive shift of the interest rates was equal to €41.3 million (2022: -8.2mn), whilst the immediate change to a parallel downward shift of interest rate of the interest rates amounted to €-51.5 million (2022: €41.4mn)[4].

The changes in the sensitivity of the net interest income between 31 December 2022 and 31 December 2023 are predominantly driven by the closure of the TLTRO III hedges, supplemented by updates to the customer behaviour models, including the introduction of the new savings deposit model.

4 The interest rate shocks applied for the main currency EUR are +100 / -50 bps in 2023 and +100 / -25 bps in 2022. For the other currencies, the interest rate shifts are +100 bps or -100 bps or less, depending on the interest rate level of the individual currency. For certain currencies, the downward shock was adjusted in 2023 compared to 2022, taking into account the individual interest rate environments. However, the main cause of the change in the sensitivity of net interest income is described in the main text.

E.5 – Financial derivatives

Derivatives shown in the following tables are classified as financial derivatives and credit derivatives, according to the underlying financial instrument. In these categories, a distinction is made between trading book and banking book and between different counterparties. Bank Austria’s business volume in derivatives focuses on interest rate contracts.

The tables in this section comprise the companies included in the regulatory group of consolidated companies. Further details can be found in section E.2. - Credit risks.

E.5.1 Hedging derivatives: end-of-period notional amounts

(€ million)

	AMOUNTS AS AT 31.12.2023				AMOUNTS AS AT 31.12.2022			
	OVER THE COUNTER				OVER THE COUNTER			
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES		
UNDERLYING ACTIVITIES/TYPE OF DERIVATIVES	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	ORGANISED MARKETS	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	ORGANISED MARKETS
1. Debt securities and interest rate indexes	**26,537**	**80,438**	**9,400**	**-**	**35,622**	**90,919**	**457**	**-**
a) Options	-	1,780	-	-	-	1,654	-	-
b) Swap	26,537	78,658	9,400	-	35,622	89,265	457	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and stock indexes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Gold and currencies	**-**	**1,363**	**-**	**-**	**-**	**3,654**	**2**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	1,363	-	-	-	3,654	2	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**26,537**	**81,801**	**9,400**	**-**	**35,622**	**94,573**	**459**	**-**

The decrease in the nominal volume is mainly due to the closure of hedges for TLTRO hedging transactions in line with the repayment of TLTRO refinancings. Details on Targeted longer term refinancing operations are given under A.6.8.

E – Risk report

E.5.2 Hedging derivatives: positive and negative gross fair value - breakdown by product

(€ million)

	AMOUNT AS AT 31.12.2023				AMOUNT AS AT 31.12.2022				AMOUNT AS AT 31.12.2023	AMOUNT AS AT 31.12.2022
	POSITIVE AND NEGATIVE FAIR VALUE				POSITIVE AND NEGATIVE FAIR VALUE					
	OVER THE COUNTER				OVER THE COUNTER					
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES				
TYPE OF DERIVATIVES	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	ORGANISED MARKETS	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	ORGANISED MARKETS	CHANGES IN VALUE USED TO CALCULATE HEDGE INEFFECTIVENESS	
1. Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	77	2,585	3	-	198	3,611	3	-	-	-
c) Cross currency swap	-	270	-	-	-	271	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	5	-	-	-	10	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**77**	**2,860**	**3**	**-**	**198**	**3,893**	**3**	**-**	**-**	**-**
2. Negative fair value										
a) Options	-	13	-	-	-	14	-	-	-	-
b) Interest rate swap	265	2,757	22	-	270	3,570	33	-	-	-
c) Cross currency swap	-	105	-	-	-	37	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	9	-	-	-	6	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**265**	**2,885**	**22**	**-**	**270**	**3,627**	**33**	**-**	**-**	**-**

E – Risk report

E.5.3 OTC hedging derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

UNDERLYING ACTIVITIES	AMOUNTS AS AT 31.12.2023			
	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
Contracts not included in netting agreement				
1) Debt securities and interest rate indexes				
- Notional amount	X	8,950	-	450
- Positive fair value	X	1	-	2
- Negative fair value	X	1	-	21
2) Equity instruments and stock indexes				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
3) Gold and currencies				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
4) Commodities				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
5) Other				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
Contracts included in netting agreement				
1) Debt securities and interest rate indexes				
- Notional amount	26,537	80,427	-	11
- Positive fair value	77	2,855	-	-
- Negative fair value	265	2,873	-	2
2) Equity instruments and stock indexes				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
3) Gold and currencies				
- Notional amount	-	1,363	-	-
- Positive fair value	-	5	-	-
- Negative fair value	-	9	-	-
4) Commodities				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
5) Other				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-

E – Risk report

E.5.3 OTC hedging derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

UNDERLYING ACTIVITIES	AMOUNTS AS AT 31.12.2022			
	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
Contracts not included in netting agreement				
1) Debt securities and interest rate indexes				
- Notional amount	X	-	-	457
- Positive fair value	X	-	-	3
- Negative fair value	X	-	-	33
2) Equity instruments and stock indexes				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
3) Gold and currencies				
- Notional amount	X	2	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
4) Commodities				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
5) Other				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
Contracts included in netting agreement				
1) Debt securities and interest rate indexes				
- Notional amount	35,622	90,909	-	10
- Positive fair value	198	3,883	-	-
- Negative fair value	270	3,619	-	2
2) Equity instruments and stock indexes				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
3) Gold and currencies				
- Notional amount	-	3,654	-	-
- Positive fair value	-	10	-	-
- Negative fair value	-	6	-	-
4) Commodities				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
5) Other				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-

E – Risk report

E.5.4 OTC hedging derivatives - residual life: notional amounts

(€ million)

UNDERLYING/RESIDUAL MATURITY	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A.1 Financial derivative contracts on debt securities and interest rates	38,468	38,119	39,787	116,375
A.2 Financial derivative contracts on equity securities and stock indexes	-	-	-	-
A.3 Financial derivative contracts on exchange rates and gold	1,363	-	-	1,363
A.4 Financial derivative contracts on other values	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31.12.2023	**39,832**	**38,119**	**39,787**	**117,738**
Total 31.12.2022	**49,011**	**43,555**	**38,088**	**130,654**

E.5.5 Micro hedging and macro hedging: breakdown by hedged item and risk type

(€ million)

	AMOUNT AS AT 31.12.2023	
	MICRO HEDGE: CARRYING AMOUNT	MACRO HEDGE: CARRYING AMOUNT
A) Fair value hedge		
1. Assets		
1.1 Financial assets measured at fair value through other comprehensive income	**6,662**	**-**
1.1.1 Interest rate	6,662	X
1.1.2 Equity	-	X
1.1.3 Foreign exchange and gold	-	X
1.1.4 Credit	-	X
1.1.5 Other	-	X
1.2 Financial assets measured at amortised cost	**1,642**	**-**
1.2.1 Interest rate	1,642	X
1.2.2 Equity	-	X
1.2.3 Foreign exchange and gold	-	X
1.2.4 Credit	-	X
1.2.5 Other	-	X
2. Liabilites		
2.1 Financial liabilities measured at amortised costs	**6,835**	**-**
2.1.1 Interest rate	6,835	X
2.1.2 Equity	-	X
2.1.3 Foreign exchange and gold	-	X
2.1.4 Credit	-	X
2.1.5 Other	-	X
B) Cash flow hedge		
1. Assets	**804**	**X**
1.1 Interest rate	804	X
1.2 Equity	-	X
1.3 Foreign exchange and gold	-	X
1.4 Credit	-	X
1.5 Other	-	X
2. Liabilites	**-**	**X**
2.1 Interest rate	-	X
2.2 Equity	-	X
2.3 Foreign exchange and gold	-	X
2.4 Credit	-	X
2.5 Other	-	X
C) Hedge of net investments in foreign operations	**-**	**X**
D) Portfolio - Assets	**X**	**(1,285)**
E) Portfolio - Liabilities	**X**	**(1,213)**

For information on the presentation of hedging transactions see section A.5.3.4 Hedge accounting and sections B.5 and C.17.

E – Risk report

E.5.5 Micro hedging and macro hedging: breakdown by hedged item and risk type

(€ million)

	AMOUNT AS AT 31.12.2022	
	MICRO HEDGE: CARRYING AMOUNT	MACRO HEDGE: CARRYING AMOUNT
A) Fair value hedge		
1. Assets		
1.1 Financial assets measured at fair value through other comprehensive income	**4,843**	**-**
1.1.1 Interest rate	4,843	X
1.1.2 Equity	-	X
1.1.3 Foreign exchange and gold	-	X
1.1.4 Credit	-	X
1.1.5 Other	-	X
1.2 Financial assets measured at amortised cost	**1,385**	**-**
1.2.1 Interest rate	1,385	X
1.2.2 Equity	-	X
1.2.3 Foreign exchange and gold	-	X
1.2.4 Credit	-	X
1.2.5 Other	-	X
2. Liabilites		
2.1 Financial liabilities measured at amortised costs	**4,863**	**-**
2.1.1 Interest rate	4,863	X
2.1.2 Equity	-	X
2.1.3 Foreign exchange and gold	-	X
2.1.4 Credit	-	X
2.1.5 Other	-	X
B) Cash flow hedge		
1. Assets	**839**	**X**
1.1 Interest rate	839	X
1.2 Equity	-	X
1.3 Foreign exchange and gold	-	X
1.4 Credit	-	X
1.5 Other	-	X
2. Liabilites	**-**	**X**
2.1 Interest rate	-	X
2.2 Equity	-	X
2.3 Foreign exchange and gold	-	X
2.4 Credit	-	X
2.5 Other	-	X
C) Hedge of net investments in foreign operations	**-**	**X**
D) Portfolio - Assets	**X**	**(2,133)**
E) Portfolio - Liabilities	**X**	**(1,972)**

The previous year figures have been adjusted; in addition to hedged deposits, underlying transactions in the form of securities and loans are recognized.

A detailed description of the use of derivatives as hedging transactions in the case of micro fair value hedges, cash flow hedges and fair value hedges can be found in Part A.5.3.4 – Further explanations in the context of financial instruments, section Hedge accounting.

E – Risk report

E.5.6 Trading financial derivatives: end-of-period notional amounts

(€ million)

UNDERLYING ACTIVITIES/TYPE OF DERIVATIVES	AMOUNTS AS AT 31.12.2023				AMOUNTS AS AT 31.12.2022			
	OVER THE COUNTER				OVER THE COUNTER			
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES		
	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	ORGANISED MARKETS	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	ORGANISED MARKETS
1. Debt securities and interest rate indexes	**497**	**48,887**	**4,129**	**-**	**506**	**47,562**	**3,897**	**-**
a) Options	-	6,364	664	-	-	6,424	522	-
b) Swap	497	42,523	3,465	-	506	41,139	3,375	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and stock indexes	**-**	**192**	**192**	**-**	**-**	**567**	**567**	**-**
a) Options	-	192	192	-	-	567	567	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Gold and currencies	**-**	**9,935**	**640**	**-**	**-**	**10,724**	**779**	**-**
a) Options	-	1,305	111	-	-	1,575	63	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	8,629	529	-	-	9,149	716	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**1,210**	**62**	**-**	**-**	**1,936**	**72**	**-**
5. Other	**-**	**48**	**49**	**-**	**-**	**48**	**50**	**-**
Total	**497**	**60,272**	**5,072**	**-**	**506**	**60,837**	**5,364**	**-**

Regular way contracts (spot transactions) with nominal values of around €119 million are not included in the list.

E – Risk report

E.5.7 Trading financial derivatives: positive and negative gross fair value - breakdown by product

(€ million)

TYPE OF DERIVATIVES	AMOUNTS AS AT 31.12.2023				AMOUNTS AS AT 31.12.2022			
	OVER THE COUNTER				OVER THE COUNTER			
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES		
	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	ORGANISED MARKETS	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	ORGANISED MARKETS
1. Positive fair value								
a) Options	-	83	3	-	-	111	7	-
b) Interest rate swap	18	1,077	42	-	15	1,531	90	-
c) Cross currency swap	-	138	-	-	-	189	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	215	13	-	-	455	27	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**18**	**1,513**	**59**	**-**	**15**	**2,286**	**124**	**-**
2. Negative fair value								
a) Options	-	60	26	-	-	78	39	-
b) Interest rate swap	16	998	122	-	14	1,400	217	-
c) Cross currency swap	-	135	-	-	-	180	5	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	221	8	-	-	456	22	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**16**	**1,414**	**156**	**-**	**14**	**2,114**	**283**	**-**

E – Risk report

E.5.8 OTC trading financial derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

UNDERLYING ACTIVITIES	AMOUNTS AS AT 31.12.2023			
	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
Contracts not included in netting agreement				
1) Debt securities and interest rate indexes				
- Notional amount	X	537	914	2,678
- Positive fair value	X	17	2	25
- Negative fair value	X	2	8	117
2) Equity instruments and stock indexes				
- Notional amount	X	155	37	-
- Positive fair value	X	1	-	-
- Negative fair value	X	19	-	-
3) Gold and currencies				
- Notional amount	X	-	78	562
- Positive fair value	X	-	-	7
- Negative fair value	X	-	-	7
4) Commodities				
- Notional amount	X	-	-	62
- Positive fair value	X	-	-	7
- Negative fair value	X	-	-	1
5) Other				
- Notional amount	X	49	-	1
- Positive fair value	X	-	-	-
- Negative fair value	X	3	-	-
Contracts included in netting agreement				
1) Debt securities and interest rate indexes				
- Notional amount	497	32,199	438	16,250
- Positive fair value	18	1,027	1	223
- Negative fair value	16	559	26	581
2) Equity instruments and stock indexes				
- Notional amount	-	192	-	-
- Positive fair value	-	19	-	-
- Negative fair value	-	1	-	-
3) Gold and currencies				
- Notional amount	-	5,302	571	4,061
- Positive fair value	-	72	10	44
- Negative fair value	-	62	7	57
4) Commodities				
- Notional amount	-	636	-	574
- Positive fair value	-	16	-	97
- Negative fair value	-	105	-	15
5) Other				
- Notional amount	-	48	-	-
- Positive fair value	-	3	-	-
- Negative fair value	-	-	-	-

E.5.8 OTC trading financial derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

	AMOUNTS AS AT 31.12.2022			
UNDERLYING ACTIVITIES	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
Contracts not included in netting agreement				
1) Debt securities and interest rate indexes				
- Notional amount	X	-	193	3,704
- Positive fair value	X	-	-	90
- Negative fair value	X	-	12	216
2) Equity instruments and stock indexes				
- Notional amount	X	-	56	511
- Positive fair value	X	-	-	6
- Negative fair value	X	-	-	30
3) Gold and currencies				
- Notional amount	X	52	88	639
- Positive fair value	X	1	1	14
- Negative fair value	X	1	1	18
4) Commodities				
- Notional amount	X	-	-	72
- Positive fair value	X	-	-	12
- Negative fair value	X	-	-	3
5) Other				
- Notional amount	X	1	-	49
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	3
Contracts included in netting agreement				
1) Debt securities and interest rate indexes				
- Notional amount	506	31,022	451	16,089
- Positive fair value	15	1,603	4	164
- Negative fair value	14	645	29	949
2) Equity instruments and stock indexes				
- Notional amount	-	567	-	-
- Positive fair value	-	30	-	-
- Negative fair value	-	6	-	-
3) Gold and currencies				
- Notional amount	-	5,735	661	4,328
- Positive fair value	-	117	11	78
- Negative fair value	-	104	16	79
4) Commodities				
- Notional amount	-	1,006	-	929
- Positive fair value	-	104	-	172
- Negative fair value	-	185	-	99
5) Other				
- Notional amount	-	48	-	-
- Positive fair value	-	3	-	-
- Negative fair value	-	-	-	-

E – Risk report

E.5.9 OTC financial derivatives - residual life: notional amounts

(€ million)

UNDERLYING/RESIDUAL MATURITY	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A.1 Financial derivative contracts on debt securities and interest rates	5,191	26,800	21,522	53,514
A.2 Financial derivative contracts on equity securities and stock indexes	178	172	34	384
A.3 Financial derivative contracts on exchange rates and hold	8,647	1,865	63	10,575
A.4 Financial derivative contracts on other values	657	598	18	1,272
A.5 Other financial derivatives	-	61	36	97
Total 31.12.2023	**14,673**	**29,496**	**21,673**	**65,842**
Total 31.12.2022	**17,133**	**26,872**	**22,701**	**66,706**

E.5.10 Trading credit derivatives: end of period notional amounts

(€ million)

CATEGORY OF TRANSACTIONS	TRADING DERIVATIVES	
	WITH A SINGLE UNDERLYING	WITH MORE THAN ONE UNDERLYING (BASKET)
1. Protection buyer's contracts		
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total 31.12.2023	**-**	**-**
Total 31.12.2022	**-**	**-**
2. Protection seller's contracts		
a) Credit default products	60	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total 31.12.2023	**60**	**-**
Total 31.12.2022	**60**	**-**

E – Risk report

E.5.11 OTC trading credit derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

	AMOUNTS AS AT 31.12.2023			
	CENTRAL COUNTERPARTIES	BANKS	FINANCIAL COMPANIES	OTHER ENTITIES
Contracts not included in netting agreement				
1) Protection buyer's contracts				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
2) Protection seller's contracts				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
Contracts included in netting agreement				
1) Protection buyer's contracts				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
2) Protection seller's contracts				
- Notional amount	-	60	-	-
- Positive fair value	-	0	-	-
- Negative fair value	-	-	-	-

E.5.11 OTC trading credit derivatives: notional amounts, positive and negative gross fair value by counterparty

(€ million)

	AMOUNTS AS AT 31.12.2022			
	CENTRAL COUNTERPARTIES	BANKS	FINANCIAL COMPANIES	OTHER ENTITIES
Contracts not included in netting agreement				
1) Protection buyer's contracts				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
2) Protection seller's contracts				
- Notional amount	X	-	-	-
- Positive fair value	X	-	-	-
- Negative fair value	X	-	-	-
Contracts included in netting agreement				
1) Protection buyer's contracts				
- Notional amount	-	-	-	-
- Positive fair value	-	-	-	-
- Negative fair value	-	-	-	-
2) Protection seller's contracts				
- Notional amount	-	60	-	-
- Positive fair value	-	0	-	-
- Negative fair value	-	0	-	-

E – Risk report

E.5.12 OTC trading credit derivatives - residual life: notional amounts

(€ million)

UNDERLYING/RESIDUAL MATURITY	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
1. Protection buyer's contracts	-	-	-	-
2. Protection seller's contracts	50	-	10	60
Total 31.12.2023	**50**	**-**	**10**	**60**
Total 31.12.2022	**-**	**50**	**10**	**60**

E.6 – Currency risk

The following table shows assets and liabilities for the most important currencies of the current business year:

E.6.1 Assets and liabilities in foreign currency 2023

(€ million)

	31.12.2023					
ITEMS	USD	GBP	YEN	CZK	CHF	OTHER
A. Financial assets	**3,585**	**420**	**1,329**	**290**	**3,702**	**313**
A.1 Debt securities	1,404	109	1,259	268	104	-
A.2 Equity securities	-	-	-	-	-	-
A.3 Loans to banks	348	43	18	2	436	105
A.4 Loans to customers	1,833	268	52	20	3,161	207
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**-**	**-**	**-**	**-**	**-**	**-**
C. Financial liabilities	**3,736**	**227**	**29**	**53**	**115**	**470**
C.1 Deposits from banks	1,442	52	3	2	16	176
C.2 Deposits from customers	2,252	176	27	52	98	294
C.3 Debt securities in issue	41	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**

E – Risk report

The following table shows assets and liabilities for the most important currencies of the previous business year:

E.6.1 Assets and liabilities in foreign currency 2022

(€ million)

	31.12.2022					
ITEMS	USD	GBP	YEN	CAD	CHF	OTHER
A. Financial assets	**3,848**	**303**	**1,468**	**92**	**4,015**	**945**
A.1 Debt securities	1,463	-	1,393	-	95	672
A.2 Equity securities	-	-	-	-	-	-
A.3 Loans to banks	215	2	5	-	219	124
A.4 Loans to customers	2,169	301	70	91	3,700	149
A.5 Other financial assets	1	-	-	-	-	-
B. Other assets	**-**	**-**	**-**	**-**	**-**	**-**
C. Financial liabilities	**2,642**	**191**	**25**	**53**	**114**	**446**
C.1 Deposits from banks	434	34	1	27	22	68
C.2 Deposits from customers	2,165	157	24	26	92	378
C.3 Debt securities in issue	42	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**

CHF risk
As in previous years, the reduction in CHF loans continued in 2023. Loans and receivables with customers reduced by around a further €0.5 billion in consideration of the net volume (after impairments) and reduced from €3.7 billion to €3.2 billion. Approximately 5.0% thereof was classified as non-performing. The majority of the loans and receivables come from the Retail segment, to which 92% of the CHF volume is allocated.

Other currency risks
Customer loans in other currencies (net volume, exclusively CHF) amounted to €2.5 billion as of 31 December 2023 (2022: €2.8 billion), a large part of which were loans in USD (primarily to customers in the Corporate segment).

E – Risk report

E.7 – Counterparty risk

Trading in derivatives at Bank Austria is primarily related to the hedging of positions entered into vis-à-vis customers.

Contracts are valued at current prices using recognised and tested models. Market values show the contract values as at the balance sheet date, positive current market values and estimated future market values indicate the potential default risk arising from the relevant activity.

For the purposes of portfolio management and risk limitation in connection with derivatives, securities lending transactions and repurchase agreements, UniCredit Bank Austria AG uses an internal counterparty risk model (IMM). The model is based on a Monte Carlo path simulation for risk management in derivatives and securities financing business with banks and customers to estimate the potential future exposure at portfolio level for each counterparty.

The UniCredit Group-wide counterparty risk model applies an expected shortfall of 87.5% (equals a 95% quantile) and 3,000 scenarios with 52 grid points for the purpose of internal risk control. Furthermore, the model is based on a standardised margin period of risk and on the use of default conditional metrics.
The calculations are based on market volatility, correlations between specific risk factors, future cash flows and stress considerations. Netting agreements and collateral agreements are also taken into account for simulation purposes.

The simulation calculations are performed for all major types of transactions, e.g., forward foreign exchange transactions, commodity futures transactions, interest rate instruments, securities lending transactions and repurchase agreements, equity-related, commodity-related or inflation-related instruments and credit derivatives. Other products (some of them exotic) are taken into account with an add-on factor approach (depending on volatility and maturity).
In addition to determining the potential future exposure for internal risk control purposes, the path simulation also enables the Bank to calculate the average exposure and the modified average exposure (exposure at default) pursuant to Basel 3, as well as the effective maturity of the exposure and the "stressed EPE" (Expected Positive Exposure) for each counterparty. This makes it possible to include counterparty risk in a Basel 3-compliant internal model to calculate capital requirements. The regulatory exposure at default is calculated at netting-set level. A netting set is a group of transactions between the Bank and a customer which is subject to a legally enforceable bilateral netting agreement.

UniCredit Bank Austria AG has implemented the general requirements in the area of counterparty credit risk resulting from the publications of the Basel Committee (Basel 3) and the Capital Requirements Regulation (CRR). The regulatory requirements include the calculation of normal counterparty exposure and of stressed counterparty exposure (comparable with the stressed VaR in market risk), the capital backing for market risk in respect of credit valuation adjustments (CVA market risk) and stricter standards for collateral management.
The requirements regarding the mandatory exchange of securities in bilateral margining agreements with financial counterparts for margin variation were implemented in line with regulations.
The requirements to be met with regard to stress testing and backtesting in respect of counterparty credit risk have also been implemented at UniCredit Bank Austria AG. Backtesting is performed at regular intervals – at the level of individual counterparties and at overall bank level – to review the model quality on a regular basis.

The counterparty risk model is constantly being improved. Since 2019, the basis for generating the scenarios for internal risk management has been changed over from historical fluctuations to market-implicit volatilities. The significant model change resulting from this regarding the calculation of the capital requirements has been applied for with the ECB and has also been used for regulatory purposes since the end of Q1 2021.

In June 2021, the implementation of the new legal requirements of CRR 2 for the new standard approach for counterparty credit risk (SA-CCR) was implemented in the Bank's internal risk systems. In the SA-CCR, transactions that are not recorded in the internal counterparty risk model using Monte Carlo simulation (e.g., stock exchange derivatives or securities transactions) are shown for calculating the equity capital requirements for regulatory purposes.

The internal IT systems are used for calculating counterparty risk arising from derivatives business, securities lending transactions and repurchase agreements, and for determining risk arising from other risk types. This ensures that exposures resulting from derivatives business as well as money-market risk, issuer risk and settlement risk are calculated centrally using the internal IT systems (FRE – Full Revaluation Engine, AGE – Aggregation Engine).

E – Risk report

In 2022, the settlement risk calculation method was revised and technically implemented as part of a Group-wide project. The main methodological changes represent a more precise distinction between "principal and replacement cost risk", as well as the distinction between "irrevocable risk and uncertain risk".
In addition, mitigating effects such as the consideration of FX payment netting and "delivery versus payment"-settlement are also taken into account to reduce risk.

Moreover, country risk is calculated and reported separately for external and internal country risk.

Line utilisation for trading business is available in real time in the central treasury system MLC ("Murex Limit Controller"). The MLC treasury system is the central limit system used by UniCredit Bank Austria AG. In addition to current line utilisation – at customer level – resulting from derivatives and securities financing transactions, the system shows utilisation levels for money-market, issuer, and settlement risk.
UniCredit Bank Austria AG additionally limits the credit risk arising from its derivatives business through strict use of master agreements, through collateral agreements and break clauses. These collateral agreements were changed to eligible benchmarks (e.g., from EONIA to ESTR) in 2021 in accordance with regulatory requirements. Despite the very good average creditworthiness of our business partners, management is paying increased attention to default risk.

Since 2021, UniCredit Bank Austria AG has continued to expand its online trading platform (UCTrader/ExCEED) which was introduced in 2020 and enables our customers to conclude derivatives transactions in real time. As part of these initiatives, the relevant risk checks were implemented, ensuring, for example, an online real-time review and compliance with pre-settlement and settlement risk limits.

Moreover, in accordance with the European Market Infrastructure Regulation (EMIR), the central clearing obligation for OTC derivatives was implemented at UniCredit Bank Austria AG. UniCredit Bank Austria AG is a clearing member of the "London Clearing House" (LCH Clearnet) clearing institution and since 2020 has also been a clearing member of the "LCH SA" clearing institution in Paris. Furthermore, UniCredit Bank Austria AG clears repurchase agreements at EUREX Clearing AG, the central counterparty.
Separate reporting on counterparty credit risk is in place with a view to informing UniCredit Bank Austria AG's FCRC of current exposure trends, stress testing, collateral management and wrong way risk while also providing additional information relevant to risk management. Energy and commodity-related customers and risks are also taken into account.

At the end of the year, UniCredit Bank Austria AG had total exposure of €2,676 million (previous year: €3,281 million) from the use of the counterparty credit risk calculation method of the Group-wide risk systems for the exposures from derivative transactions, repurchase agreements and securities lending transactions.

E – Risk report

The total exposure at the end of 2023 can also be split into the following **sectors and** by **rating classes**:

E.7.1a Exposure by sector

(€ million)

SECTOR	31.12.2023	31.12.2022
Industry and trade	779	859
Financial services sector	457	931
Real estate	321	284
Energy and Commodity	226	364
Public sector	28	31
Central Clearing Counterparts (CCP)	865	813
TOTAL	**2,676**	**3,281**

E.7.1b Exposure by rating class

(€ million)

RATING CLASS	12/31/2023	12/31/2022
1	971	992
2	881	472
3	214	1,318
4	264	278
5	123	152
6	130	45
7	82	16
8	6	4
9	6	5
TOTAL	**2,676**	**3,281**

E.8 – Country risk and sovereign risk

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

E.8.1 Breakdown of sovereign debt securities by country and portfolio

(€ million)

	31.12.2023			31.12.2022		
COUNTRY/PORTFOLIO	NOMINAL VALUE	BOOK VALUE	FAIR VALUE	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
Austria	**2,507**	**2,363**	**2,334**	**2,023**	**1,834**	**1,802**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	60	61	61	60	59	59
Fair value through other comprehensive income	2,355	2,199	2,199	1,859	1,663	1,663
Financial assets at amortised cost	91	102	73	95	105	74
Designated at fair value through profit or loss	-	-	-	9	6	6
Spain	**3,067**	**2,955**	**2,920**	**2,711**	**2,509**	**2,450**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	2,457	2,327	2,327	1,931	1,710	1,710
Financial assets at amortised cost	610	628	592	780	799	740
Designated at fair value through profit or loss	-	-	-	-	-	-
Italy	**1,805**	**1,804**	**1,785**	**1,310**	**1,260**	**1,211**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	1,485	1,479	1,479	860	801	801
Financial assets at amortised cost	320	324	305	450	459	410
Designated at fair value through profit or loss	-	-	-	-	-	-

E – Risk report

COUNTRY/PORTFOLIO	31.12.2023 NOMINAL VALUE	31.12.2023 BOOK VALUE	31.12.2023 FAIR VALUE	31.12.2022 NOMINAL VALUE	31.12.2022 BOOK VALUE	31.12.2022 FAIR VALUE
Japan	**1,258**	**1,259**	**1,259**	**1,398**	**1,393**	**1,393**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	1,258	1,259	1,259	1,398	1,393	1,393
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Poland	**449**	**456**	**456**	**500**	**506**	**505**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	449	456	456	464	470	470
Financial assets at amortised cost	-	-	-	36	36	36
Designated at fair value through profit or loss	-	-	-	-	-	-
France	**643**	**635**	**597**	**450**	**388**	**339**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	469	457	457	276	210	210
Financial assets at amortised cost	174	178	140	174	178	129
Designated at fair value through profit or loss	-	-	-	-	-	-

E – Risk report

COUNTRY/PORTFOLIO	31.12.2023 NOMINAL VALUE	31.12.2023 BOOK VALUE	31.12.2023 FAIR VALUE	31.12.2022 NOMINAL VALUE	31.12.2022 BOOK VALUE	31.12.2022 FAIR VALUE
Romania	**230**	**222**	**222**	**277**	**261**	**261**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	230	222	222	277	261	261
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Belgium	**319**	**328**	**328**	**105**	**100**	**100**
Held for trading (Net exposures)	-	-	-	-	-	-
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	319	328	328	105	100	100
Financial assets at amortised cost	-	-	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-	-	-
Other Countries	**3,455**	**3,254**	**3,216**	**2,948**	**2,625**	**2,579**
Held for trading (Net exposures)	110	0	0	115	0	0
Mandatorily at fair value	-	-	-	-	-	-
Fair value through other comprehensive income	2,832	2,762	2,762	2,491	2,329	2,329
Financial assets at amortised cost	403	414	376	204	203	158
Designated at fair value through profit or loss	111	78	78	138	92	92
TOTAL	**13,732**	**13,276**	**13,117**	**11,723**	**10,875**	**10,641**

E – Risk report

E.8.2 Breakdown of sovereign debt securities by portfolio

(€ million)

	31.12.2023					
	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	61	11,491	1,646	78	13,276
Total portfolio of debt securities	0	74	15,170	3,556	88	18,887
% Portfolio	100.00%	82.97%	75.75%	46.29%	88.88%	70.29%
	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%

The volumes vis-à-vis government entities comprise bonds issued by central banks, sovereigns and other public-sector entities including international organisations, and loans to the public borrowers aforementioned.

The following table shows the **10 largest sovereign loans by country** (ranking based on the amounts of the current reporting year):

E.8.3 Breakdown of sovereign loans by country

(€ million)

COUNTRY	31.12.2023	31.12.2022
Austria	5,825	5,590
Indonesia	173	166
Trinidad and Tobago	133	131
Mongolia	83	73
Sri Lanka	82	97
Laos	72	79
Ghana	71	77
Vietnam	59	61
Angola	54	65
Gabon	52	68
Others	278	799
TOTAL SOVEREIGN LOANS	**6,881**	**7,207**

E.9 – Operational risk

Operational risk (OpRisk) is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events (including legal risks – see also “E.13 – Legal risks”). For example, compensation paid to customers for incorrect/inadequate product-related advice, IT system failures, damage to property, processing errors or fraud are subject to accurate and consolidated risk measurement and management (collection of loss data, external data, scenarios, indicators), on which the calculation of capital to be held for operational risk is based.

Loss data is collected, and processes are optimized, in close coordination and cooperation across departments and units including the business areas, Internal Audit, Compliance, Legal Affairs, Digital & Information and the insurance sector. Over the years, UniCredit Bank Austria AG has taken numerous measures in the various divisions to manage and reduce operational risk. Thus, data security measures, measures to ensure the confidentiality and integrity of stored data, access authorisation systems, the two-signatures principle, and a large number of monitoring and control processes as well as staff training programmes have been implemented among other measures. Raising awareness of operational risks plays a particularly important role and is supported by a variety of measures such as “tone from the top” mailings from the Management Board, training courses for managers and mandatory online training.

UniCredit Bank Austria AG has built up a decentralized operational risk management framework in the form of OpRisk representatives (so-called “Decentralized OpRisk & RepRisk Managers” (DORRM)) for all relevant company divisions – in addition to central operational risk management, the Non-Financial Risks function. The central OpRisk & RepRisk function of UniCredit Bank Austria AG was assigned directly to the Chief Risk Officer as a staff unit in 2018. As in UniCredit Bank Austria AG, there are also OpRisk managers or contact persons in all relevant subsidiaries of the UniCredit Bank Austria Group.

While the main task of central risk management is to define the methods used and to perform risk measurement and analysis, decentralized risk management is responsible for taking measures to reduce, prevent, or take out insurance against risks. The central OpRisk Management is responsible for monitoring the adequacy of risk handling measures as part of the “2nd level controls”.

Activities in 2023 focused on:
- Integrating the OpRisk & RepRisk strategy issues of 2021 and their monitoring by reference to key risk indicators in the Permanent Work Group (a cross-divisional OpRisk work group which holds regular meetings)
- Implementing risk-minimizing measures for the identified strategy topics (through DORRMs and experts) and their report in the Permanent Work Group and the Non-Financial Risk Committee
- Monitoring of OpRisk exposures using key indicators that are part of the risk appetite framework
- Carrying out 2nd level controls for OpRisk assessments for relevant outsourcings and third-party contracts
- Revising the KRI monitoring framework on an ongoing basis to measure risk more effectively and carry out the scenario analysis.
- Raising awareness of OpRisk topics through various training courses for different target groups and through online training that is mandatory for all employees
- Revising OpRisk-relevant accounts and books as part of accounting reconciliation, general ledger analysis and transitory and suspense account analysis in order to ensure complete OpRisk data collection
- Carrying out focal point analyses on various OpRisk-relevant subject areas, also triggered by relevant external OpRisk incidents
- Carrying out a Risk & Control Self-Assessment (RCSA) for relevant business processes, including the ICT risk assessment for the UCBA
- Increased focus on a uniform approach by the subsidiary company
- Execution of ICT project risk assessments for all relevant ICT projects
- ICT 2nd level controls and monitoring of ICT security KPIs for UCBA AG and all relevant subsidiaries

A network of independent functions and teams are involved in managing and controlling risks, providing the Management Board with sufficient information on the risk situation and enabling the Management Board to manage risk.

E – Risk report

The operational risk agendas are dealt with on the Non-Financial Risk Committee. The Committee is a central component in integrating operational risk into the Bank's processes; its main tasks are to report on current operational risk issues and developments, to approve operational risk-relevant documents, to report losses and to serve as a body to which unresolved issues are referred. The entire Management Board of UCBA is represented on the Committee.

Since the beginning of 2008, UniCredit Bank Austria AG has been using the Advanced Measurement Approach (AMA Approach) for calculating the OpRisk capital, with the model calculation for all AMA subsidiaries being performed by the UniCredit Group.

Austrian subsidiaries
Schoellerbank AG and UniCredit Leasing Austria GmbH apply the AMA in the area of operational risk.

Implementation of disclosure requirements pursuant to the Capital Requirements Regulation (CRR)
Within UniCredit Group, comprehensive disclosure (under the Pillar 3 disclosure requirements pursuant to the CRR) is carried out by the parent company UniCredit on its website, based on the consolidated financial position in its function as EU parent bank. Bank Austria is a significant subsidiary pursuant to Article 13 of the CRR and, for the 2023 fiscal year, has to disclose information regarding its capital resources ("own funds", Article 437 of the CRR), capital requirements (Article 438 of the CRR), capital buffers (Article 440 of the CRR), credit risk adjustments (Article 442 of the CRR), remuneration policy (Article 450 of the CRR), leverage ratio (Article 451 of the CRR), liquidity coverage requirements (Article 451a of the CRR) and use of credit risk mitigation techniques (Article 453 of the CRR).

The disclosure by Bank Austria is available on its website (www.bankaustria.at/en/about-us-investor-relations) according to Basel 2 and 3 (CRR).

E.10 – Reputational risk

Bank Austria and the UniCredit Group have identified reputational risk as the current or future risk of a decline in profits as result of a negative perception of the Bank's image by customers, counterparties, shareholders, investors, employees, or regulators.

Since 2012, the CRO team has been entrusted with managing and monitoring strategic reputational risk agendas. In 2018, the Op&RepRisk office, now Non-Financial Risks, was directly assigned to the CRO as a staff unit. Together with other departments such as Identity & Communications, Compliance, Legal, Customer Experience & Complaints Management, etc., the central risk unit is responsible for managing the reputation of UniCredit Bank Austria AG.

Reputational risk-related topics are reported quarterly in the Non-Financial Risk Committee, such as:
- Business decisions, which were made in the Reputational Risk / Credit Committee
- Report on RepRisk assessments that were analyzed as part of the new product process and subsequent acceptance of new products
- Information on accepting new RepRisk policies
- Relevant reporting about UniCredit Bank Austria AG
- RepRisk status of AMA subsidiaries
- Other issues affecting the reputation of the bank

In 2023, reputational risk activities focused on supporting subsidiaries, expanding structures, implementing RepRisk policies, supporting business areas and training.

RepRisk guidelines to regulate the handling of specific industrial sectors, such as the coal industry or the oil and gas industry are in place. All regulations focused in particular on environmental aspects and on supporting customers to achieve greater sustainability.

Another focus was on raising Reputational Risk Management awareness through training activities at UniCredit Bank Austria AG and its subsidiaries.

E – Risk report

E.11 – Business risk

Business risk is defined as unexpected adverse changes in business volume and/or margins which cannot be attributed to other types of risk. Adverse impacts of such changes on profitability result mainly from a significant deterioration in market conditions, changes in the competitive position or customer behavior, and from changes in the legal environment.

Business risk measurement thus measures the influence of external factors on a decline in profits and the effect on the market value.

As part of general income and cost management, operational management of business risk is the responsibility of the individual business units.

E.12 – Financial investment risk and real estate risk

In dealing with risks arising from the Bank's shareholdings and equity interests, Bank Austria takes into account potential market price fluctuations in its equity holdings in listed and unlisted companies.

Not included are equity interests in consolidated subsidiaries of Bank Austria because risks associated with such companies are determined and recorded under the various other risk types. The portfolio includes various strategic investments; real estate holding companies are taken into account in real estate risk.

Financial investment risk and real estate risk are covered by a value-at-risk approach under the ICAAP.

E.13 – Legal risk

The method for recognition of provisions is described under “A.6.7.2 - Other provisions for risks and charges and contingent liabilities”.

A) Madoff

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

__Civil law procedures in Austria__
Investors in the Primeo and Herald Madoff Feeder Funds have filed numerous civil suits, eight of which are still open, with a claimed amount of €4.8 million plus interest. The claims asserted in these proceedings are that the UniCredit Bank Austria AG committed certain breaches of duty in its capacity as prospectus controller. The Austrian Supreme Court issued 28 legally binding rulings with regard to the prospectus liability claims asserted in the proceedings. Regarding the proceedings concerning the Primeo Feeder funds, eighteen final decisions of the Austrian Supreme Court were taken in favor of UniCredit Bank Austria AG. In two proceedings, the Supreme Court rejected UniCredit Bank Austria AG’s extraordinary appeal and therefore made the decision of the Court of Appeal, which had been issued in favor of the plaintiffs, final. With regard to the Herald Feeder Fund, the Austrian Supreme Court has ruled on the prospectus liability claims five times, twice in favor of UniCredit Bank Austria AG and three times in favor of the plaintiffs. In a prospectus liability case where investments were made in Primeo and Herald, the Supreme Court ruled in favor of UniCredit Bank Austria AG; in two further prospectus liability cases where investments were made in Primeo and Herald, the Supreme Court rejected the plaintiffs’ extraordinary appeals, thereby ruling the decisions of the Court of Appeal to be legally binding in favor of UniCredit Bank Austria AG.

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

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

__Proceedings in the United States__

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

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

E – Risk report

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

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

B) Alpine Holding GmbH

Alpine Holding GmbH issued one bond in 2010, one in 2011 and one in 2012. In 2010 and 2011, UniCredit Bank Austria AG acted as joint lead manager together with another bank. In June/July 2013, Alpine Holding GmbH and Alpine Bau GmbH became insolvent and bankruptcy proceedings followed. Numerous bondholders then wrote to the banks involved in the bond issues to assert claims. At least as far as UniCredit Bank Austria AG is concerned, the bondholders largely based their claims on the prospectus liability of the joint lead managers and, in fewer cases, also on flawed investment advice provided by the banks that sold the bonds to their customers. Investors have filed civil proceedings, including subpoenas for three class actions by the Federal Chamber of Labour (with claims amounting to some €18.7 million), in which UniCredit Bank Austria AG is named as a defendant in addition to other banks. The significant cause of action is the prospectus liability. These civil proceedings are predominantly still pending at first instance. In December 2023, a first instance court delivered judgement on the bondholders' prospectus liability claims. In its judgement, the court confirmed the legal position of UniCredit Bank Austria AG and the other issuing banks that the prospectuses were correct and complete and fully rejected the bondholders claims based on prospectus liability. The bondholders can appeal against this decision. To date, no legally binding decisions have been issued by the Supreme Court against UniCredit Bank Austria AG concerning prospectus liability. In addition to the aforementioned proceedings against UniCredit Bank Austria AG, further actions against UniCredit Bank Austria AG have been threatened in connection with Alpine bankruptcy, which could be brought in the future. Pending or future actions may negatively affect UniCredit Bank Austria AG. UniCredit Bank Austria AG intends to use all available means to defend itself against these claims. With regard to the pending civil proceedings, UniCredit Bank Austria AG has made provisions for risks and charges to the extent that is considered appropriate for the current risks. No new provisions for risks and charges were made in the last years. At present, despite the favourable development it is not possible to estimate the timing and outcome of the various proceedings or to assess UniCredit Bank Austria AG's level of responsibility, if any.

C) VKI list of fees (17 fees)

The Vienna Regional Court of Appeal (OLG Wien) ruled in a class action case brought by the VKI that various fees for consumers contained in the price notices for current accounts, personal loans and savings accounts are inadmissible. The inadmissibility was justified mostly by the non-transparent wording of these fee clauses, which makes it impossible or difficult for consumer customers to determine or understand the basis for charging these fees. Due to the inadmissibility of the fees, the affected consumer customers now have a claim for repayment against UniCredit Bank Austria AG.

In out-of-court negotiations with the VKI, UniCredit Bank Austria AG has now found a way for the affected consumers to easily assert their repayment claims.

The provision for damages already set up by UniCredit Bank Austria AG, following the OLG Wien decision, was increased accordingly and will now be used in particular to satisfy the claims for reimbursement asserted by the affected customers via the VKI.

D) Class action suit regarding various fees

The Austrian Chamber of Labour brought a class action suit against UniCredit Bank Austria AG, alleging the inadmissibility or contractual invalidity of fees in the consumer loan sector due to violations of good manners or statutory provisions as well as non-transparent wording. The contested fees are loan processing fees, account management fees and fees for the cancellation receipt. If the fees are found to be inadmissible, they may no longer be used in business transactions with consumers in future. Invalid charged fees may be refunded to the affected consumers.

In addition to the class action suit, there are also individual proceedings with similar content. These proceedings have a total value in dispute of €130 thousand.

UniCredit Bank Austria AG, together with the mandated legal representative, analysed these clauses at the beginning of the proceedings and assessed the risk of a litigation loss to be lower than 50%, which is why no provision for damages was formed.

E.14 – Climate-related and environmental risks

UniCredit has developed a long-term sustainability strategy for environmental, social & governance (ESG) risks and takes ESG factors into account in its risk framework. UniCredit Bank Austria's strategy follows this framework. The aim is to achieve three goals:
- Fulfilment of regulatory requirements for the business strategy and risk management processes
- Management of climate and environmental risks
- Identifying financing potential for customers on their way to a sustainable, low-carbon economy

The term "sustainability" refers to Articles 3 and 9 of the Taxonomy Regulation. Article 3 defines the criteria for environmentally sustainable economic activities (significant contribution to the achievement of the environmental objectives defined in Article 9, no significant 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 CO_2-free economy serve to achieve the strategic objectives.

Both internally and by taking part in industry-wide initiatives, such as the Net Zero Banking Alliance (NZBA), we are working to develop and implement a comprehensive framework for dealing with climate risks so that they can be managed across all departments. The first greenhouse gas reduction targets for three 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, PCAF[5] and other relevant industry guidance, the baseline for the financed emissions for the three priority sectors of the credit portfolio was determined, and the targets were set on group level based on the respective emissions profile (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 and updated for monitoring purposes on the respective reporting dates.

For 2023, Bank Austria has for the first time defined measurable ESG targets in its Risk Appetite Framework for new environmental lending exposure and set triggers and limits for real estate collateral received that is exposed to physical risks.

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 physical[6] and/or transitory[7] 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.

[5] PCAF = Partnership for Carbon Accounting Financials
[6] 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).
[7] Transitory risks are the risks associated with the transition to a low-carbon economy (e.g. introduction of new or stricter CO_2 emission guidelines, enforcement of new technologies or business models, changes in market sentiment or societal preferences).

E – Risk report

Also, in 2023 UniCredit Group 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 SME's, 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 LEs.

Acknowledging the growing importance of ESG topics, the Group is progressively developing the current IFRS 9 methodological framework for incorporating environmental-related forecasting information into ECL models. In light of this, it is planned to incorporate in 2024 specific climate-related variables in addition to current macro-factors into the stress models adopted for credit risk projections to properly capture sectoral and company specificities to transition risk. Similarly expected evolution of real estate dynamics already considered in the IFRS 9 scenarios will be differentiated according to the level of Energy Performance and geolocation of the properties used as collaterals.

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 GTCC[8]/GCC[9] is responsible and all positions for which TCC[10] 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 corresponding 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, tornado, 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**:

- implementation of the Taxonomy Regulation[11] through the integration of customer and product-specific information to support the transition to a carbon-neutral economy into our processes and IT systems, which went live in the fourth quarter of 2023
- 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
- In the reporting period, Bank Austria did not carry out business in emission trading schemes and renewable energy certificates

[8] GTCC: Group Transactional Credit Committee
[9] GCC: Group Credit Committee
[10] TCC: Transactional Credit Committee
[11] Regulation = VO/Verordnung (in German)

E – Risk report

E.15 – Information on the squeeze-out pursuant to the Austrian Federal Act on the Squeeze-out of Minority Shareholders (*Gesellschafterausschlussgesetz*) of the holders of bearer shares in UniCredit Bank Austria AG

The company's Annual General Meeting on 3 May 2007 adopted a resolution concerning the planned squeeze-out. The legal actions for rescission and declaration of nullity brought against various resolutions adopted at the Annual General Meeting on 3 May 2007 were terminated in spring 2008. The squeeze-out was entered in the Register of Firms on 21 May 2008. After that date, former minority-shareholders initiated proceedings for a review of the cash compensation offered by UniCredit. The democratically legitimized party in these proceedings is not UniCredit Bank Austria AG, but rather, UniCredit S.p.A. In these proceedings, an appraiser has been appointed, who is reviewing the amount of the cash compensation; the appraisal report is available and essentially confirms the adequacy of the cash compensation paid as part of the shareholders' resolution. The evidence proceedings have not yet been completed and a first-instance decision on this matter is not yet available.

E.16 – Report on key features of the internal control and risk management systems in relation to the financial reporting process

The Management Board is responsible for establishing and designing internal control and risk management systems which meet the company's requirements in relation to the financial reporting process. The audit committee oversees the efficacy of the internal control and risk management system in addition to the accounting process as a whole; it may, if required, issue recommendations and suggestions to ensure the reliability of the accounting process.

The objective of the internal control system is to assist management in assuring internal controls in relation to financial reporting which are effective and are improved on an ongoing basis. The system is geared to complying with rules and regulations and creating conditions which are conducive to performing specific controls in key accounting processes.

Following the integration of the Bank Austria Group in UniCredit Group, the Italian Savings Law, Section 262 (detailed descriptions of processes, risk, and control for minimizing risk in preparing financial statements) in particular, must be complied with in addition to the existing internal control system.

Internal Audit performs independent and regular reviews of compliance with legal provisions and internal rules also in the accounting area. The Head of Internal Audit reports directly to the Management Board and provides the Chairman of the Supervisory Board and the Audit Committee with quarterly reports.

Control environment

UniCredit S.p.A., the parent company of UniCredit Bank Austria AG, works to maintain effective communication and convey the corporate values "integrity", "ownership", and "caring".

The implementation of the internal control system in relation to the financial reporting process is also set out in the internal rules and regulations.

All accounting entries are made within the guidelines established in the Accounting Policy, and release follows defined instruction and control criteria. Appropriate processes have been implemented and are reviewed by Internal Audit on an ongoing basis.

E – Risk report

Risk assessment

In connection with the “262 Saving Law”, the responsible persons identified risks in relation to the financial reporting process and described them in detail using the method defined by UniCredit S.p.A. These risks are monitored on an ongoing basis and checked for up-to-dateness at least on a half-yearly basis. The focus is on those risks which are typically considered to be material.

To meet the “262 Saving Law” requirements, controls pursuant to the methodology used by UniCredit S.p.A. are required to be performed at least on a half-yearly basis (for full-year and half-year reporting). Such control evidence must be kept on file for 10 years by the person having process responsibility. Any controls that do not meet the relevant criteria are identified under this method and reported to management together with a proposal for a solution.

Controls

All controls are applied in the current business process to ensure that potential errors or deviations in financial reporting are prevented or detected and corrected. Coordination measures range from a management review of results for the various periods to specific reconciliation of accounts and the analysis of continuous accounting processes.

The levels of hierarchy are designed in such a way that an activity and the monitoring of that activity is not performed by the same person (four-eyes principle). In the course of the preparation of financial reports, the general ledger accounts are reconciled with business and front-end systems.

IT security controls are a cornerstone of the internal control system. Defined IT controls are documented under the “262 Saving Law” and are audited by external auditors pursuant to the “International Standards for Assurance Engagements (ISAE) No. 3402”.

Information and communication

Management regularly updates rules and regulations for financial reporting and communicates them to all employees concerned.

Moreover, regular discussions on financial reporting and on the rules and regulations applicable in this context take place in various bodies and are repeatedly communicated to UniCredit Bank Austria AG. Employees in Financial Accounting receive regular training in new methods of international financial reporting in order to counteract risks of unintended misreporting at an early stage.

To perform monitoring and control functions with a view to proper financial accounting and reporting, extensive financial information is made available at key levels of the Bank. The Supervisory Board and Management Board shall receive relevant information and middle management shall also be provided with detailed reports.

Monitoring

As part of the implementation of the internal control system pursuant to the “262 Savings Law”, instruments were introduced to monitor the effectiveness of controls. In connection with the compulsory, half-yearly certification process for the preparation of the management report, the relevant responsible persons are required to carry out tests to check the up-to-dateness of descriptions and the effectiveness of controls. It must be ascertained whether the controls work according to their design and whether the persons who perform controls have the competence/authority and qualifications required to perform the controls effectively.

All relevant responsible persons shall confirm, by means of certification, that their processes are adequately documented, risks have been identified and controls have been evaluated with a view to deriving measures to minimise risk.

The Management Board of UniCredit Bank Austria AG receives the certifications of UniCredit Bank Austria AG and of the subsidiaries defined by UniCredit S.p.A. within the group of consolidated companies, in the form of a consolidated management report on a half-yearly basis, and provides UniCredit S.p.A. and the public with confirmation of the reliability and effectiveness of the internal control system pursuant to the “262 Savings Law” in the context of the financial statements for the first six months and the annual financial statements.

F – Additional disclosures

F – Additional disclosures

F.1 – Supervisory Board and Management Board

The following persons are members of the Management Board of UniCredit Bank Austria AG:

Chairman/General Director: Robert ZADRAZIL
Members: Daniela BARCO, Hélène BUFFIN (from 1 March 2024), Philipp GAMAUF (until 29 February 2024), Dieter HENGL, Georgiana LAZAR (until 31 January 2024), Emilio MANCA, Marion MORALES ALBIÑANA-ROSNER, Svetlana PANČENKO (from 1 February 2024), Wolfgang SCHILK

The following persons were members of the Supervisory Board of UniCredit Bank Austria AG in the reporting year:

Chairman: Gianfranco BISAGNI
Deputy Chairman: Aurelio MACCARIO
Members: Livia ALIBERTI AMIDANI, Richard BURTON, Herbert PICHLER, Eveline STEINBERGER, Doris TOMANEK, Adolf LEHNER, Christoph BURES, Judith MARO, Roman ZELLER

As of 31 December 2023, there were the following interlocking relationships with UniCredit S.p.A.:
Two members of the Supervisory Board of UniCredit Bank Austria AG (Gianfranco BISAGNI, Richard BURTON) were members of the Group Executive Committee of UniCredit S.p.A.

F.2 – Related party disclosures

F.2.1 – Related party disclosures – Balance sheet and profit & loss items

The following tables set out the assets, liabilities, guarantees and commitments, for each group of related parties, pursuant to IAS24 for the current and the previous year.

F.2.1a Related party disclosures as at 31 December 2023

(€ million)

	PARENT COMPANY	UNCONSO-LIDATED SUBSIDIARIES	ASSOCIATES	JOINT VENTURES	KEY MANAGEMENT OF ENTITY OR ITS PARENT	OTHER RELATED PARTIES	TOTAL
Loans and advances	1	638	439	15	1	50	1,143
Other financial assets	-	4,010	115	-	-	0	4,125
Other assets	-	41	0	-	-	3	44
TOTAL ASSETS	**1**	**4,690**	**554**	**15**	**1**	**53**	**5,313**
Deposits	43	788	6,200	1	3	56	7,091
Other financial liabilities	3,310	3,638	-	-	-	4	6,951
Other liabilities	0	4	0	-	-	43	47
Issued equity instruments	600	-	-	-	-	-	600
TOTAL LIABILITIES	**3,953**	**4,430**	**6,200**	**1**	**3**	**102**	**14,689**
Guarantees issued by the group	31	50	1,008	-	-	53	1,141
Guarantees received by the group	30	133	22	-	-	227	413

Note: Other financial assets include debt securities and hedging derivatives

F – Additional disclosures

F.2.1b Related party disclosures as at 31 December 2022

(€ million)

	PARENT COMPANY	UNCONSO-LIDATED SUBSIDIARIES	ASSOCIATES	JOINT VENTURES	KEY MANAGEMENT OF ENTITY OR ITS PARENT	OTHER RELATED PARTIES	TOTAL
Loans and advances	2	1,212	179	16	1	3	1,413
Other financial assets	-	5,741	101	-	-	-	5,843
Other assets	-	1	36	0	-	-	37
TOTAL ASSETS	**2**	**6,954**	**316**	**16**	**1**	**3**	**7,293**
Deposits	233	2,229	6,619	1	1	2	9,086
Other financial liabilities	2,506	4,605	-	-	0	0	7,111
Other liabilities	11	9	-	-	-	-	20
Issued equity instruments	600	-	-	-	-	-	600
TOTAL LIABILITIES	**3,350**	**6,843**	**6,619**	**1**	**1**	**3**	**16,817**
Guarantees issued by the group	271	544	1,171	-	-	0	1,986
Guarantees received by the group	50	71	17	-	-	-	138

Note: Other financial assets include debt securities and hedging derivatives

The following tables show the profit and loss items for each group of related parties, pursuant to IAS24 for the current and the previous year.

F.2.1c Related-party transactions: profit and loss items

(€ million)

	31.12.2023		
	PARENT COMPANY	UNCONSOLIDATED SUBSIDIARIES	TOTAL
10. Interest income and similiar charges	0	1,029	1,030
20. Interest expenses and similiar charges	(190)	(811)	(1,001)
30. Net interest margin	**(190)**	**218**	**28**
40. Fees and commission income	0	23	23
50. Fees and commission expenses	(0)	(11)	(11)
60. Net fees and commissions	**0**	**11**	**12**
70. Dividend income and similar revenues	-	3	3
190. a) Administrative costs: staff costs	2	32	34
190. b) Other administrative expenses	(6)	(223)	(229)
230. Other operating income/expenses	1	4	5

F – Additional disclosures

F.2.1d Related-party transactions: profit and loss items

(€ million)

	31.12.2022		
	PARENT COMPANY	UNCONSOLIDATED SUBSIDIARIES	TOTAL
10. Interest income and similiar charges	(0)	101	101
20. Interest expenses and similiar charges	(36)	(66)	(102)
30. Net interest margin	**(36)**	**35**	**(1)**
40. Fees and commission income	0	14	14
50. Fees and commission expenses	(1)	(13)	(14)
60. Net fees and commissions	**(1)**	**1**	**1**
70. Dividend income and similar revenues	-	3	3
190. a) Administrative costs: staff costs	5	26	31
190. b) Other administrative expenses	(4)	(251)	(255)
230. Other operating income/expenses	2	8	10

For additional information regarding gains and losses of equity investments in associated companies, reference is made to Part B (Notes to the income statement), B.16 – 250. Profit (loss) on equity investments.

Bank Austria Group received the following **subsidies from public sector entities**:

UniCredit Bank Austria AG, Austria:
The City of Vienna serves as deficiency guarantor for the following items in the statement of financial position under a guarantee totalling €3,478 million (2022: €3,573 million):

F.2.1e - Items in the statement of financial position

(€ million)

	31.12.2023	31.12.2022
Deposits from banks	64	82
Deposits from customers	281	301
Debt securities in issue	590	592
of which: subordinated	*590*	*592*
Other liabilities	1	22
Provisions for post-retirement benefit obligations	2,542	2,576
TOTAL	**3,478**	**3,573**

In addition, the City of Vienna guarantees for contingent liabilities and credit risks for an amount of €14 million (previous year: €15 million).

F – Additional disclosures

F.2.2 – Information on members of the Management Board, the Supervisory Board and the Employees' Council of UniCredit Bank Austria AG

F.2.2.1 – Emoluments of members of the Management Board and the Supervisory Board

(€ million)

	YEAR 2023			YEAR 2022		
	MANAGEMENT BOARD	SUPERVISORY BOARD	TOTAL	MANAGEMENT BOARD	SUPERVISORY BOARD	TOTAL
a) Short-term employee benefits	2.3	0.3	2.6	1.5	0.3	1.8
b) Post-retirement benefits	0.3	-	0.3	0.3	-	0.3
of which: under defined benefit plans	-	-	-	-	-	-
of which: under defined contribution plans	*0.3*	-	*0.3*	*0.3*	-	*0.3*
c) Other long-term benefits	0.3	-	0.3	0.5	-	0.5
d) Termination benefits	-	-	-	0.8	-	0.8
e) Share-based payments	1.4	-	1.4	0.6	-	0.6
TOTAL	**4.3**	**0.3**	**4.6**	**3.7**	**0.3**	**4.0**

The emoluments paid by UniCredit Bank Austria AG to the members of the Management Board in the 2023 financial year (excluding payments into pension funds) amounted to €2,254,196.11 (comparable emoluments in the previous year were €1,499 thousand). Of this amount, €1,633,561.06 was fixed remuneration (2022: €1,250 thousand) and €620,635.05 was variable remuneration (2022: €249 thousand).

In addition to the data presented in above table, variable remuneration of €2,400,000.00 (subject to a penalty) was accrued for 2023 (2022: €1,677 thousand (subject to a penalty)), which can only be paid out in subsequent years in accordance with the same statutory compensation provisions. With regard to share-based payments, please refer to section F.3.

Furthermore, several members of the Executive Board receive their emoluments from companies outside the Bank Austria group of consolidated companies. These emoluments, which were granted to Management Board members for activities at UniCredit Bank Austria AG and affiliated companies in the 2023 financial year, amounted to €2,559,589.69 (2022: €2,710 thousand) and will be partially allocated to UniCredit Bank Austria AG (2023: €2,286,977.87; 2022: €1,649 thousand). The members of the Management Board also received remuneration for activities that are not related to the Bank Austria Group but are in the interests of the UniCredit Group.

Former members of the Management Board and their surviving dependants were paid €7,971,760.82 (excluding payments into pension funds). The comparative figure for the previous year was €7,977 thousand. Emoluments paid to this group of persons for activities in subsidiaries amounted to €48,000.00 (2022: €285 thousand).

Emoluments of members of the Supervisory Board active in the 2023 financial year amounted to €297,600.00 (2022: €293 thousand) for UniCredit Bank Austria AG.

F.2.2.2 – Loans to members of the Management Board and of the Supervisory Board

Loans to members of the Management Board amounted to €899,662.31 (2022: €1,007 thousand), utilised overdraft facilities were €6,308.96 (2022: €29 thousand). Repayments during the financial year totalled €49,796.61 (2022: €42 thousand).

Loans to members of the Supervisory Board amounted to €280,855.00 (2022: €291 thousand). Overdraft facilities utilised by Supervisory Board members totalled €18,388.54 (2022: €19 thousand). Repayments during the business year totalled €22,617.13 (2022: €34 thousand).

Loans to the Supervisory Board include those made to members of the Employees' Council who are members of the Supervisory Board. The maturities of the loans range from five to thirty years. The rate of interest payable on these loans is the rate charged to employees of UniCredit Bank Austria AG.

F – Additional disclosures

F.2.3 – Other information on related party relationships

In order to ensure full compliance with the legal and regulatory provisions for related party disclosures currently in effect, UniCredit has introduced procedures to determine transactions with related parties. These procedures ensure that the relevant information is provided in order to ensure compliance with the obligations of the members of UniCredit's Board of Directors as a stock-market listed company and parent company of the Group.

Transactions carried out within the Group and/or generally with Austrian and foreign related parties are executed as a rule on an arm's length basis, on the same terms and conditions as those applied to transactions entered into with independent third parties. The same principle applies to services rendered.

Pursuant to IAS 24, Bank Austria's related parties include:
- companies belonging to UniCredit Group and companies controlled by UniCredit but not consolidated;
- associates and joint ventures, as well as their subsidiaries;
- UniCredit's "key management personnel";
- close family members of key management personnel and companies controlled (or jointly controlled) by key management personnel or their close family members;
- Beneficiaries from the Group employee post-employment benefit plans.

Information on the share capital and exercise of special rights

As at 31 December 2023, the subscribed capital of UniCredit Bank Austria AG amounted to €1,681,033,521.40 (unchanged compared to the previous year), all of which was represented by registered ordinary shares.

As at 31 December 2023, UniCredit S.p.A. held a direct interest of 99.996% in UniCredit Bank Austria AG (unchanged compared to the previous year).

The registered shares with restricted transferability which are held by "AVZ Privatstiftung zur Verwaltung von Anteilsrechten (AVZ Stiftung)", a private foundation under Austrian law, and by "Betriebsratsfonds des Betriebsrats der Angestellten der UniCredit Bank Austria AG Region Wien (Betriebsratsfonds)", the Employees' Council Fund of the Employees' Council of Employees of UniCredit Bank Austria AG in the Vienna region, have a long tradition and carry special rights based on historical developments: for specific resolutions to be adopted at a general meeting of shareholders, the holders of registered shares with restricted transferability have to be present when the resolutions are adopted. The relevant resolutions are specified in Article 20 (13) and (14) of UniCredit Bank Austria AG's Articles of Association.

Restated Bank of the Regions Agreement (ReBoRA)

The "Restated Bank of the Regions Agreement" is a syndicate agreement concluded between UniCredit S.p.A., the AVZ Stiftung and Betriebsratsfonds. In the ReBORA, the AVZ Stiftung and Betriebsratsfonds have given an undertaking to UniCredit to the effect that if they want to sell UniCredit Bank Austria AG shares, they will first offer such shares held by them to UniCredit. If UniCredit does not accept the offer, the relevant contracting party could sell the UniCredit Bank Austria AG shares to a third party. In this case UniCredit has a right of preemption.
Under this agreement concluded in 2006, the AVZ Stiftung had the right, until 31 March 2016, to nominate two members of the Supervisory Board of UniCredit Bank Austria AG. Thereafter it can nominate one member of the Supervisory Board for the duration of the guarantee issued by "AVZ Stiftung" and the Municipality of Vienna.

Transfer of CEE business

In connection with the transfer of CEE (Central & Eastern Europe) business in 2016, UniCredit S.p.A. has given certain undertakings in favour of UniCredit Bank Austria AG with regard to the future business activities and capital structure of UniCredit Bank Austria AG; the majority of the obligations on the part of UniCredit S.p.A. will end at the end of June 2024.

There are no compensation agreements between UniCredit Bank Austria AG and members of its Management Board and Supervisory Board or its employees in the case of a public takeover offer.

F – Additional disclosures

Under Section 92 (9) of the Austrian Banking Act, "AVZ Privatstiftung zur Verwaltung von Anteilsrechten" ("AVZ Stiftung", a private foundation under Austrian law) serves as deficiency guarantor for all liabilities of UniCredit Bank Austria AG in the event of the company's insolvency.

After the change in the legal form of Anteilsverwaltung-Zentralsparkasse into a private foundation ("AVZ Stiftung") in 2001, the Municipality of Vienna serves as deficiency guarantor for all outstanding liabilities, and obligations to pay future benefits, of UniCredit Bank Austria AG (then Bank Austria Aktiengesellschaft) which were entered into prior to and including 31 December 2001.

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

F.3 – Share-based payments

F.3.1. – Description of share-based remuneration

F 3.1.1. The Group's medium and long-term incentive programme for selected employees of Group companies include:

- **Equity-Settled Share Based Payments (Equity-Settled SBP)**, represented by subscription rights for UniCredit shares.

  The category of Equity-Settled SBP includes the following programs:
- **Group Executive Incentive System (Bonus Pool)** which offers qualified Group management personnel and employees, determined according to regulatory rules, a bonus structure that consists of advance payments (following the time of the performance assessment) and pending payment in cash and UniCredit ordinary shares that are to be paid over a period of between one and six years. This payment structure ensures the focus on the interests of shareholders and is subject to malus conditions of the Group (which apply if specific profitability, capital and liquidity objectives at Group and country/business area level are not achieved) and individual malus and repayment conditions (as long as they are legally enforceable) pursuant to their definition in the rules of the programme (not market-dependent awarding conditions).
- **Long Term Incentive 2017-2019** which offers qualified management personnel and important persons in the Group an incentive based 100% of UniCredit ordinary shares, subject to a postponement of three years and malus and repayment conditions, as long as they are legally enforceable, pursuant to the rules of the programme. The structure of the programme is based on a three-year performance period in accordance with UniCredit's new strategy plan and provides for the awarding of premiums based on the preconditions with regard to profitability, liquidity, capital and risk position in addition to various performance conditions with focus on Group targets in accordance with *"Transform 2019"*.
- **Long Term Incentive 2020-2023** grants incentive awards in the form of unrestricted common shares subject to the achievement of certain performance conditions under the strategic plan 2020-2023. The programme will run over a four-year performance period that is consistent with UniCredit's strategic plan, and the latter provides for a potential award to be granted in 2024. The allocation is subject to a four-year deferral based on pre-conditions relating to profitability, capital requirements and liquidity, as well as a positive assessment of the risk position in accordance with the requirements of the Bank of Italy and EBA. In addition, to further improve governance, the programme also includes rules regarding management compliance violations and the corresponding impact on compensation through the application of malus and clawback conditions.

Furthermore, it is noted that, in accordance with Banca d'Italia circular 285 (as of 17th December 2013 and subsequent updates concerning "Remuneration and incentive policies and practices"), share-based remuneration paid with equity that is represented by postponed payments in UniCredit ordinary shares that are not subject to any awarding conditions shall be used for relevant employees to pay for a so-called "golden parachute" (e.g. severance payment).

F 3.1.2. – Valuation model

Group Executive Incentive System (Bonus Pool)

The economic value of performance-based share remuneration for the category Equity-Settled SBP is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period. Economic and net equity effects will be accrued on the basis of instruments' vesting period.

F – Additional disclosures

Group Executive Incentive System „Bonus Pool 2023" – Shares

The new Group Incentive System 2023 is based on a bonus pool approach, aligned with regulatory requirements and market practices, which defines:

- sustainability, through direct link with entity results and alignment with relevant risk categories, using specific indicators linked to risk-appetite framework;
- the definition of a bonus pool at Group level, with cascading at divisional level consistently with segment reporting disclosure, based on the actual divisional performance adjusted considering quality and risk indicators as well as cost of capital;
- bonuses allocated to executives and other relevant employee, identified on a basis of regulatory provisions, embedded in Commission Delegated Regulation (EU) 2019/878 (CRD V) and in Commission Delegated Regulation (EU) 2021/923 and to other specific roles identified according to local regulations;
- payment structure has been defined in accordance with regulatory provisions qualified by Directive 2013/36/EU (CRD IV) and further updates and will be distributed in a period of maximum seven years by using a mix of shares and cash.

All profit and loss and net equity effects related to the plan will be booked during the vesting period.

The programme is split into blocks, each of which may comprise three or six installments of share-based remuneration over a period established in the rules of the programme.

F.3.1.2 Group Executive Incentive System

	SHARES GRANTED - GROUP EXECUTIVE INCENTIVE SYSTEM – BONUS POOL 2023					
	INSTALLMENT 2025	INSTALLMENT 2026	INSTALLMENT 2027	INSTALLMENT 2028	INSTALLMENT 2029	INSTALLMENT 2030
Date of bonus opportunity economic value granting	16.02.2023	16.02.2023	16.02.2023	16.02.2023	16.02.2023	16.02.2023
Date of board resolution (to determine number of shares)	31.03.2023	31.03.2023	31.03.2023	31.03.2023	31.03.2023	31.03.2023
Vesting period start-date	01.01.2023	01.01.2023	01.01.2023	01.01.2023	01.01.2023	01.01.2023
Vesting period end-date	31.12.2023	31.12.2024	31.12.2025	31.12.2026	31.12.2027	31.12.2028
UniCredit share market price (€)	17.675	17.675	17.675	17.675	17.675	17.675
Economic value of vesting conditions (€)	(2.211)	(3.733)	(5.391)	(7.006)	(8.577)	(10.107)
Performance shares' fair value per unit at the grant date (€)	**15.464**	**13.942**	**12.284**	**10.669**	**9.098**	**7.568**

Long-Term Incentive Plan 2017-2019

The economic value of performance-based share remuneration is measured in consideration the share market price at the grant date less the present value of the future dividends during the vesting period.
The plan is divided into blocks, based on the beneficiary position, each of which may comprise one to four installments of share-based remuneration spread over a period defined according to plan rules.

Long Term Incentive Plan 2020-2023

The economic value of performance-based share remuneration is measured in consideration the share market price at the grant date less the present value of the future dividends during the vesting period.
The plan is divided into blocks, based on the beneficiary position, each of which may comprise one to five installments of share-based remuneration spread over a period defined according to plan rules.

F – Additional disclosures

F 3.2. – Further information

Effects on the profit and loss account

All share-based remuneration granted after 7 November 2002 and whose vesting period ends after 1 January 2005 fall within the scope of application of IFRS 2.

F.3.2 Presentation of share-based remuneration in the consolidated financial statements

(€ thousand)

	YEAR 2023	YEAR 2022
Revenues (costs)	**(3,950)**	**(2,604)**
connected to equity-settled plans	(3,950)	(2,592)
connected to cash-settled plans	-	(12)
Debts for cash-settled plans	**-**	**-**

F.4 – Employees

In 2023 and 2022, the Bank Austria Group employed the following average numbers of staff (full-time equivalents):

F.4.1 Employees [1)]

	YEAR 2023	YEAR 2022
Salaried staff	4,816	4,815
Other employees	-	-
TOTAL	**4,816**	**4,815**
of which: in Austria	*4,394*	*4,601*
of which: abroad	*423*	*213*

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

The employees abroad relate to the permanent establishments taken over from UniCredit Services in Poland and Romania in July 2022.
The increase in 2023 is therefore due to the fact that these employees were taken into account for half a year in 2022, but for the full year in 2023.

F – Additional disclosures

F.5 – Auditors‘ fees

(pursuant to section 245a (1) in combination with section 238 (1) 18 of the Austrian Business Code)

The table below shows the expenses for the auditors of the consolidated financial statements for the 2023 financial year:

F.5.1 Auditors’ fees

(€ thousand)

	YEAR 2023	YEAR 2022
Fees for the audit of the financial statements and the consolidated financial statements	**4,926**	**4,326**
KPMG	3,179	2,446
Austrian Savings Bank Auditing Association	1,747	1,880
Audit-related services	**722**	**1,048**
KPMG	702	978
Austrian Savings Bank Auditing Association	20	69
Tax consulting services	**-**	**-**
KPMG	-	-
Austrian Savings Bank Auditing Association	-	**-**
Other services	**1,039**	**1,026**
KPMG	-	-
Austrian Savings Bank Auditing Association	1,039	1,026
TOTAL	**6,687**	**6,399**

Note: Amounts are net of VAT.

F.6 –Geographical distribution

Disclosures pursuant to Section 64 (18) of the Austrian Banking Act (“country-by-country reporting”)

Section 64 (18) of the Austrian Banking Act requires disclosure of specific information on a country-by-country basis.
Information on the country in which each of our subsidiaries in the Group has its registered office is given in section A.8.
In addition, the following information is required to be given on a consolidated basis, broken down by country:

F.6.1 Geographical distribution

COUNTRY	NET INTEREST INCOME (€ MILLION)	OPERATING INCOME (€ MILLION)	TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS (€ MILLION)	TAX EXPENSE (INCOME) RELATED TO PROFIT OR LOSS FROM CONTINUING OPERATIONS (€ MILLION)	EMPLOYEES (FTE)
Austria	1,689	2,433	1,381	(259)	4,675
TOTAL	**1,689**	**2,433**	**1,381**	**(259)**	**4,675**

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

F – Additional disclosures

F.7 – Effects of netting agreements on the statement of financial position

F.7.1 Financial assets subject to accounting offsetting or under master netting agreements and similar agreements

(€ million)

INSTRUMENT TYPE		GROSS AMOUNTS OF FINANCIAL ASSETS (A)	FINANCIAL LIABILITIES OFFSET IN BALANCE SHEET (B)	NET BALANCE SHEET VALUES OF FINANCIAL ASSETS (C=A-B)	RELATED AMOUNTS NOT SUBJECT TO ACCOUNTING OFFSETTING: FINANCIAL INSTRUMENTS (D)	RELATED AMOUNTS NOT SUBJECT TO ACCOUNTING OFFSETTING: CASH COLLATERAL RECEIVED (E)	NET AMOUNT 31.12.2023 (F=C-D-E)	NET AMOUNT 31.12.2022
1. Derivatives		4,470	95	4,374	3,708	456	210	113
2. Reverse repos		577	-	577	-	-	577	-
3. Securities lending		-	-	-	-	-	-	-
4. Others		201	186	15	-	-	15	-
Total	**31.12.2023**	**5,248**	**281**	**4,966**	**3,708**	**456**	**802**	**X**
Total	**31.12.2022**	**6,392**	**-**	**6,392**	**4,416**	**1,863**	**X**	**113**

F.7.2 Financial liabilities subject to accounting offsetting or under master netting agreements and similar agreements

(€ million)

INSTRUMENT TYPE		GROSS AMOUNTS OF FINANCIAL LIABILITIES (A)	FINANCIAL ASSETS OFFSET IN BALANCE SHEET (B)	NET BALANCE SHEET VALUES OF FINANCIAL LIABILITIES (C=A-B)	RELATED AMOUNTS NOT SUBJECT TO ACCOUNTING OFFSETTING: FINANCIAL INSTRUMENTS (D)	RELATED AMOUNTS NOT SUBJECT TO ACCOUNTING OFFSETTING: CASH COLLATERAL RECEIVED (E)	NET AMOUNT 31.12.2023 (F=C-D-E)	NET AMOUNT 31.12.2022
1. Derivatives		4,582	281	4,300	3,804	37	459	988
2. Reverse repos		2,052	-	2,052	-	-	2,052	244
3. Securities lending		-	-	-	-	-	-	-
4. Others		12,434	-	12,434	-	-	12,434	9,684
Total	**31.12.2023**	**19,068**	**281**	**18,786**	**3,804**	**37**	**14,945**	**X**
Total	**31.12.2022**	**15,953**	**-**	**15,953**	**4,416**	**622**	**X**	**10,915**

The above tables show the potential netting of derivatives (recognised financial assets and liabilities) which are subject to an enforceable ISDA Master Netting Agreement and Cash Settlement Agreement, which cannot be offset in the statement of financial position and for which the entity currently has the right, legally enforceable, to offset the recognised amounts in case of insolvency or termination. The values actually netted in the balance sheet are also stated.

F – Additional disclosures

F.8 – Assets pledged as security

F.8.1 Assets used to guarantee own liabilities and commitments

(€ million)

PORTFOLIOS	AMOUNTS AS AT 31.12.2023	AMOUNTS AS AT 31.12.2022
1. Financial assets at fair value through profit or loss	333	428
2. Financial assets at fair value through other comprehensive income	2,046	4,430
3. Financial assets at amortised cost	23,258	32,285
4. Property, plant and equipment	-	-
of which: inventories of property, plant and equipment	-	-

Assets include loans and receivables as well as securities which are collateral for the bank's own liabilities and are not derecognised. The bank's own liabilities for which such collateral was provided primarily include cover pools of public-sector covered bonds and mortgage bonds, and for funded UniCredit Bank Austria bonds, funding transactions with the European Central Bank and other collateral arrangements. The contractual terms for these transactions are in line with normal market conditions.

F.9 – Transfer of financial assets

The Group transfers financial assets primarily through the following transactions:

- Sale and repurchase of securities
- Securitisation activities in which loans and advances to customers or investment securities are transferred to special-purpose entities or to investors in the notes issued by special-purpose entities. Every special-purpose entity is assessed in order to evaluate whether consolidation is required in accordance with IFRS 10.

F – Additional disclosures

F.9.1 Transferred, but not derecognised financial assets (fair value) and corresponding financial liabilities

(€ million)

	FINANCIAL ASSETS SOLD AND FULLY RECOGNISED				ASSOCIATED FINANCIAL LIABILITIES		
	BOOK VALUE	OF WHICH: SUBJECT TO SECURITISATION TRANSACTION	OF WHICH: SUBJECT TO SALE AGREEMENT WITH REPURCHASE OBLIGATION	OF WHICH NON-PERFORMING	BOOK VALUE	OF WHICH: SUBJECT TO SECURITISATION TRANSACTION	OF WHICH: SUBJECT TO SALE AGREEMENT WITH REPURCHASE OBLIGATION
A. Financial assets held for trading	**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities	-	-	-	X	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivative instruments	-	-	-	X	-	-	-
B. Other financial assets mandatorily at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets at fair value through other comprehensive income	**1,132**	**-**	**1,132**	**-**	**1,123**	**-**	**1,123**
1. Debt securities	1,132	-	1,132	-	1,123	-	1,123
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets at amortised cost	**366**	**-**	**366**	**-**	**352**	**-**	**352**
1. Debt securities	366	-	366	-	352	-	352
2. Loans	-	-	-	-	-	-	-
Total 31.12.2023	**1,497**	**-**	**1,497**	**-**	**1,475**	**-**	**1,475**
Total 31.12.2022	**264**	**10**	**254**	**-**	**244**	**-**	**244**

F – Additional disclosures

F.10 – Subordinated assets/liabilities

F.10.1 Subordinated assets and liabilities

(€ million)

	31.12.2023	31.12.2022
Financial assets held for trading	-	-
Financial assets designed at fair value	-	-
Financial assets mandatorily at fair value	13	12
Financial assets at fair value through other comprehensive income	-	-
Financial assets at amortised cost with banks	231	229
Financial assets at amortised cost with customers	22	21
Non-current assets and disposal groups classified as held for sale	-	-
Subordinated assets	**265**	**262**
Deposits from banks	-	-
Deposits from customers	33	34
Debt securities in issue	573	573
Liabilities included in disposal groups classified as held for sale	-	-
Subordinated liabilities	**606**	**607**

In the reporting period, expenses for subordinated liabilities totalled €24 million (previous year: €7 million). The increase is due to the changed interest rate environment.

F.11 – Trust assets

F.11.1 Trust assets and trust liabilities

(€ million)

	31.12.2023	31.12.2022
Loans and receivables with banks	-	-
Loans and receivables with customers	90	107
Equity securities and other variable-yield securities	-	-
Debt securities	-	-
Other assets	-	-
TRUST ASSETS	**90**	**107**
Deposits from banks	47	54
Deposits from customers	43	53
Debt securities in issue	-	-
Other liabilities	-	-
TRUST LIABILITIES	**90**	**107**

F.12 – Return on assets

F.12.1 Disclosure pursuant to Section 64 (1) 19 of the Austrian Banking Act

	YEAR 2023	YEAR 2022
Net profit (in € million)	1,120	823
Total assets (in € million)	102,745	107,332
Return on assets	1.09%	0.77%

F – Additional disclosures

F.13 – Consolidated capital resources and regulatory capital requirements

F.13.1 – Capital management

Bank Austria, as part of UniCredit Group, places a high priority on capital management and capital allocation. The Bank's capital management strategy is characterised by a strong commitment to maintaining a sound capital base; the strategy is based on a risk-oriented and earnings-oriented allocation of capital to achieve the highest possible shareholder value.

At present, Bank Austria's internal capital is set at a level that will cover adverse events with a probability of 99.90% (confidence interval).

At the same time regulatory capital ratio targets (Common Equity Tier 1 and capital adequacy ratio) are set in such way as to be consistent with regulatory expectations and the Risk Appetite Framework defined by the bank.

Capital management activities form a major part of the Group's planning and budgeting process as well as within ICAAP processes. Bank Austria regularly monitors capital evolution and regulatory trends at national and Group level.

Capital management activities comprise:
- Planning and budgeting processes:
  - proposals as to risk propensity, development and capitalization objectives
  - analysis of RWA development and changes in the regulatory framework
  - proposals for the financial plan and an appropriate dividend policy (MDA)
- Monitoring processes
  - analysis and monitoring of limits for Pillar 1 and Pillar 2
  - analysis and monitoring of the capital ratios of the Bank Austria Group
- Stress tests
  - regular stress tests on regulatory and internal capital adequacy are carried out twice a year
  - the results of the stress tests are used to determine the risk appetite and capitalization targets

Capital is managed dynamically which means that Bank Austria prepares the financial plan, monitors capital ratios for regulatory purposes on an ongoing basis and anticipates the appropriate steps required to achieve the goals set.

F.13.2 – Capital requirements

The capital requirements pursuant to the Capital Requirements Regulation comprise requirements resulting from credit risk, all types of risk in the trading book, commodities risk and foreign-exchange risk outside the trading book, operational risk and the CVA risk.

F.13.3 – Regulatory developments – Basel 3/CRD IV, CRR

With the EU Banking Package, additional, important components of the Basel 3 framework were implemented at the European level through changes to the CRR ("CRR II") and CRD IV ("CRD V"), among other things. The EU Banking Package was published on 7 June 2019 in the Official Journal of the European Union and has been in force since 27 June 2019. In October 2021 the European Commission published proposals for a revision of the CRR ("CRR III") and the CRD ("CRD VI") implementing the final Basel III standards adopted in December 2017 into EU legislation.

Basel 3 demands stricter requirements for regulatory capital with a minimum of Common Equity Tier 1 Capital of 4.5% of RWA, Total Tier 1 Capital of 6% and Total Capital of 8%.

In addition, all banks will be required to hold a capital conservation buffer consisting of Common Equity Tier 1 Capital of 2.5% on top of the new minimum requirements. This leads to an effective capital requirement of 7% Common Equity Tier 1 Capital, 8.5% Tier 1 Capital and 10.5% Total Capital.

F – Additional disclosures

Member States can set an additional buffer requirement to dampen excess lending growth (counter-cyclical buffer up to 2.5%). The Austrian Capital Buffer Regulation (*Kapitalpuffer-Verordnung – KP-V*) set the counter-cyclical capital buffer for major loan exposures in Austria at 0% from 1 January 2016. In addition, the authorities can set systemic risk buffers (SyRB) and capital surcharges for systemically important banks.

The SyRB for UniCredit Bank Austria Group is currently set at 0.5% and the surcharge for systemically important banks is 1.75%, both have to be applied cumulatively starting with June 2021, in accordance with CRD V.

The outlook for UniCredit Bank Austria Group is that both SyRB and OSII will remain at 2023 levels also starting with 1st of January 2024. This is based on an FMSG recommendation from October 2023 which was already transposed into national law.

In Austria, the BRRD II was implemented into national law by the amendment to the “Banken-Sanierungs- und Abwicklungsgesetz” (BaSAG) published on May 28, 2021. The MREL regulation based on the "Total Liabilities and Own Funds" (TLOF) has been removed and replaced by the calculation based on the RWA (Total Risk Exposure Amount, TREA) and the Leverage Ratio Exposure (LRE).
The regulatory MREL interim target is binding since January 1, 2022.

F.13.4 – Development of equity at Bank Austria Group

In 2022, the total capital ratio increased from 21.1% to 23.3% compared to the previous year. Regulatory capital increased by €219 million year-on-year to €7,718 million and risk-weighted assets decreased by €2,435 million to €33,172 million.

Bank Austria continues to have a sound capital base to meet the capital requirements pursuant to Art. 92 of the CRR in conjunction with Art. 129 et seqq. of CRD IV (capital requirements, Pillar I).

F.13.4a Consolidated capital resources

(€ million)

	31.12.2023	31.12.2022
Paid-in capital instruments (excl. own instruments of Common Equity Tier	1,681	1,681
Reserves (incl. profit) and minority interests	7,315	6,899
Adjustments to Common Equity Tier 1 [1)]	(2,734)	(2,565)
Transitional adjustments to Common Equity Tier 1 [2)]	146	173
Common Equity Tier 1 (CET1)	**6,408**	**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)	**7,010**	**6,791**
Tier 2 capital (T2)	**707**	**708**
Total regulatory capital (TC=T1+T2)	**7,718**	**7,499**

1) Since 3Q22, the netted debit value adjustment has been included in the deduction after taking tax effects into account (2023 Corporate Tax Rate 24%, 2023 Corporate Tax Rate 25%)
2) in accordance with CRR Accompanying Regulation of December 11, 2013 and Regulation (EU) 2020/873 of June 24, 2020, of which 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 regulatory own funds (€146 million)

F.13.4b Total risk exposure amount

(€ million)

	31.12.2023	31.12.2022
a) Credit risk pursuant to standardised approach	5,354	5,351
b) Credit risk pursuant to internal ratings-based (IRB) approach [1)]	24,395	26,435
c) Other (securitisation and contribution to default fund of a central counterparty [CCP])	37	17
Credit risk	29,786	31,802
Settlement risk	-	-
Position. foreign exchange and commodity risk	276	674
Operational risk	3,095	3,062
Risk positions for credit value adjustments (CVA)	14	68
TOTAL RWAs	**33,172**	**35,607**

1) including RWA add-ons in the amount of €1,012 million

F – Additional disclosures

F.13.4c Key performance indicators

	31.12.2023	31.12.2022
Common Equity Tier 1 ratio [1)]	19.3%	17.4%
Tier 1 ratio [1)]	21.1%	19.1%
Total capital ratio [1)]	23.3%	21.1%

1) Based on all risks.

The calculation of consolidated regulatory capital and consolidated regulatory capital requirements as at 31 December 2023 is based, in conformity with the CRR, on International Financial Reporting Standards (IFRS).

F.14 – Trading book

In the financial year 2023, UniCredit Bank Austria AG maintained a trading book pursuant to Section 64 (1) no. 15 BWG. The volume of the trading book consists of securities in the amount of €0.3 billion (31.12.2022: €0.4 billion) and derivatives with a value of €1.6 billion (on the assets side) and €1.6 billion (on the liabilities side). As at the previous year's reporting date, the value of the derivatives totalled €2.4 billion (on the assets side) and €2.3 billion (on the liabilities side).

F.15 – Non-financial performance indicators

As a member of UniCredit Group, Bank Austria does not prepare its own non-financial declaration in accordance with Section 267a of the Austrian Commercial Code (UGB), since it is included in UniCredit S.p.A.'s non-financial report pursuant to Section 267a (7) UGB. This report is available on UniCredit's website (https://www.unicreditgroup.eu/en.html).

F.16 – Events after the reporting period

There are no major events after the reporting period.

Concluding Remarks of the Management Board

The Management Board of UniCredit Bank Austria AG has prepared the consolidated financial statements for the financial year beginning on 1 January 2023 and ending on 31 December 2023 in accordance with International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board as adopted by the European Union. The management report of the Group was prepared in accordance with the Austrian Business Code and is consistent with the consolidated financial statements.
The consolidated financial statements and the management report of the Group contain all required disclosures; in particular, events of special significance which occurred after the end of the financial year, and other major circumstances that are significant for the future development of the Group have been appropriately explained.

Vienna, 20 February 2024

Robert Zadrazil
CEO – Chief Executive Officer
(Chairperson)

Daniela Barco
Retail

Philipp Gamauf
CFO – Chief Financial Officer

Dieter Hengl
Corporates

Emilio Manca
COO – Chief Operating Officer

Marion Morales Albiñana-Rosner
Wealth Management & Private Banking

Svetlana Pančenko
People & Culture

Wolfgang Schilk
CRO – Chief Risk Officer

Report of the Auditors

Auditors’ Report

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of UniCredit Bank Austria AG, Vienna (the Company), and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of 31 December 2023, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the consolidated financial position of the Group as of 31 December 2023, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements under section 245a UGB and under section 59a BWG.

Basis for Opinion

We conducted our audit in accordance with the Regulation (EU) No. 537/2014 and the Austrian Generally Accepted Auditing Standards. Those standards require the application of the ISAs. Our responsibilities under those standards are further described in the "Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements" section of our auditors’ report. We are independent of the Group in accordance with the Austrian Commercial Code and banking and professional regulations applicable in Austria and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements of UniCredit Bank Austria AG (also referred to as “the Bank”) as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- **Recoverability of loans included in loans and advances to customers at amortized cost**

Risk for the consolidated financial statements
Loans included in loans and advances to customers at amortized cost are disclosed net of allowances for expected credit losses, with a total amount of EUR 65.6 bn. The loan loss allowances amount to EUR 1.5 bn.

In the notes to the consolidated financial statements, the management describes the approach for deter-mining loan loss allowances in section "A.5.3.3 – Impairment of financial instruments".

As part of its credit monitoring activities, the Bank determines whether impairment losses need to be recognized for defaulted loans. This also includes an assessment of whether customers are able to meet contractual obligations in full.

For defaults of individually significant loans and advances to customers, the expected credit loss ("ECL - Level 3") is calculated on an individual basis. Expected cash flows are recognized on the basis of probability-weighted scenarios in order to determine the loan loss allowance.

For non-performing loans and advances to customers that are not individually significant, the expected credit losses are determined collectively, based on a statistical valuation model. The need for impairment is determined automatically, dependent on the customer segment, the rating, the amount of the loan receivable, the collateral available and the duration of the default.

Report of the Auditors

A portfolio allowance is recognized for the expected credit loss of performing loans and advances to customers, using the 12-month ECL. In the event of a significant increase in credit risk, the ECL is calculated based on the total duration. Estimates and assumptions are required in determining the expected credit loss for these levels. These estimates and assumptions include, among other things, default probabilities, historical data as well as loss rates that consider present and future-oriented information.

So that the ECL model appropriately reflects the current macroeconomic risks (characterized by high inflation as well as increased energy costs and higher interest rates etc.), it was complemented by management overlays. This accounts for associated expected credit defaults that cannot be modeled.

The risk to the consolidated financial statements results from the fact that the determination of the loan loss allowances including the management overlays is based to a significant extent on assumptions and estimates, for which there is significant judgement and estimation uncertainty with regard to the amount of the allowances.

Our Audit Response

In auditing the recoverability of loans and advances to customers, we performed the following significant audit procedures:

- We have analyzed the existing documentation relating to the processes for credit monitoring and provisioning of loans and advances to customers. We then assessed whether the procedures described therein are appropriate for identifying defaults and adequately determining impairment losses for loans and advances to customers.
- We identified relevant key controls in the process and assessed their design and implementation. We also tested the effectiveness of these controls on a sample basis.
- For a sample of receivables from customers, we examined whether there were objective indicators of default. The sample selection was both random and risk-oriented, with particular consideration of rating grades and industries with an increased risk of default.
- For defaults of individually significant loans and advances to customers, the Bank's assumptions regarding the amount of future returns were tested on a sample basis for reasonableness, consistency and appropriateness of the resulting loan loss allowances.
- For performing as well as individually non-significant non-performing loans included in loans and advances to customers, with the assistance of specialists, we analyzed the bank's applied method and its compliance with the requirements of IFRS 9. Furthermore, in considering the Bank's internal validations, we tested selected models, their mathematical functions as well as the parameters used therein in test cases, to determine whether they are appropriate for calculating impairment losses and examined the appropriateness of the resulting loan loss allowances.
- With the involvement of specialists, we specifically assessed the impact of the current volatile economic situation on customer default probabilities. We also reviewed the selection and measurement of forward-looking estimates and scenarios for appropriateness and verified their inclusion in the parameter calculation. Furthermore, we assessed the determination and rational of model adjustments made and the underlying assumptions for the management overlays with regard to their appropriateness.

- **Valuation of the "3-Banken-Gruppe" shares (associated companies)**

Risk for the consolidated financial statements

The shares in Bank für Tirol und Vorarlberg AG, BKS Bank AG and Oberbank AG are reported under the balance sheet item "Investments in associates and joint ventures" and are accounted for using the at equity method. Together, these shares make up the associated companies of the "3-Banken Gruppe" and have a total carrying amount of EUR 2,4 bn.

In the notes to the consolidated financial statements (section "A.5.4 - Impairment test of investments in subsidiaries, associates and other companies"), the management describes the approach for determining the value of shares in associated companies.

For investments accounted for using the at equity method, the bank assesses whether there are any indications of an impairment respectively whether any impairment losses recognized in prior periods still exist. If such a triggering event is identified, the Bank determines the recoverable amount of the asset. For this purpose, the value in use is determined by using approved planning figures and planning information, submitted by the respective associated companies of the 3-Banken-Gruppe, and takes various scenarios into account.

The value in use calculation is primarily based on assumptions and estimates regarding the business' future developments as well as any distributions to owners. It also considers statutory and regulatory restrictions on owner distributions as well as applied discounting rates.

Report of the Auditors

The risk to the consolidated financial statements results from the fact that the calculation is highly dependent on management's assessment of future cash flows as well as the discount rate used. As such, it is subject to a considerable degree of estimation uncertainty.

Our audit response
In auditing the recoverability of the shares in the associated companies of the 3-Banken Gruppe, we have performed the following significant audit procedures:
- We analyzed the processes for impairment testing of associated companies of the 3-Banken-Gruppe and its implemented controls, to determine whether they are appropriate for identifying impairments or reversals of impairments.
- With the assistance of our valuation specialists, we reviewed the bank's valuation model as well as the assumptions and valuation parameters used therein (especially the discount rate used). Above all, we assessed the appropriateness of the assumptions used in determining the discount rate, by comparing them with market and industry-specific benchmarks.
- We inspected whether the effects of the current economic situation and market expectations were taken into account in the expected cash inflows (used in the computation from planning calculations of the associated companies of the 3-Banken-Gruppe) as well as in alternative scenarios. The accuracy of the planning was assessed by backtesting on the basis of the bank's documentation.
- Furthermore, we validated the calculated values in use by considering market multiples.

Other Information

Management is responsible for the other information. The other information comprises the information in the annual report and in the annual financial report supplemented with company information but does not include the consolidated financial statements, the consolidated management report and our auditors' report thereon. The annual report and the annual financial report supplemented with company information is expected to be made available to us after the date of the auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information as soon as it is available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements and for them to give a true and fair view of the assets, financial position and the financial performance in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the additional requirements under section 245a UGB and section 59a BWG. Management is also responsible for internal controls that are determined as necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Report of the Auditors

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Regulation (EU) No. 537/2014 and in accordance with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- We also communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report of the Auditors

Other Statutory and Other Legal Requirements

Report on the Audit of the Consolidated Management Report

Pursuant to Austrian Commercial Code, the consolidated management report is to be audited as to whether it is consistent with the consolidated financial statements and whether it has been prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the consolidated management report in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with laws and regulations applicable with respect to the consolidated management report.

Opinion

In our opinion, the consolidated management report is prepared in accordance with the applicable legal requirements, contains appropriate disclosures pursuant to section 243a UGB, and it is consistent with the consolidated financial statements.

Statement

Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the consolidated management report came to our attention.

Additional Information in Accordance with Article 10 of the EU Regulation

According to section 24 of the Austrian Savings Banks Act (SpG) and the Auditing Rules for Savings Banks (Anlage zu § 24 SpG), Sparkassen-Prüfungsverband (auditing board) acts as statutory auditor of Austrian savings banks and therefore also of UniCredit Bank Austria AG, Vienna.

Under section 23 para 3 SpG in conjunction with sections 60 and 61 BWG, the audit requirement also includes the consolidated financial statements.

By resolution of the annual general shareholders' meeting on 7 April 2022, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, was appointed as additional auditor for the financial year ending on 31 December 2023. In accordance with the above, the Supervisory Board engaged KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, as additional auditor on 22 April 2022.

On 30 March 2023, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna was appointed as additional auditor for the financial year ending on 31 December 2024. On 27 April 2023, it was engaged by the Supervisory Board as additional auditor.

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, has been the additional auditor since the financial year ending 31 December 2022.

We confirm that the audit opinion in the section "Report on the Consolidated Financial Statements" is consistent with the additional report to the Audit Committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 para 1 of the EU regulation) were provided by us and that we remained independent of the audited group in conducting the audit.

Report of the Auditors

Engagement Partner

The engagement partner responsible for the audit is Gerhard Margetich on behalf of Sparkassen-Prüfungsverband (auditing board) and Bernhard Mechtler on behalf of KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna.

Consolidated Financial Statements 2023
UniCredit Bank Austria AG, Vienna

Vienna, 20 February 2024

Sparkassen-Prüfungsverband
Auditing Board

Gerhard Margetich
Certified Public Accountant

Stephan Lugitsch
Certified Public Accountant

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna

Bernhard Mechtler
Certified Public Accountant

This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the consolidated financial statements together with our auditors' opinion is only allowed if the consolidated financial statements and the consolidated management report are identical with the audited version. This audit opinion is only applicable to the German and complete consolidated financial statements with the consolidated management report. Section 281 para 2 UGB applies to alternated versions.

Report of the Supervisory Board

In the year under review, the Supervisory Board performed the duties incumbent upon it by law, the Articles of Association and the Rules of Procedure without restriction, periodically advising the Management Board and monitoring its activities. To perform its duties efficiently, the Supervisory Board has formed four Committees.

In 2023, the Supervisory Board held five meetings and passed five resolutions by circular resolution. The Supervisory Board passed resolutions on matters falling within its remit following in-depth analysis and discussion and was involved in all decisions of fundamental importance. In addition, there was a continuous exchange between the Chairmen of the Supervisory Board and the Management Board on key developments.

Focus of the Supervisory Board's activities

In the 2023 financial year, the Management Board informed the Supervisory Board regularly, timely and comprehensively in both written and verbal form about business policy, financial development, the earnings situation, as well as risk, liquidity and capital management. In doing so, the Supervisory Board performed its monitoring and advisory activities after thorough analysis and consideration of all the facts.

One of its focus areas related to all measures in connection with the unconsolidated and consolidated financial statements for 2022, including the audit reports, the proposal concerning the election of the auditors and the group auditors for the fiscal year 2024. The annex to the audit report pursuant to § 63 paras. 5 and 7 of the Austrian Banking Act (BWG) was brought to the attention of the Supervisory Board.

At regular intervals, the Supervisory Board dealt with Internal Audit reports and the issuance of procurations. The Supervisory Board also dealt with adjustments to the Austrian corporate income tax group and shareholdings. The Supervisory Board was presented with the Risk Strategy 2023, the Capital Adequacy Statement, the structure of the loan portfolio and principles of risk policy, as well as large exposures pursuant to section 28b of the Austrian Banking Act.

Updates on the MYP initiatives were presented. The legal updates continuously covered the court proceedings regarding 3-Banken and reported VKI (Verein für Konsumenteninformation) court proceedings.

In addition, the transfer of the mortgage brokerage business from Bank Austria Finanzservice GmbH to Bank Austria AG was reported.

As part of the OFAC compliance program, the Supervisory Board received training on financial sanctions and AML.

The Supervisory Board extended the term of two members of the Management Board and passed resolutions on the allocation of responsibilities and the rules governing representation on the Management Board. The Supervisory Board's work also included information on the utilization of the pre-approval of loans to governing bodies for 2022 pursuant to Section 28 para. (1) and (4) of the Austrian Banking Act (BWG) and the advance approval for 2024.

The Board dealt in detail with the budgets for 2023 and 2024, the capital plan and forecasts for 2024 to 2026, the risk appetite for 2024 and the funding plafond for 2024.

The Supervisory Board was regularly informed about the relevant content and results of the Committee meetings. The Fit & Proper training of the Supervisory Board members included the supervisory focus areas of EBA, FMA and ECB.

Focus of the Committees' activities

Outside of the four meetings, the **Credit/Risk Committee** passed 56 resolutions in the form of written circular vote.

Within the scope of its activities, the Committee decided on loan applications within its authority. The subject of discussions were the emerging risks in relation to the loan portfolio (Russia-Ukraine war, energy crisis and risk related to real estate) and the associated moratoria, processes and loan provisions.

In addition, a report was submitted on the market and liquidity risk, operational risk, reputational risk and ICAAP. Resolutions were passed on the Risk Strategy 2023 and the Capital Adequacy Statement. In addition, detailed reports were given on the new methodology regarding the leverage ratio and the related monitoring of the portfolio.

Report of the Supervisory Board

Furthermore, in addition to reports on individual risk exposures, the Committee was regularly informed about regulatory capital and funding and liquidity management, including the status of the minimum requirement for own funds and eligible liabilities (MREL). Loans to political organizations were reported to the Committee. The Committee's work was rounded off by its involvement with the Recovery Plan 2023 and large exposures pursuant to Section 28b of the Austrian Banking Act (BWG).

Representatives of the auditors regularly attended the four meetings of the **Audit Committee**. The committee worked intensively on the unconsolidated and consolidated financial statements 2022 and the audit reports and reported to the Supervisory Board accordingly. The Committee was informed by the audit firms about the audit planning and the focus of the 2023 annual audit.
The Compliance department informed the Committee periodically about their main areas of activity. In addition, the activity report for the full year 2022 and the annual reports 2022 from Securities Compliance and Anti Financial Crime were presented. The Committee also dealt with the Compliance Plan 2023. In addition to the Annual Report 2022, Internal Audit submitted detailed quarterly reports to the Committee. Furthermore, the Audit Plan 2023, including reviews, was approved and Internal Audit reported on the self-assessment and the external quality assessment 2023. The Committee's work also included the Governance Monitoring Report and the Complaints Management Annual Report 2022. The Committee also dealt with the monitoring of the accounting process in accordance with Savings Law 262 and the report on risk management. As part of the comprehensive reports on supervisory matters, findings of the supervisory authorities were addressed on an ongoing basis and detailed information was provided on the audits and action plans focusing on internal models. The Committee received reports on the SREP operational letter 2022 and the action and optimization plan.

The activities of the Committee were rounded off with the recommendation to the Supervisory Board regarding the appointment of the auditor of the unconsolidated financial statements and consolidated financial statements for the financial year 2024, the handling of the management letter from the auditors and the approvals of the engagement letters for limited reviews of the quarterly results Q1, Q2 and Q3 2024 and the engagement letter 2024. In addition, UniCredit Leasing Austria submitted non-audit services in connection with the preparation of balance sheets as of the reporting date to the Committee for approval.

The **Strategic and Nomination Committee** met once and, outside of these meetings, passed three resolutions in the form of written surveys in connection with the extension of two Management Board members end the election of the entire Supervisory Board. The Committee also dealt with the Fit & Proper Re-Evaluation 2023 of the Management Board and Supervisory Board, the gender balance in the bank and reviewed the Management Board's course with regard to the selection of senior management. The Committee also passed resolutions on succession planning for the chairpersons of the Supervisory Board and its Committees and on an update of the Fit & Proper Policy.

At its meeting, the **Remuneration Committee** received the report of the Risk Committee and passed five resolutions in the form of written surveys. The Committee dealt with an update on the regulatory framework regarding compensation, the bonus pool framework 2022, severance payments and the outlook for activities in 2023. The Committee also discussed the Group Incentive System 2023 and the Remuneration Policy 2023.

Staff Changes within the Supervisory Board and the Management Board

As the terms of office of the elected Supervisory Board members expired at the end of the Annual General Meeting that resolved on the discharge for the 2022 financial year, the Annual General Meeting on March 30, 2023, had to decide on the new election of the Supervisory Board.
Following the election of the new Supervisory Board by the Annual General Meeting, the Supervisory Board reconstituted itself and decided on the composition of the committees.

In the reporting year, the Management Board mandates of Mr. Robert Zadrazil were extended until 30 September 2026 and Mr. Wolfgang Schilk until 31 October 2026 with unchanged responsibilities.

A detailed organizational chart of the Supervisory Board and its Committees as well as of the Management Board in the financial year 2023 is included in the Annual Report under the heading "Boards of the Company".

Report of the Supervisory Board

Audit of the unconsolidated financial statements and the consolidated financial statements

The accounting records, the 2023 unconsolidated financial statements and the management report were audited by the Auditing Board of the Austrian Savings Bank Auditing Association and by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. As the audit did not give rise to any objections, and as there was full compliance with the legal requirements, the auditors expressed their unqualified audit opinion.

The Supervisory Board endorsed the audit findings, indicates its acceptance of the unconsolidated financial statements and the management report and the proposal for the distribution of profits as presented by the Management Board, and it approves the 2023 unconsolidated financial statements of UniCredit Bank Austria AG, which are thereby adopted pursuant to Section 96 (4) of the Austrian Joint Stock Companies Act.

The 2023 consolidated financial statements were audited by the Auditing Board of the Austrian Savings Bank Auditing Association and by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, for consistency with the International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board, as adopted by the European Union; the Group management report was audited for consistency with Austrian legal provisions. The audit did not give rise to any objections and there was full compliance with the legal requirements. In the opinion of the auditors, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and of the results of the Group's operations and its cash flows for the financial year beginning on 1 January 2023 and ending on 31 December 2023, in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, as well as pursuant to the additional requirement of Section 245a of the Austrian Business Code (UGB) and the Austrian Banking Act.

The auditors certify that the Group management report is consistent with the consolidated financial statements, and that the legal requirements pursuant to Austrian law were met concerning the exemption from the obligation to prepare also separate consolidated financial statements, and they express their unqualified audit opinion.

The Supervisory Board has endorsed the audit findings.

Thank you

The Supervisory Board would like to thank the Management Board, all employees, and the employee representative body for their valuable contributions, which made the success of the company possible again in the past year.

Vienna, February 27, 2024

The Supervisory Board
Gianfranco Bisagni
Chairman of the Supervisory Board

Statement by Management

We state to the best of our knowledge that the consolidated financial statements prepared in accordance with the applicable financial reporting standards provide a true and fair view of the financial position and performance of the Group, and that in the management report of the Group the business trends including business results and the position of the Group have been presented in such a way as to provide a true and fair view of the financial position and performance of the Group, and that the management report of the Group describes the material risks and uncertainties to which the Group is exposed.

Vienna, 20 February 2024

The Management Board

Robert Zadrazil
CEO – Chief Executive Officer
(Chairperson)

Daniela Barco
Retail

Philipp Gamauf
CFO – Chief Financial Officer

Dieter Hengl
Corporates

Emilio Manca
COO – Chief Operating Officer

Marion Morales Albiñana-Rosner
Wealth Management & Private Banking

Svetlana Pančenko
People & Culture

Wolfgang Schilk
CRO – Chief Risk Officer

Supervisory Board and Management Board

Information regarding the Management Board

Chairperson

Robert Zadrazil, born 1970
Chief Executive Officer (CEO)
Member from 01 October 2011
Chairman from 01 March 2016, end of the current term of office: 30 September 2026

Members

Daniela Barco, born 1982
Retail
From 01 November 2021, end of the current term of office: 31 October 2024

Hélène Buffin, born 1969
Chief Financial Officer (CFO)
From 01 March 2024, end of the current term of office: 28 February 2027

Philipp Gamauf, born 1982
Chief Financial Officer (CFO)
Until 29 February 2024

Dieter Hengl, born 1964
Corporates
From 10 March 2022, end of the current term of office: 31 March 2025

Georgiana Lazar, born 1980
People & Culture
Until 31 January 2024

Emilio Manca, born 1973
Chief Operating Officer (COO)
From 01 September 2022, end of the current term of office: 31 August 2025

Marion Morales Albinana-Rosner, born 1972
Wealth Management & Private Banking
From 01 April 2022, end of the current term of office: 31 March 2025

Svetlana Pancenko, born 1978
People & Culture
From 01 February 2024, end of the current term of office: 31 January 2027

Wolfgang Schilk, born 1967
Chief Risk Officer (CRO)
From 01 November 2020, end of the current term of office: 31 October 2026

Supervisory Board and Management Board

Information regarding the Supervisory Board

The term of office of elected members will end with the Annual General Meeting in 2028. The employees' representatives are delegated to the Supervisory Board without a time limit.

Chairperson

Gianfranco Bisagni, born 1958
Group Chief Operating Officer
UniCredit S.p.A.
(Member and Chairperson since 01 January 2020)

Deputy Chairperson

Aurelio Maccario, born 1972
Group Credit Risk
UniCredit S.p.A.
(Member from 08 April 2019 and Deputy Chairperson since 11 July 2022)

Members

Livia Aliberti Amidani, born 1961
(since 11 April 2018)

Richard Burton, born 1968
Head of Client Solutions
UniCredit S.p.A
(since 20 July 2021)

Herbert Pichler, born 1961
Member of the Management Board
AVZ Privatstiftung zur Verwaltung von Anteilsrechten
(since 12 April 2021)

Eveline Steinberger, born 1972
Managing Director
The Blue Minds Company GmbH
(since 04 May 2015)

Doris Tomanek, born 1956
(since 18 July 2022)

Delegated by the Employees‘ Council

Adolf Lehner, born 1961
Chairperson of the Central Employees‘ Council
(since 04 December 2000)

Christoph Bures, geb. 1979
Member of the Employees' Council, Vienna Region and Central Representative for Disabled Employees
(since 19 July 2022)

Judith Maro, born 1967
Chairperson of the Employees' Council, Carinthia
(since 01 January 2022)

Roman Zeller, born 1988
Member of the Central Employees‘ Council
(since 09 April 2021)

Supervisory Board and Management Board

Representatives of the Supervisory Authorities

Commissioner
Nadine Wiedermann-Ondrej
Federal Ministry of Finance
(since 01 November 2023)

Christoph Pesau
Federal Ministry of Finance
(until 30 September 2023)

Deputy Commissioner
Paul Rzepa-Stark
Federal Ministry of Finance
(since 01 November 2023)

Nadine Wiedermann-Ondrej
Federal Ministry of Finance
(until 31 October 2023)

Trustee appointed pursuant to the Pfandbrief Act (Pfandbriefgesetz)
Law firm BINDER GRÖSSWANG Rechtsanwälte GmbH (since 01 January 2023)

The Supervisory Board formed the following permanent committees:

Credit-/Risk Committee:
Chairperson:
Eveline Steinberger (Member since 08 May 2015, Chairperson since 16 April 2018)

Deputy Chairperson:
Richard Burton (Member and Deputy Chairperson since 22 July 2021)

Members:
Aurelio Maccario (since 09 April 2019)

Delegated by the Employees' Council:
Christoph Bures (since 19 July 2022)
Roman Zeller (since 01 January 2022)

Audit Committee:
Chairperson:
Aurelio Maccario (Member and Chairperson since 22 July 2021)

Deputy Chairperson:
Doris Tomanek (Member and Deputy Chairperson since 18 July 2022)

Members:
Herbert Pichler (since 04 May 2021)

Delegated by the Employees' Council:
Adolf Lehner (since 02 May 2006)
Roman Zeller (since 09 April 2021)

Supervisory Board and Management Board

Remuneration Committee:

Chairperson:
Livia Aliberti Amidani (Member and Chairperson since 16 April 2018)

Deputy Chairperson:
Aurelio Maccario (Member and Deputy Chairperson since 09 April 2019)

Members:
Gianfranco Bisagni (since 11July2022)

Delegated by the Employees' Council:
Adolf Lehner (since 06 November 2011)
Judith Maro (since 01 January 2022)

Strategic & Nomination Committee:

Chairperson:
Livia Aliberti Amidani (Member and Chairperson since 16 April 2018)

Deputy Chairperson:
Richard Burton (Member and Deputy Chairperson since 22 July 2021)

Members:
Gianfranco Bisagni (since 01 January 2020)

Delegated by the Employees' Council:
Adolf Lehner (since 02 May 2006)
Judith Maro (since 01 January 2022)

Consolidated Financial Statements 2023

Vienna, 20 February 2024

The Management Board

Robert Zadrazil
CEO – Chief Executive Officer
(Chairperson)

Daniela Barco
Retail

Philipp Gamauf
CFO – Chief Financial Officer

Dieter Hengl
Corporates

Emilio Manca
COO – Chief Operating Officer

Marion Morales Albiñana-Rosner
Wealth Management & Private Banking

Svetlana Pančenko
People & Culture

Wolfgang Schilk
CRO – Chief Risk Officer

Additional Information

Office Network

Office Network Austria

Head Office

1020 Vienna, Rothschildplatz 1
Tel.: +43 (0) 5 05 05-0
Fax: +43 (0) 5 05 05-56155
Internet: www.bankaustria.at
E-Mail: info@unicreditgroup.at

Branches

Amstetten, Baden, Bludenz, Bregenz, Bruck/Mur, Dornbirn, Eisenstadt, Feldkirch, Gänserndorf, Gmünd, Graz (4), Groß-Enzersdorf, Hall/Tirol, Hallein, Hollabrunn, Horn, Imst, Innsbruck Judenburg, Kitzbühel, Klagenfurt, Klosterneuburg, Krems, Leibnitz, Leoben, Lienz, Linz (2), Mödling, Neunkirchen, Neusiedl/See, Oberpullendorf, Oberwart, Perchtoldsdorf, Purkersdorf, Salzburg (2), Schladming, Schwechat, Spittal/Drau, St. Pölten, Stegersbach, Steyr, Stockerau, Traun, Tulln, Villach (2), Vöcklabruck, Weiz, Wels, Vienna (46), Wiener Neustadt, Wolfsberg, Wörgl, Zell/See.

Retail Banking - Regional Offices

Vienna City Center/Vienna South-East
1110 Vienna, Simmeringer Hauptstraße 98
Tel.: 05 05 05-62300

Vienna West
1150 Vienna, Märzstraße 45
Tel.: 05 05 05-51055

Vienna North
1210 Vienna, Am Spitz 11
Tel.: 05 05 05-50600

Lower Austria & Burgenland
3100 St. Pölten, Rathausplatz 2
Tel.: 05 05 05-36190

Styria & Carinthia
8010 Graz, Herrengasse 15
Tel.: 05 05 05-37661

Upper Austria & Salzburg
4020 Linz, Hauptplatz 27
Tel.: 05 05 05-65100

Tyrol & Vorarlberg
6020 Innsbruck, Maria-Theresien-Straße 36
Tel.: 05 05 05-67100

Contact Centers
1020 Vienna, Rothschildplatz 1
Tel.: 05 05 05-50330

Office Network

Private Banking – Locations

Bregenz, Graz, Innsbruck, Klagenfurt, Linz, Mödling, Salzburg, St. Pölten, Wiener Neustadt, Vienna (4)

Private Banking – Regional Offices

Private Banking Vienna 1
1010 Wien, Stephansplatz 2
Tel.: 05 05 05-46161

Private Banking Vienna 2
1020 Wien, Am Tabor 46
Tel.: 05 05 05-46200

Private Banking Federal States
8010 Graz, Herrengasse 15
Tel.: 05 05 05-63100

Small & Medium Corporates - Regional Offices

Small & Medium Corporates Vienna
1020 Vienna, Rothschildplatz 1
Tel.: 05 05 05-56022

Small & Medium Corporates Austria East
3100 St. Pölten, Rathausplatz 3
Tel.: 05 05 05-58005
2340 Mödling, Enzersdorfer Straße 4
Tel.: 05 05 05-28501

Small & Medium Corporates Austria West
6020 Innsbruck,
Maria-Theresien-Straße 36
Tel.: 05 05 05-95182
6900 Bregenz, Kornmarktplatz 2
Tel.: 05 05 05-65125

Small & Medium Corporates Austria South
8010 Graz, Herrengasse 15
Tel.: 05 05 05-63436
9020 Klagenfurt, Karfreitstraße 13
Tel.: 05 05 05-64401

Small & Medium Corporates Austria North
5020 Salzburg, Rainerstraße 2
Tel.: 05 05 05-96161
4020 Linz, Hauptplatz 27
Tel.: 05 05 05-67501

Corporates Direct
1020 Wien, Rothschildplatz 1
Tel.: 05 05 05-47400

Office Network

Selected subsidiaries and equity interests of UniCredit Bank Austria AG in Austria

Schoellerbank Aktiengesellschaft
1010 Vienna, Renngasse 3
Tel.: +43 (0)1 534 71-0
www.schoellerbank.at

Bank Austria Real Invest Immobilien-Management GmbH
1020 Vienna, Rothschildplatz 1
Tel.: +43 (0)1 331 71-0
www.realinvest.at

Bank Austria Wohnbaubank AG
1020 Vienna, Rothschildplatz 1
Tel.: +43 (0) 5 05 05-40304
www.bankaustria.at/wohnbaubank.jsp

card complete Service Bank AG
1020 Vienna, Lassallestraße 3
Tel.: +43 (0)1 711 11-0
www.cardcomplete.com

DC Bank AG (Diners Club)
1020 Vienna, Lassallestraße 3
Tel.: +43 (0)1 501 35-0
www.dcbank.at

UniCredit Leasing (Austria) GmbH
1020 Vienna, Rothschildplatz 1
Tel.: + 43 (0) 5 05 88-0
www.unicreditleasing.at

FactorBank Aktiengesellschaft
1020 Vienna, Rothschildplatz 1
Tel.: +43 (0)1 506 78-0
www.factorbank.com

Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H.
1010 Vienna, Parkring 12a
Tel.: +43 (0)1 515 30-0
www.oeht.at

Glossary of alternative performance measures

Glossary of alternative performance measures

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

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

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

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

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

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

ESG (E, S & G): Environment(al), Social & Governance

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.

Loan/deposit ratio: The loan/deposit ratio is a liquidity ratio and is expressed as the division of customer loans (numerator) and customer deposits (denominator). It shows the risk content of a bank's refinancing by indicating the extent to which a bank can cover its lending volume to customers with deposits from customers.

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 (half year 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

UniCredit Bank Austria AG / Corporate Relations

Rothschildplatz 1, 1020 Vienna, Austria	
Phone: +43 (0)5 05 05-57232	Fax: +43 (0)5 05 05-8957232
Email: investor.relations@unicreditgroup.at	Internet: https://ir-en.bankaustria.at
Günther Stromenger, phone: +43 (0)5 05 05-57232	
Andreas Petzl, phone: +43 (0)5 05 05-54999	

Ratings

	LONG-TERM / DEPOSITS	LONG-TERM / SENIOR UNSECURED	SUBORDINATED LIABILITIES	SHORT-TERM
Moody's 1)	A2	A3	Baa3	P-1
Standard & Poor's 1)	BBB+	BBB+	BBB-	A-2

Public-sector covered bonds and mortgage bonds of Bank Austria are rated Aaa by Moody's.
1) Securities issued before 31 December 2001 and therefore benefiting from the deficiency guarantee by the City of Vienna ("grandfathered debt" – exclusively subordinated debt), are rated Baa1 by Moody's and BBB- by Standard & Poor's.

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

Publisher and media owner:
UniCredit Bank Austria AG
Rothschildplatz 1, A-1020 Vienna
Phone: + 43 (0)5 05 05-0
Internet: www.bankaustria.at
e-Mail: info@unicreditgroup.at
BIC: BKAUATWW
Austrian bank routing code: 12000
Company register: FN 150714p
LEI: D1HEB8VEU6D9M8ZUXG17
Data Processing Register Number: 0030066
VAT Number: ATU 51507409

This Annual Financial Report was produced by UniCredit Bank Austria AG, Rothschildplatz 1, 1020 Vienna (publisher and media owner).

Editor:
Accounting & Regulatory Reporting

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

Persons (Management Board) authorised to represent the media owner:
Robert Zadrazil (Chairperson), Daniela Barco, Hélène Buffin, Dieter Hengl, Emilio Manca, Marion Morales Albiñana-Rosner, Svetlana Pančenko, Wolfgang Schilk.

Supervisory Board of media owner:
Gianfranco Bisagni (Chairperson of the Supervisory Board), Aurelio Maccario (Deputy Chairperson), Livia Aliberti Amidani, Christoph Bures, Richard Burton, Adolf Lehner, Judith Maro, Herbert Pichler, Eveline Steinberger, Doris Tomanek, Roman Zeller.

Interests held in the media owner pursuant to Section 25 of the Austrian Media Act:
UniCredit S.p.A. holds 99.996 % of the shares in the media owner (information on the shareholder structure of UniCredit S.p.A. is available at https://www.unicreditgroup.eu/en/governance/shareholders/shareholders-structure.html).

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

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

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

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

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

UniCredit Bank Austria AG

II. UniCredit Bank Austria AG

Preliminary Remarks on the Financial Statements

Preliminary Remarks on the Financial Statements

UniCredit Bank Austria Aktiengesellschaft, the parent company of the Bank Austria Group, presents its balance sheet as at 31 December 2023 and its profit and loss account for the year ended 31 December 2023, as well as the management report and the notes pursuant to Austrian law.

The consolidated financial statements of the Bank Austria Group for the financial year beginning on 1 January 2023 and ending on 31 December 2023 were prepared in accordance with International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board as adopted by the European Union. The annual report of the UniCredit Bank Austria Group, which includes, inter alia, the consolidated financial statements, as well as the Group's management report and notes may be downloaded from the Investors/Financial Reports site of Bank Austria's website (**https://www.bankaustria.at/en/about-us-financial-reports.jsp**).

The two reporting formats – under IFRSs and under the Austrian Business Code/Austrian Banking Act (UGB/BWG) – cannot be compared with one another because the operations covered by the financial statements differ (consolidated financial statements versus separate financial statements of the Group's parent company), and the valuation and accounting principles are also different.

The annual report of the Group gives readers information on the status of the group of companies controlled by UniCredit Bank Austria AG. The consolidated financial statements provide international comparability, a fair value-based presentation of the financial position and performance, and more detailed information, for example through segment reporting. UniCredit Bank Austria AG's separate financial statements, prepared in accordance with Austrian rules, fulfil other important functions, especially under supervisory aspects.

They are also the basis for determining the profit available for distribution under Austrian law and the dividend payment of UniCredit Bank Austria AG. In making an economic evaluation of the bank, users of the separate financial statements should take into account especially the extensive financial relations between the parent company and its banking subsidiaries. For this reason, the financial statements of the Group provide more comprehensive information.

Management Report of UniCredit Bank Austria AG

Management Report of UniCredit Bank Austria AG

1. Report on business development and the financial situation

1.1 Economic environment – market developments

Global economy 2023 characterized by further economic slowdown under the influence of tight monetary policy

The war-related disruptions on the energy and food markets and the sharp tightening of monetary conditions to combat high inflation slowed the development of the global economy in 2023 after a relatively good start as the year progressed. The global economy proved to be very resilient in the face of very challenging conditions and did not come to a standstill. However, at around 3%, global growth was lower than in 2022 and was more unevenly distributed, with increasing divergences in the individual economic areas. The slowdown was generally more pronounced in industrialized countries than in emerging and developing countries. One notable exception, however, was China, which had to contend with increasing headwinds from a real estate crisis and dwindling confidence. Within the industrialized countries, the USA surprised with robust consumer development and solid investment activity, which enabled economic growth of 2.4% in 2023 as a whole. In contrast, the economy in the eurozone corrected clearly downwards and was on the verge of stagnation. In addition to the lack of global impetus, which was reflected in subdued export growth that impacted industrialized countries in particular, the weakness in the eurozone was also a consequence of massive losses in purchasing power due to falling real wages, which dampened consumption. In addition, the continued tightening of monetary policy led to a downturn in the credit cycle and curtailed investment in interest-sensitive sectors of the economy. At an estimated 0.5%, the increase in GDP in 2023 was significantly lower than the economic growth of 3.4% in 2022.

In addition to the geopolitical crises, the main reason for the slowdown in the global economy was the tightening of monetary policy, which continued around the world almost until the end of 2023. The US Federal Reserve, which began its cycle of interest rate hikes in March 2022, increased the Fed Funds target rate to an interest rate range of 5.25 to 5.50 percent. Since the last rate hike in July 2023, the key interest rate level has remained unchanged until the end of the year. The Fed also tightened its monetary policy by reducing its balance sheet. The European Central Bank (ECB) has now also started to reduce its balance sheet total. After reducing its portfolio of securities by €15 billion from March 2023, the ECB increased the pace to €25 billion from June. The ECB continued the interest rate hike cycle launched in mid-2022 in 2023, albeit at a slower pace. At the end of 2023, the refinancing rate was 4.50 percent and the deposit rate was 4.00 percent, with no interest rate hikes since September. The apparent end to the cycle of interest rate hikes in both the US and the eurozone is linked to the noticeable decline in inflation. Average inflation fell to 4.1% in the US and 5.4% in the eurozone in 2023, with a significant slowdown to below 3% over the course of the year after high rates at the start of the year.
In view of the higher key interest rates, 10-year US Treasuries were quoted at 3.9% at the end of 2023. Long-term yields in Europe remained lower, with the ten-year Austrian government bond trading at around 2.6% at the end of 2023. Despite rising interest rates and heightened economic concerns, the stock markets held up well. Despite high volatility, the Dow Jones Index rose by almost 14% over the course of the year. Most European stock exchanges performed even better, with the Euro-Stoxx 50 up 17%. The Vienna Stock Exchange index ATX also rose from the beginning of the year to the end of 2023, albeit at a much more modest rate of less than 9%.
As the interest rate differential between the USA and the eurozone narrowed, the euro strengthened slightly against the US dollar over the course of 2023 amid high volatility. After 1.07 at the start of the year, the US dollar exchange rate stood at 1.10 to the euro at the end of 2023. At 1.08, the average exchange rate for 2023 was therefore just above the 1.05 recorded in 2022.

Economic situation and market development in Austria

In spring 2023, the Austrian economy slipped into recession due to sharp declines in industrial production and demand problems in parts of the construction industry. By contrast, demand for services benefited from the ongoing pent-up demand in tourism and the hospitality industry following the end of the pandemic. As the year progressed, the loss of purchasing power due to high inflation had an increasingly strong impact on demand in the services sector and exacerbated the slowdown in the economy as a whole. Towards the end of the year, however, the economy bottomed out on the back of real wage growth as a result of slowly falling inflation, which remained well above the comparable figures for the eurozone at an average of 7.8% and over 5% at the end of the year. Over the year as a whole, GDP in Austria fell by at least 0.5%. Despite the weak economy, the situation on the labor market deteriorated only relatively moderately. The unemployment rate according to AMS (*Arbeitsmarktservice*) rose from an average of 6.3% in 2022 to 6.4% in 2023.

Management Report of UniCredit Bank Austria AG

Credit momentum in Austria slowed increasingly over the course of 2023 due to the weak economy and tighter monetary policy. Nominal credit growth fell to an average of around 2% year-on-year and the portfolio only just reached the previous year's level at the end of 2023. While growth in corporate loans slowed, loans to private households decreased. The sharp decline in new business in residential construction loans, which was partly due to changes in legislation, played a particularly important role here. Despite higher interest rates, deposits on average stagnated in 2023. Despite inflation-related losses in purchasing power, the trend in deposits from private households was slightly more favorable than for companies, which suffered from the weak economic development.

1.2. Business development in 2023

Balance sheet development in 2023

A comparison of the most important balance sheet items

The balance sheet as of December 31, 2023, reflects UniCredit Bank Austria AG's target structure of an **Austrian universal bank** with traditional corporate customer business. **Loans and receivables with customers** are by far the largest item on the assets side, accounting for more than 50% of total assets. Roughly two-thirds of the lending volume is accounted for by the Corporates division, underlining Bank Austria's leading position as an important lender to the Austrian economy. Moreover, the bank holds a significant position in lending to Austrian retail customers.
Deposits from customers represent more than half of total liabilities. They consist of nearly 60% of deposits in the Retail and Wealth Management & Private Banking (WM&PB) business segments and represent a solid funding base UniCredit Bank Austria AG.

2023 balance sheet – structure and changes (overview of combined balance sheet items)

(€ million)

			CHANGE OVER 2022	
	31.12.2023	31.12.2022	+/- € MILLION	+/- %
ASSETS				
Cash in hand, balances with central banks	8,802	13,358	(4,556)	-34.1%
Treasury bills and other bills eligible for refinancing at central banks	11,082	8,558	2,525	29.5%
Loans and advances to credit institutions	3,016	2,918	98	3.4%
Loans and advances to customers	64,576	66,686	(2,109)	-3.2%
Bonds and other fixed-income securities; shares and other variable-yield securities	6,920	6,826	94	1.4%
Equity interests and shares in group companies	1,899	1,898	1	0.1%
Fixed assets, other assets, deferred tax assets (incl. intangible assets and accruals)	3,078	3,411	(332)	-9.7%
Total assets	**99,374**	**103,653**	**(4,279)**	**-4.1%**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Amounts owed to credit institutions	15,256	19,113	(3,857)	-20.2%
Amounts owed to customers	57,085	60,588	(3,503)	-5.8%
Debts evidenced by certificates	12,159	9,658	2,501	25.9%
Provisions	3,645	3,482	163	4.7%
Other liabilities items	2,738	2,920	(182)	-6.2%
Tier 2 capital	592	593	(1)	-0.2%
Additional Tier 1 capital	602	602	(0)	0.0%
Capital and reserves	7,297	6,697	600	9.0%
of which: Net profit of the year	*833*	*671*	*162*	*24.2%*
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**99,374**	**103,653**	**(4,279)**	**-4.1%**

n.m. = not meaningful

As at 31 December 2023, UniCredit Bank Austria AG's **total assets** amounted to €99.4 billion, which represents a reduction in total assets of €4.3 billion or -4.1% Y/Y, mainly due to **Cash in hand, balances with central banks** (-34.1% Y/Y). This is primarily due to the repayment of a further TLTRO tranche.

Management Report of UniCredit Bank Austria AG

Loans and advances to credit institutions were at €3.0 billion, a moderate increase compared to €2.9 billion in the previous year.

Loans and advances to customers fell by €2.1 billion to €64.6 billion due to higher interest rates and the resulting lower loan appetite in all business divisions.

The reduction in **property, plant and equipment, other assets, deferred tax assets** to €3.1 billion (2022: €3.4 billion) mainly relates to the trading assets summarised under other assets, which decreased as a result of the development of reference interest rates.

Amounts owed to credit institutions decreased significantly by €3.9 billion to €15.3 billion compared to the end of 2023.

Amounts owed to customers fell by €3.5 billion to €57.1 billion compared to the 2023 reporting date. This affects all business divisions.

Debts evidenced by certificates rose by €2.5 billion to €12.2 billion; the increase is primarily due to the issue of two large-volume covered bonds (€1.750 billion, including a green mortgage covered bond with a volume of €750 million) and an MREL-eligible senior non-preferred issue in the amount of €800 million.

Other liabilities decreased by €0.2 billion from €2.9 billion in 2022 to €2.7 billion in 2023. This item also includes trading book liabilities, which decreased as a result of the development of reference interest rates.

Provisions of €3.6 billion (2022: €3.5 billion) include provisions for pensions and similar obligations, which amounted to €2.9 billion (December 31, 2022: €2.9 billion). As at 31 December 2023, the actuarial interest rate for social capital was 3.55%, a decrease of 0.25 percentage points compared to the 2022 year-end figure of 3.8%.

As at 31 December 2023, reported **capital and reserves** amounted to €7.3 billion, an increase of €0.6 billion compared to year-end 2022, mainly due to the 2023 annual profit of €833 million.

Management Report of UniCredit Bank Austria AG

Major items in the profit and loss account for 2023

(€ million)

	2023	2022	+/- € MILLION	+/- %
Operating income	**2,356**	**2,476**	**(120)**	**-4.8%**
Net interest income	1,639	1,060	579	54.6%
Income from securities and equity interests	129	134	(6)	-4.2%
Net fee and commission income	510	498	12	2.4%
Net profit/loss on trading activities	35	116	(81)	-69.8%
Other operating income	43	668	(625)	-93.6%
of which: release of pension provision	-	*594*	*(594)*	*-100.0%*
Operating expenses	**(1,545)**	**(1,073)**	**(472)**	**44.0%**
Staff costs	(791)	(478)	(313)	65.5%
of which: provisions for wages and salaries	*(141)*	*9*	*(150)*	*n.m.*
Other administrative expenses	(423)	(437)	14	-3.2%
Depreciation and amortisation	(20)	(22)	3	-11.4%
Other operating expenses	(312)	(136)	(176)	>100%
Operating results	**811**	**1,403**	**(592)**	**-42.2%**
Charge for loan loss provisions	(83)	(14)	(69)	>100%
Operating results less charge for loan loss provisions	**727**	**1,389**	**(662)**	**-47.6%**
Net income/expenses from disposal and valuation of securities / current assets	125	(447)	572	n.m.
Net income/expenses from disposal and valuation of securities / financial fixed assets	(21)	(38)	17	-44.3%
Net income/expenses from the disposal and valuation of shares in group companies and equity interests	(10)	23	(33)	n.m.
Results from ordinary business activities	**821**	**927**	**(106)**	**-11.4%**
Income taxes	33	(236)	269	n.m.
Other taxes	(21)	(20)	(1)	3.3%
Profit/loss for the year	**833**	**671**	**162**	**24.2%**

n.m. = not meaningful

Operating income totalled €2,356 million in 2023 (-4.8% compared to the previous year's figure of €2,476 million). This development was primarily driven on one side by net interest income, which developed particularly favorably in the current interest rate environment, and on the other side by other operating income which in the previous year included a significant positive effect from the DBO (defined benefit obligations), due to the sharp increase in the interest rate environment, also impacting the actuarial interest rate.

Net interest income, the largest item among the operating income of UniCredit Bank Austria, AG, recorded an increase of 54.6% and, at €1,639 million, was clearly above the previous year's figure of €1,060 million. This primarily reflects an improvement in margins, particularly in the deposit business, supported by the rise in market interest rates hikes by the European Central Bank.

Income from securities and equity interests totalled €129 million and were therefore slightly below the previous year's figure of €134 million.

At €510 million, **net fee and commission income** was slightly higher than the previous year's figure of €498 million.

The income statement item **other operating income** includes items that cannot be allocated to the income items listed above. In 2023, this resulted in income of €43 million (compared to €668 million in the same period of the previous year). The main driver in 2022 was the change in the actuarial interest rate and the adjustment of the underlying parameters for the calculation of defined benefit pension obligations and employee severance payments. In accordance with the provisions of the Austrian Banking Act, an overall positive effect of the changes to the provisions for pensions and severance payments must be recognised in this item of the income statement. In 2023, the overall negative impact had to be recognised in operating expenses.

Operating expenses generally increased by 44% to €1,545 million in 2023 (previous year: €1,073 million).

Management Report of UniCredit Bank Austria AG

Staff costs totalled €791 million and were therefore €313 million or 65% higher than the previous year's figure. In 2023, this item included the restructuring provisions recognised in the personnel area in connection with the updated multi-year plan. Another driver in 2023 was the change in the discount rate and the adjustment of the underlying parameters for the calculation of defined benefit pension obligations and employee severance payments.

Other administrative expenses decreased by 3.2% to €423 million (2022: €437 million).

Other operating expenses totalled €312 million (2022: €136 million Among other things, the following were recognised in this item in the reporting year:

- Allocations of provisions for losses for derivatives in the amount of €189 million
- Contributions to the deposit guarantee and resolution funds of €56 million (2022: €84 million), of which €5 million (2022: €16 million) is attributable to the deposit guarantee fund and €51 million (2022: €68 million) to the resolution fund.

The **charge for loan loss provisions** increased significantly compared to the previous year. In total, credit risk expenses of €83 million were recognised in 2023 (2022: €14 million) Non-performing loans increased due to updated LGD models and the building of overlays, among other things. In the case of non-performing loans, repayments and other reversals were recorded, particularly in the Corporates segment.

Due to the change in interest rates in the current financial year, there was a write-up of €125 million (2022: write-down of €447 million) in the **net income/expenses from disposal and valuation of securities/current assets**.

Net income/expenses from disposal and valuation of securities/fixed assets shows an expense of €21 million, compared to €38 million in 2022.

In total, the items listed above result in a **results from ordinary business activities** of €821 million (previous year: €927 million).

Income taxes include income of €33 million (previous year: €-236 million); the increase is mainly due to higher deferred tax income as a result of the change in the reference interest rate in social capital and the tax treatment of newly recognised provisions.

Expenses for **other taxes** totalled €-21 million (previous year: €-20 million), including the bank levy of €21 million (previous year: €21 million).

Profit/loss for the year for 2023 amounted to €833 million (2022: €671 million).

Management Report of UniCredit Bank Austria AG

1.3. Permanent establishments

Branch network

	2023	2022
Domestic retail branches	104	106

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

1.4. Financial and non-financial performance indicators

Financial performance indicators

	2023	2022
Total capital ratio	22.5%	20.6%
Return on equity before taxes	12.7%	14.3%
Return on equity after taxes	12.9%	10.4%
Cost/income ratio	65.6%[1)]	43.3%
Risk/earnings ratio	4.7%	1.2%
Risk/earnings ratio (without dividends)	5.1%	1.3%

1) 2023 adjusted for one-offs (strategic plan "UniCredit Unlocked") of €163m: Cost/income ratio 58.7%

Definitions of performance indicators:

- Total capital ratio: Attributable equity expressed as a percentage rate of the total receivable amount according to EU Regulation No. 575/2013 Art. 92
- Return on equity before taxes: Net profit before taxes divided by the average balance sheet shareholders' equity
- Return on equity after taxes: Net profit divided by the average balance sheet shareholders' equity
- Balance sheet shareholders' equity: Subscribed capital, capital reserves, revenue reserves, risk reserve, untaxed reserves
- Average balance sheet shareholders' equity Balance sheet shareholders' equity as of 1 January of the reporting year + balance sheet shareholders' equity as of 31 December of the reporting year, divided by 2
- Cost-income ratio: Operating costs (incl. impairments) divided by operating income
- Risk-earnings ratio: Net write-downs based on the net interest income, i.e. the sum of net interest income and investment income

Employees

	31.12.2023	AVERAGE FOR 2023	31.12.2022	AVERAGE FOR 2022
Headcount [1)]	4,362	4,435	4,433	4,376
Full-time equivalents (FTE) [1)]	3,938	3,998	3,991	3,902

1) excluding unpaid employees but including workers and delegates according to the "operation site principle"

According to the operation site principle, which applies to UniCredit Bank Austria AG and its subsidiaries, headcounts and staff costs are reported in those companies in which the employees are working.

Management Report of UniCredit Bank Austria AG

Non-financial performance indicators

As a member of UniCredit Group, UniCredit Bank Austria AG does not prepare its own non-financial declaration in accordance with Section 243b of the Austrian Commercial Code (UGB), since it is included in UniCredit S.p.A's non-financial report pursuant to Section 243b (7) UGB. This report now also takes into account the requirements of EU Regulation 2020/852 on EU climate taxonomy, in particular the information that financial institutions are required to disclose starting with 2021. The report is available on UniCredit's website (https://www.unicreditgroup.eu/en.html).

Research and development

Bank Austria is a credit institution and provides banking services. The production process of a bank generally does not involve research and development in an industrial sense. However, a bank's day-to-day business operations continuously benefit from development activities. In this context, Bank Austria applies the principle of meeting the needs of the various customer groups with products that are as simple as possible. Furthermore, new regulatory requirements necessitate new developments and adjustments on an ongoing basis.

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

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

Sustainability at UniCredit

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

The ESG strategy of UniCredit Group and consequently for Bank Austria continues to be based on four basic principles:

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

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

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

Management Report of UniCredit Bank Austria AG

These ESG business objectives are reflected at both Group and country level in the multi-year plan, whose framework objectives, broken down both in terms of time and region, form the strategic ESG target path.

ESG-Strategy of UniCredit:

Source: UniCredit S.p.A.

As climate change is the key environmental challenge of our time, UniCredit has developed a climate strategy that focuses on reducing both its own emissions and the emissions it finances. The objective is clear: **net zero for our own emissions by 2030** (Bank Austria had already achieved 85% by the end of 2023, as compared to the base year 2008) and **net zero for our portfolio by 2050 at the latest**. This strategic objective is reflected in our membership of the *Net Zero Banking Alliance*. The *Net Zero Banking Alliance is* a voluntary, global association of banks under the auspices of the *United Nations Environment Programme Finance Initiative (UNEP FI)* with the aim of achieving net zero emissions on the entire financing and investment volume by 2050 or earlier. The targets are accompanied by annual target achievement reporting. In 2022, UniCredit therefore analyzed its portfolio in detail and carried out baseline calculations based on various recognized scenarios.

In January 2023, the **interim 2030 targets** for the first three particularly emission-intensive sectors in the lending sector were announced:
- Oil and Gas: minus 29% as compared to 2021 (financed emissions, $MTCO_2e$)
- Power Generation: reduction from 208 (in 2021) to $111gCO_2e/kWh$ (emission intensity)
- Automotive: reduction from 161 (in 2021) to 95g CO_2/vkm (emission intensity)

Other sectors such as steel, cement and real estate will follow in 2024.

Sustainability Governance

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

Management Report of UniCredit Bank Austria AG

Preparing for CSRD Reporting in Bank Austria
The Corporate Sustainability Reporting Directive (Directive (EU) 2022/2464, Corporate Sustainability Reporting Directive, CSRD) requires large companies like Bank Austria whose securities are listed, to disclose information about their risks and opportunities arising from social and environmental issues and about the impact of their activities on mankind and the environment. Starting with the financial year 2024, for the report published in the year 2025, this sustainability reporting will be presented in a specific section of this management report.

The CSRD is a key element in the EU climate strategy as it will significantly increase transparency on the activities by companies to contribute to the goal of climate neutrality. A main focus hereby is on banks as financial flows should be increasingly redirected into activities favoring the transition of the European economy to become more sustainable.

Bank Austria has started a bank-wide project for the implementation of the CSRD reporting, this project is embedded in the overall CSRD implementation of UniCredit Group. The implementation of CSRD reporting will lead to a very comprehensive gathering of environment-related customer data by Bank Austria, giving it deeper insight on ESG risks in its client base. This will also create new business opportunities, such as advising customers on their own endeavours to become more sustainable.

Sustainability at Bank Austria
The topic of sustainability is also anchored in Bank Austria as part of the business strategy - as part of the ESG strategy of the UniCredit Group described above - and therefore also in the core business. ESG plays a key role in Bank Austria's day-to-day business operations. Be it through the development of environmentally and/or socially responsible products in the private and corporate customer segment or through internal industry and sector-specific guidelines that support the transformation to a climate-neutral economy. This is also described in UniCredit's Integrated Report, which sets out UniCredit's sustainability targets (e.g. withdrawal from the financing of environmentally harmful industries such as coal mining and an increase in loans for energy efficiency). These goals are also relevant for Bank Austria as a significant part of the Group.
The ESG Office is a steering unit made up of sustainability experts and managers from the Bank's business and risk divisions. Following approval by the Management Board, the steps decided upon to implement the ESG strategy are communicated to a broader management level at the *ESG Coordination Meeting* and transferred to the relevant departments for implementation. Regular internal reporting on the achievement of ESG targets is also carried out by the *ESG Office*. ESG risk management is presented in section 2.2.13.

Bank Austria also consciously sets its own priorities - for example, by seeking an exchange with external experts. The partnership with WWF, which was extended for a further three years in the summer of 2023, should also be seen in this context and, after focusing on climate protection and financing in previous years, is now focusing on the investment side and the topic of biodiversity. In addition, raising awareness - both internally and externally - continues to play a particularly important role in our collaboration. We are convinced that we can only move towards a sustainable future together: With our customers, but also with our committed employees. Mandatory sustainability and sustainable finance training for all colleagues, the training of sustainability ambassadors and targeted outreach to children and young people are some important cornerstones here. Particularly noteworthy in this context are the "Deep Dive" meetings at Management Board level that have been taking place since 2022, in which current topics such as "Energy", "Mobility of the future" and "Biodiversity" are discussed together with WWF experts. The last of these events to date was dedicated to the important topic of "greenwashing" in December 2023.

In the medium and long term, the transformation of the economy together with our customers - as described above - can only succeed if our financing and investment portfolio is aligned with the Paris 1.5° Celsius targets. The Net Zero Banking Alliance provides the framework for this. In Austria, Bank Austria is a member of the Green Finance Alliance, a counterpart to the Net Zero Banking Alliance at national level, whose objectives largely coincide. Continuous dialogue with other members and experts from the Alliance is a particular asset of this membership. Our client advisors are now working together with clients in the respective sectors to achieve the necessary transformation together. Of particular importance in this context is Bank Austria's training offering, which includes basic training and courses for the Management Board as well as special training for advisors, such as taxonomy training. A special training interface within our internal learning world enables every employee to find the right offer for him/her which corresponds to the respective job description.

It goes without saying that social commitment remains a key component of our sustainability strategy. In line with our **corporate values *of* "Integrity," "Ownership" and "Caring",** we will continue to make an active contribution to improving social conditions and, through our environmental management, help ensure that future generations have an environment worth living in. To this end, we will continue to enter into cooperative ventures and seek exchanges with other companies and experts.

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

Management Report of UniCredit Bank Austria AG

With **Impact Financing**, we promote and finance companies and nonprofit organizations that achieve social improvements for society. In addition to grants and low-interest loans, these companies and organizations can benefit additionally - among other things through financial training. In total, projects have been funded to date that included the following areas: Products for mobility facilitation and for facilitating social reintegration for people with disabilities, a residential home for people with impairments, institutions for the reintegration of people with disabilities into the labor market, and a residential facility to allow relatives of seriously ill children to be close to their children.

We promote the establishment and development of small businesses through our **microfinancing** offer. The ***MikroKredit* initiative** is backed by a guarantee from *Austria Wirtschaftsservice Gesellschaft mbH* and a guarantee from *Wiener Kreditbürgschafts- und Beteiligungs AG*.

Our comprehensive financial education program is aimed primarily at teenagers and young adults. With the *blended learning program* "***MoneyMatters",*** we want to teach pupils aged 14 and over how to handle money and financial instruments sensibly. Following a successful pilot run in cooperation with the Vienna and Burgenland education authorities, we rolled out the program, which consists of workshops and an innovative online learning platform, across Austria from 2022. In the same year, the program became part of the national financial education strategy and the Vienna Financial Education Hub. By 2023, around 8,000 young people had already benefited from *MoneyMatters.*

In the "*Bank Austria Business Plan Competition - next generation*", numerous teams of school students can put their entrepreneurial knowledge to the test every year; in the 2022/23 school year alone, there were around 2,500. In cooperation with our partners in the social sector, we also provide low-threshold financial education to vulnerable groups, especially young people and people at risk of exclusion. Our "*Geldwissen2go"* web app offers low-threshold, interesting information about money, background knowledge and a money diary.

Community

The current social challenges are also reflected in Bank Austria's initiatives, projects and collaborations in the social sphere. The difficult economic situation in 2023 due to the energy crisis and inflation led to a proportionally even greater burden on already disadvantaged population groups.

In 2023, Bank Austria therefore once again supported the "***A spark of warmth***" ("*Ein Funken Wärme*") initiative by *Caritas* and "*Kronen Zeitung*", which has been extremely successful for many years, not only with a donation totaling €100,000, but also with numerous communication measures (such as special notices in Bank Austria's mobile and online banking).

As children are the first and foremost victims of financial hardship, Bank Austria and its employees in particular actively supported the **Arbeitersamariterbund's Christmas campaign** for the first time in 2023. Thanks to the joint initiative of many employees from all over Austria, disadvantaged children were able to enjoy beautiful new Christmas presents.

Apart from this, however, Bank Austria also continued previous initiatives in 2023: With the ***Bank Austria Sozialpreis*** (*Bank Austria Social Award*), outstanding social activities throughout Austria were again supported this year with a total of €90,000. And ***Volkshilfe***, with its major campaign against child poverty, and the "*Mut.Schaffen*" ("Create.*Courage")* initiative also continued to receive support from Bank Austria.

Long-term, established partnerships with renowned charitable organizations continue to play an important role in the company's social commitment. This strategy of continuity is underlined, for example, by the **cooperation with SOS Children's Villages**. Here, the bank maintains home sponsorships in children's villages throughout Austria, while at the same time Bank Austria employees are regularly provided with interesting topics from the family sector by SOS Children's Villages. We are delighted that this partnership celebrated its 15th anniversary in 2023. **Caritas** has also been a close cooperation partner throughout Austria for over 25 years. The current focus here is on educational and learning aid projects; for example, a Caritas learning café sponsored by Bank Austria is currently being built in the immediate vicinity of the Bank Austria headquarters. Bank Austria's Caritas Family Fund, founded in 1994, also has a long tradition and has already helped around 1,000 Austrian families in need through no fault of their own.
The **Bank Austria Volunteer Day**, which gives employees the opportunity to spend a day getting to know volunteering up close and actively, was also expanded in 2023. In addition to the established partners Caritas and SOS Children's Villages, the **Samariterbund** also took part for the first time in 2023 with some very interesting projects.

Management Report of UniCredit Bank Austria AG

Together with the UniCredit Group and the **UniCredit Foundation,** we pay particular attention to supporting young people in completing their education and making the transition to a successful career. As the level of education achieved is unfortunately still heavily dependent on a child's social background, we want to help inspire young people for education and prevent them from dropping out of school early with new, Europe-wide partnerships with "***Teach for All***" (in Austria: "***Teach for Austria***") and "***Junior Achievement".***

And most recently, the "***Call for Education***" launched by the UniCredit Foundation in Austria was very successfully organized by Bank Austria and the participating organizations were actively supported. And with great success: two Austrian education projects were among the "main winners" in December 2023. After a very challenging application and evaluation process, they were ultimately awarded a total of more than 600,000 euros for their outstanding, multi-year projects.

As part of our social commitment, it is also particularly important for us to involve our employees in our social activities and encourage them to participate. In addition to an increasingly wide range of opportunities to volunteer, Bank Austria has launched the UniCredit Foundation's "***Gift Matching Program"*** every year since 2007, which additionally promotes the social commitment of its employees. The idea is simple: private donations are matched by funds from the UniCredit Foundation, the corporate foundation of the UniCredit Group. This not only supports charitable organizations, but also strengthens the mutual exchange of social commitment and social awareness among employees.

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

In order to reach as many projects as possible and at the same time keep its finger on the pulse of the times with its support, Bank Austria has been pursuing an innovative approach for eight years now, which remains unique in Austria in the field of cultural sponsorship: every year, we provide €100,000 for crowdfunding campaigns in cooperation with the ***"wemakeit"* platform**. Since the projects each receive a third of their campaign sum as sponsorship from the bank, a total project volume three times the amount of the money invested is supported. In the past two years, the bank has helped to realize a total of more than 300 exciting projects and initiatives in this way. Together with more than 22,000 supporters, we have helped to provide substantial funding to the Austrian arts and cultural scene.

In the area of sports, we focus on people with disabilities in addition to classic sponsoring activities. We are proud to have been a partner of the Austrian Paralympic Committee since its inception and to support the dedicated athletes every year just as actively as we do the athletes of Austrian Wheelchair Tennis. This commitment is now deepened by the cooperation with ***Special Olympics Austria***, which adds a new dimension to the Olympic motto "taking part is everything".

Disability

Inclusion, i.e. the equal integration of people with disabilities into social and working life, is an integral part of Bank Austria's corporate culture. For this reason, the topic of "Disability" has also had a special status in the company for many years. For more than 10 years, the UniCredit Bank Austria Disability Management team has been working in close cooperation with the People & Culture department, the works council and the disabled persons' representatives as well as an internal network of 60 people to integrate people with disabilities as well as possible into everyday working life as employees and to provide them with the best possible support as customers.

Measures already implemented for customers include a separate bank card for people with visual impairments, Bank Austria websites for the hearing impaired and texts in plain language, and the shuttle service for customers with limited mobility introduced in 2010. With the internationally awarded ***SmartBanking*** in sign language, deaf people have also been enjoying Bank Austria's proven advice via video telephony since fall 2015. Since December 3, 2020, UniCredit Bank Austria has been offering customers who present an Austrian disability ID card with a disability of 50% or more or an ID card from the *Hilfsgemeinschaft der Blinden und Sehschwachen* the earmarked inclusion loan for the purchase of assistive devices at a particularly favorable variable customer interest rate of 4.25% (linked to the 6-month EURIBOR) without processing fees.

Management Report of UniCredit Bank Austria AG

By fostering a diverse workforce and creating an inclusive culture, UniCredit Bank Austria enables an environment where everyone can develop and contribute to success with their unique strengths. The approximately 230 employees with disabilities also find a supportive environment that offers the best conditions tailored to their individual needs so that they can put their talents, skills and experience to work and add value to the company. For many years, UniCredit Bank Austria has thus been among the only 24% of domestic companies (according to the 2022 Annual Report of the Ministry of Social Affairs) that meet the statutory employment quota for people with disabilities.

We are delighted to have become the leading financial institution in Austria and throughout continental Europe through our commitment to accessibility and inclusion. This is also evidenced by the **numerous international awards** we have received, such as the prestigious "*Disability Matters Award 2018,"* the "*Austria's Leading Companies Award 2019,"* or the "*Highly Commended" awards* at the "*Financial Adviser Diversity in Finance Awards 2020"* and "*Diversity & Inclusion Initiative of the Year"* at the "*Financial Adviser Diversity in Finance Awards 2021*" for barrier-free offerings during the Corona crisis.2022 two "*Disability Matters Awards*" were added in the categories "Marketplace" (products and services specifically for people with disabilities) and "Workforce" (targeted recruitment and promotion of people with disabilities).

Commitment to the environment - net zero as the ultimate goal

Commitment to the environment means above all - as already mentioned - working together with our customers to drive forward the **transformation to a climate-neutral economy**. This means supporting our customers on this path, developing concepts together and defining a new, environmentally, climate and socially friendly form of cooperation for the future.
Of course, we can only credibly expect and demand from our customers what we ourselves live by. That is why environmental and climate protection has been a top priority for Bank Austria and UniCredit Group for years.
Indicators that express the environmental performance of a company have developed excellently at Bank Austria over the past decade: The bank achieved substantial savings with regard to total emissions, energy consumption, water, waste, business trips and paper.
UniCredit Group has defined the goal of reducing its own emissions caused by the company to net zero as quickly as possible - by 2030 at the latest. The focus here is clearly on avoidance and reduction. Offsetting can - at a later date - only be the last alternative. Detailed planning and activities to avoid further emissions are also fully underway at Bank Austria in 2023. The main thrusts here include the expansion of photovoltaics and the switch to alternative heating systems in the branches.

In addition, many **environmental and climate protection activities** launched in recent years at Bank Austria are of course continuing as planned or have been successfully completed. Bank Austria continues to be involved with eleven other climate protection pioneers such as ÖBB and ORF in the *klimaaktiv pact* initiated by the Ministry of Climate Protection. Together, the twelve companies have pledged to save at least 8.6 million tons of CO_2 by 2030, thus making a significant contribution to achieving the national climate targets. Bank Austria generates additional benefits for its environmental and sustainability ambitions from this cooperation through networking opportunities with like-minded companies and regular workshops on current topics.

All of these activities are organizationally supported by an **environmental management system (EMS)** in accordance with ISO 14001:2015, which Bank Austria has operated since 2011 and which is also certified annually by external auditors from *quality austria*. In 2023, the certificate was renewed for another three years as part of the audit; it confirms the application and further development of an effective environmental management system.
The environmental management system is structurally anchored in the company through, among other things, a steering committee at the highest management level and monthly environmental team meetings with participants from all key divisions. Since 2022, representatives from Group companies such as Schoellerbank have also been taking part in these meetings in order to put environmental and climate protection on an even broader footing. This also includes regular exchanges with subsidiaries outside the formal boundaries of the EMS, which were intensified in 2023, particularly with *card complete.*
The data quality of the environmental management system is also being continuously improved. For example, a mobility survey was conducted among all employees in October 2023 in order to be able to include the Scope 3 emissions caused by travel to and from the place of work in the CO_2 balance in future. At the same time, the motives and motivation of employees for their choice of transportation were also determined.

Bank Austria's green product offering

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

Management Report of UniCredit Bank Austria AG

Bank Austria can already point to a extensive sustainable product portfolio: From a further expanded range of ESG investment products for both private and institutional investors to so-called ***ESG-linked loans***, which are subject to internationally valid criteria (based on an external ESG rating of the customer), and structured products (where better conditions are linked to the improvement of ESG ratings) to green mortgage and consumer loans.

Among other things, Bank Austria issued its second green bond, a mortgage covered bond with a volume of €750 million, in February 2023.

Since 2021, the range of account products that have been awarded the *Österreichisches Umweltzeichen* (UZ49) label for sustainable financial products has also been expanded. Accounts for business customers and young people have now also been awarded UZ49, which means that sustainable financing is guaranteed in the amount of the total account deposits.

Products for corporate customers:
In our positioning as a strategic financial partner for our customers, we offer a wide range of ESG advice and products for companies of all sizes and in all phases of transition.

As an orientation aid, we offer the possibility of an individual ESG assessment using the "***Bank Austria Sustainability Barometer***". This advisory tool was developed by UniCredit Group together with the sustainability specialist *ISS-ESG*, which specializes in sustainability, and offers an analysis of E, S and G as well as specifically relevant questions relating to individual sectors – 20 sectors are currently included in this tool. This consulting approach provides clients with a broader understanding of, for example, the in-depth analyses required by the EBA on environmental risks, the introduction of the EU taxonomy, green asset ratios (for banks) and extended reporting obligations (sustainability report) for companies, and has been very well received by our clients.

In addition to the range of financing products geared purely to the intended use – green or social – we have been offering financing products for companies with an affinity for the capital and credit market (e.g. green bonds, ESG-linked bonds, ESG-linked promissory note loans, ESG-linked loans, ESG-linked derivatives) that are linked to specific sustainability targets for several years now. Compliance with these targets is reviewed annually and has an impact on the interest margin.

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

With the ***GoGreen* account**, Bank Austria offers a sustainable account certified with the Austrian Eco-label. Sustainable projects are financed in the amount of the *GoGreen* account deposits. The account can be used completely digitally and without paper (incl. electronic account statement, automated account opening). All *GoGreen* account holders also receive a reduced issue surcharge on selected ESG funds. The offer is supplemented by a *GoGreen* Business and a *GoGreen* student account.

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

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

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

Management Report of UniCredit Bank Austria AG

Customers

Growth through excellent customer experience
With flexibility and a great deal of commitment, our employees continued to strengthen our customers' trust in Bank Austria in 2023. Professional expertise and efforts to find financial solutions tailored to the personal situation of our customers form the basis for successful customer relationships. These stable customer relationships also ensured our success in 2023, a year characterized by turbulent world events.

Measurement and analyses show changing expectations
In addition to the traditional survey of all customer segments with **around 7,500 pieces of customer feedback** received per year, we also measure customer satisfaction directly after a customer contact with "*MyFeedback*". In doing so, we analyze the customer experience during a consultation, a checkout or self-service transaction or in the online channel with "*24You*" (internet banking) and the "*MobileBanking*" app.
Our customers also made extensive use of this feedback opportunity in 2023 and we received 30,000 responses. This survey uncovers cross-selling potential through targeted information and offers the opportunity to respond directly and specifically to questions, requests, complaints and annoyances. Ongoing customer contacts form the basis for improvements in the customer relationship, for managing activities and thus for achieving targets. In 2023, we successfully continued the "*Push NPS*" initiative across the entire retail sector in order to strengthen our NPS-Net Promotor Score in 2023 and thus make us attractive to non-customers as well.

Strong customer relationships and continuous improvement through active complaint management
We set a high standard for handling complaints and respond to customers within 48 hours. We continuously meet this standard - for verbal and written complaints. Frequent complaints in 2023 came from customers who were dissatisfied with the ongoing digitalization or the tense interest rate situation. Quick and professional processing and the in-depth expertise of the *ombudsman's office* generally enabled the complaint to be resolved quickly and the customer relationship to be stabilized.
In addition to handling complaints directly, the complaints management team also identifies problems promptly and initiates decisions for improvement measures. The total number of complaints was also reduced in 2023 compared to the previous year (- 3%).

Employees

UniCredit Bank Austria's headquarters at the Austria Campus in Vienna's second district are home to employees of Bank Austria Group and UniCredit's CEE units. Throughout the Austria Campus, the highest attention is paid to ecological and sustainability criteria. Examples include the reduction of storage media to save energy, the use of new media to reduce hardware, printing with the *FollowMe* printing system and the implementation of an environmentally friendly paper policy for efficient paper use, which also corresponds to the goal of largely avoiding paper in the future.

At the end of 2022, the **"Save 11%" energy-saving challenge**, which is based on the federal government's corresponding campaign, was launched with the aim of saving as much energy as possible. In 2023, various measures were successively implemented as part of the campaign: from reducing the room temperature in winter and dispensing with hot water in the washrooms to reducing the running time of ventilation systems and switching off effect lighting. With the active support of its employees, who can access numerous other energy-saving tips via internal communication channels, Bank Austria is making a further important and active contribution to climate protection. In addition, Bank Austria has now replaced many plastic office supplies with plastic-free alternatives in an ongoing process that has been actively supported by many employees.

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

Management Report of UniCredit Bank Austria AG

The target agreement, which has been concluded for a further three years, focuses on the provision of an optimal infrastructure in order to provide the best possible support for both flexible working hours and remote working. In addition, communication activities and special support services for managers are the focus of the measures supported by both management and the Works Council. Further activities to ensure equal opportunities for women and men and people with disabilities have been a natural part of the program from the outset. Last but not least, numerous health offers, which have become even more important for each and every individual since the pandemic and due to numerous other challenges, round off the package of measures. Controlling is central to the success of the measures implemented: qualitative and quantitative targets are defined for the measures and regularly evaluated.

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

People & Culture

We believe in creating an engaging and positive working environment where everyone can actively contribute to our success. Our powerful Values - ***Integrity, Ownership and Caring*** underpin our actions and are a baseline for the Bank strategy. In terms, of the People agenda we focus on developing the skills and leadership of the future, creating a positive and inclusive working environment, investing in the wellbeing of our people, attracting the best talent in the market, and enabling performance.

Our dedication to supporting our people to live up to their full potential by creating opportunities for them to participate actively in the company, grow and learn, has been endorsed externally in 2023 when Bank Austria received again the award as "**Top Employer"** by the Top Employers Institute for multiple years in a row and the certification as "**TOP LEHRBETRIEB until 2027**" by the city of Vienna for our apprenticeship program.

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

The option of time and place flexibility is the foundation for results-oriented work and a viable work-life balance. Our goal and expectation are to find solutions that meet both individual and business needs, based on mutual understanding and regular discussions. We consider it our responsibility to support all our employees in a specific manner through targeted initiatives, measures and solutions aimed at increasing flexibility, complying with formal working hours, supporting management with remote teams, supporting home learning and establishing new working methods. We are therefore proud to have introduced the **new concept of *"Remote abroad"*** enabling employees to work from a different European country for a maximum of 10 working days per year. We have also endeavored to support all our customer-facing employees so that they can adapt to the new reality and serve our communities in a more digital way.

Culture Transformation: In 2023, we continued to promote our corporate values by rolling out dedicated workshops to bring *"values in action"* facilitated by over 160 trained managers with their teams, where over 55 best practices of different branches in Austria were collected. Moreover, we successfully involved our workforce in a local celebration of our values during culture day for 2 years in a row to foster the overall cultural transformation.
As part of our culture, we also have a strong focus on **Well-being & (mental) health.** We have continued our well-established digital learning formats, different articles and toolkit series to support our employees for maintaining a good work-life balance. We supported our employees with recommendations and information from our page on mental and physical well-being and support for individual needs. Topics of particular interest included own physical and mental health, by focusing on some physical illnesses where progress in early detection and prevention significantly reduces the risk of negative consequences (breast cancer prevention, testicular and prostate cancer prevention). Together with our health center, we organized this year a Health Day at Bank Austria Campus, open to all employees, offering a range of health-promoting measures from the fields of occupational medicine, occupational psychology and ergonomics on site in addition to illustrating the heart organ.

Management Report of UniCredit Bank Austria AG

External recruiting: To ensure a positive experience for applicants, we leverage on our applicant tracking system *Avature*, a state-of-the-art online tool that also includes solutions for the onboarding process and a module to promote active management of talent pools. Besides hiring professionals, we also engage in rejuvenating our internal pipeline. Around 150 interns were able to gain their first professional experience in our bank and all training initiatives were implemented as planned. During the summer of 2023, an additional 46 school pupils in Vienna as well as in the other federal states were able to complete their holiday work placements, primarily in Bank Austria branches. Through our online recruiting platform, we also managed to recruit 29 apprentices this year. Bank Austria also offered rich orientation and different experiences for 12 graduates embarking on their career.

Internal job market: Bank Austria's internal job market is an integral part of the People & Culture strategy and provides a platform for internal vacancies. The aim is to show employees new prospects within the company. Depending on the individual skills, interests and resources, it is possible to work on short-term projects and initiatives across the Group in addition to the opportunity to move to a new position. Finding the right job or an exciting challenge no longer depends on employees' profiles and training alone, but also on their personal motivation and activity. The internal job board makes better use of employee potential and boosts employee satisfaction. In 2023, we continued helping employees broaden their knowledge and experience by taking on challenges in different departments of the bank and applying for internal positions.

Performance management: Sustainable differentiation, transparency, a feedback culture and commitment are the main drivers of our development and remuneration decisions. Our UniCredit Performance Management is a modern, fair and transparent performance evaluation and development system for all employees of Bank Austria. Each employee always has access to the evaluations and feedback documentation in their personal electronic archive. We use this process to strengthen the performance concept and inclusion within our bank and our group, and that this is the most suitable way to implement the strengths and skills of our employees and to meet the need for future development. Regular feedback provides the basis for achieving individual goals and thus also corporate goals. Performance management supports this process as a group-wide assessment and development tool. It includes assigning goals, assessing performance and potential and defining career plans and development measures. It therefore forms the framework for regular dialogue. Also in 2023, we continued leveraging on an upward feedback facility that prompts and encourages all employees to submit feedback to their line manager voluntarily as well as rolling out the **360 feedback for managers** and emphasizing on the opportunity to have a mid-year review with employees voluntarily. These initiatives are important steps on our path towards an open and continuous feedback culture.

Learning & development: In order to support our employees and managers in their daily work and development, we have thoroughly strengthened our online learning offerings and expanded these with new cooperative partners. While advancing digitization opens up new channels for our customers to do banking business with us, it also offers our employees new ways of learning and cooperating internally. We have therefore expanded the comprehensive learning media portfolio to include digital self-learning media, with the emphasis on independent learning. We are committed to providing all employees with further attractive opportunities for personal development, on a voluntary, flexible and digital basis.

The world of work is changing, meaning that we need to adapt our way of working and our work behavior. For that reason, we are supporting our managers and employees in their "learning" and in getting the most out of new ways of working, cooperation and the use of new tools. We continue to promote already introduced new learning formats in which employees can register to learn from internal and external experts on topics relating to changes and mega trends, as well as from all our colleagues who voluntarily share their knowledge and experience.
With the aim of building further the culture of easily accessible knowledge sharing opportunities, a new concept of a Mentoring program targeting all employees was introduced, democratizing further our approach to developing people.

Our internal learning interface *PLUS* enables colleagues to easily search for and find various learning collections on management, new trends, cooperation, team performance and personal and professional development. *PLUS* furthermore offers personalized training recommendations based on the employees Global Job Model. Next to many soft-skill topics we offer, we are strongly supporting our business divisions with different trainings on “banking know how” based on their job role and needs. All of this supports our motto: *#NeverStopLearning*: Employees can learn on a self-determined basis and are not tied to specific time schedules, thereby increasing the return on learning for everyone.

Management Report of UniCredit Bank Austria AG

We also continued our efforts in 2023 to support employees in being able to access all learning opportunities at a glance. By introducing the *UniCredit University* groupwide, accessible to all, employees are encouraged to be owners of their development and explore all learning opportunities based on their current job role, their interests or development needs In 2023 we designed our ***ESG (Environment, Social, Governance) University Austria*** where we offer a variety of different trainings, tailormade for all our different target groups within the bank. Not only the variety of trainings, also because of the mixture of different training methods, we ensure that there is a offer for every employee.

Rewards and benefits: Our activities, especially those in the area of rewards and benefits, are based on and guided by the *Global Job Model*, the group-wide job evaluation system used for describing and categorizing all roles and activities within UniCredit. Our group-wide total compensation system provides for a balanced mix of fixed and variable monetary and non-monetary components. Remuneration of top management is determined within UniCredit by way of a uniform Group Compensation System, which has been in place for several years and has also been implemented at Bank Austria. Parts of the variable components of compensation are withheld in line with all regulatory requirements, and deferred payments are made subject to sustainability, partly in the form of UniCredit shares. The bonus pool method used across the Group ensures that variable components of remuneration are subject to the achievement of sustainable, long-term financial and non-financial performance criteria. The introduction of this method on the other hand further strengthens the link between variable remuneration and the risk-weighted results of Bank Austria. Reducing the gender pay gap is also one of the most important pillars of our remuneration strategy: a constant monitoring process has already been set up and in 2023, with continued focus on this topic, we have made further significant progress in reduction. We are committed to close the gender pay gap. In this scope, several initiatives have been implemented to address pay differences, such as guidelines for our compensation process, allocation of salary budget and inclusion of DE&I KPIs in the individual scorecards of Senior roles, as one of the elements for their performance evaluation.

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

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

As part of UniCredit, we in Bank Austria have been establishing an environment where all employees can express their diverse ideas, talents and experiences and contribute to our company for many years with their unique value. We are committed to promoting greater diversity and inclusion by encouraging international cooperation and teamwork that extends across borders and roles. On our journey to promoting diversity, equity and inclusion, we want to attract and employ candidates with a range of different qualifications, support the careers of our colleagues, promote loyalty to the company and further develop employees, boost our performance-based remuneration system and overall, foster an inclusive culture. In this respect we are leveraging on:

- Reviewed employer brand strategy from a DE&I perspective and pledge to advertise vacancies transparently
- Training and learning programs to support handling unconscious bias and promoting inclusive behaviors, inspiring people, at all levels of our organization, to act in line with our DE&I principles and embed DE&I in all that they do, developing a more inclusive mindset and breaking down barriers.
- Inclusive promotion and appointment process based on merit
- Fair nomination in development paths based on equal opportunities
- Constant efforts to reduce the same role gender pay gap

Management Report of UniCredit Bank Austria AG

- Strong support for the Disability Management action plan
- Powerful Employee Networks in Bank Austria, we have **6 Employee Networks** which are nurturing an ongoing dialogue on the most important DE&I topics within our Bank:
  - Bank Austria Women's Network
  - Unicorns of Bank Austria
  - Race, Ethnicity and Cultural Heritage Network
  - Future Generation Network
  - Accessible Bank Austria Network
  - Innovation Team

The objective of these Employee Networks is to identify new inclusion allies who can help us to listen to the stories and voices of the people raising topics that are relevant and make our bank even more inclusive. Every human being is unique, and this variety and all individual differences need to be recognized. Therefore, we constantly support our people to be open, go beyond their own biases, see others for what they really are, value others, and appreciate their differences, through a series of DE&I initiatives running along the year. With the strong involvement of the Employee Networks, Bank Austria makes available for all its people a series of DE&I initiatives on a variety of relevant topics like financial independence for women, inclusive language, the rainbow family, generations talk, cultural diversity, disability inclusion, etc., promoting thus greater inclusion and empowering its people to freely be themselves.
We celebrate key global DE&I moments and well-being awareness days such as International Women´s Day, Pride Month, Breast Cancer Awareness Month, International Day of People with Disabilities, etc. and we continue to invest in raising awareness and education on DE&I, challenging stereotypes at all levels, calling out discrimination, drawing attention to bias and fostering a cultural change to make a difference, starting from our workplace.
We encourage our people to bring their authentic selves at work, show solidarity and stand up for the rights of lesbian, gay, bisexual, transgender, intersex and queer people. Pride Month is extensively lived in our bank with various activities spread throughout the month, rich communication campaigns and a strong presence of the rainbow colors in both Bank Austria branches and at the Bank´s head office. As an official and proud partner of Vienna Pride our Bank participates every year in the Rainbow Parade and sponsors the Pride Run Vienna. This year, Bank Austria was present at the Rainbow Parade with a big truck and over 150 employees to amplify our voice in promoting an environment free of prejudice and equal rights, to celebrate living authentically and to show support for the LGBTQIA+ community.

Disability Inclusion is an integral part of our business agenda at Bank Austria, we recognize that it is essential to ensure credible inclusion for both employees and customers, which becomes increasingly critical as we confront new challenges arising from technological and social change. We support the inclusion of individuals with physical disabilities, learning difficulties or mental health issues.
Since 2010, Bank Austria established an in-house disability management function, headed by a full-time disability manager and mandated by the top management, to bring together stakeholders from all areas and coordinate all necessary efforts to address accessibility in all its dimensions, ensuring the best possible integration of people with disabilities in everyday working life and as customers.
Bank Austria is one of the 24 percent of companies in Austria that meet the legally required quota for employees with disabilities. About 230 employees with disabilities currently work for us.

At Bank Austria we believe that we must play a fundamental role within society to act as the engine of social progress. Through our external commitments, we reaffirm our pledges toward greater gender equality, diversity, equity and inclusion:
- We have been **EDGE-certified since 2022**. This is an important and rewarding international recognition that testifies our commitment to fostering gender equality and inclusive culture and shows that our ongoing efforts are successful.
- Bank Austria is the first company in Europe having received prestigious awards in the area of inclusion and accessibility in all three categories of the Disability Matters Award (Marketplace - 2022, Workforce - 2022, Workplace - 2018). We have been a pioneer in accessibility and services for people with disabilities for many years. Therefore, for us as a leading financial services provider, it is very important to partner with major interest groups as well as organizations like Zero Project and “The Valuable 500” – in order to remain at the forefront of social and technological developments, as an innovation leader.
- We participate in the LGBTQIA+ petition initiated by Deloitte for more equity in the Austrian economy and we are Pride Biz Allies

Management Report of UniCredit Bank Austria AG

- We received the Top Employer Austria award for several years in a row and again this year. The Top Employer award for 2023 is a recognition for our workplace culture that emphasizes inclusion, accountability and flexible working arrangements and development opportunities, but also of the effort we have invested in continuously working to improve our people agenda.

Gender equality and inclusion: We are committed to driving gender balance within our workforce and are actively working to build a gender-balanced Leadership Team by increasing the proportion of women in managerial positions, including in our most senior executive roles. We recognize the value of female leadership and actively work to promote gender diversity at all levels of the organization. We firmly believe that by actively encouraging and developing women leaders, we unlock previously untapped pools of talent that can contribute significantly to our organization and industry at large.

We have a significant history of working to address gender balance and when it comes to the women's presence at Bank Austria, we are proud to say that we have reached tangible progress.
- 59% of UniCredit Bank Austria AG employees are women.
- 38% of the Bank Austria Management Board are women
- 36% of the Bank Austria Supervisory Board are women, exceeding the External Regulatory Framework Austrian law

Furthermore, we have a high-quality pool of female talent which provides strong anchors for our Bank to accelerate its progress on gender equality. Recognizing the equal worth of women in the workplace is a key priority at our bank. We invest in creating an environment where women's voices are heard and respected, ensuring that women's careers are built on their own merits and contributions.

Management Report of UniCredit Bank Austria AG

1.5. Equity capital and equity capital requirements of UniCredit Bank Austria AG

The equity capital as at December 31, 2023 (€7,167 million) is calculated in accordance with Basel III requirements (Regulation (EU) No. 575/2013 CRR and (EU) 2019/876 CRR II) and is comprised of common equity tier 1 capital (CET1), additional tier 1 capital (AT1) and supplementary capital (T2).

Common equity tier 1 capital decreased by €84 million to €5,843 billion, mainly due to higher risk provisions and tax effects. Additional Tier 1 capital and supplementary capital remained largely unchanged compared to the end of 2022.

The share of tier 1 capital (CET1 + additional tier 1 capital) in eligible capital is 89.9%.
The share of additional own funds in eligible own funds is 10.1%.

Capital ratios based on all risks

	31.12.2023	31.12.2022
Common Equity Tier 1 capital ratio	18.3%	16.8%
Tier 1 capital ratio	20.2%	18.5%
Total capital ratio	22.5%	20.6%

Compared to the end of 2022, risk-weighted assets (RWA) fell from €35,243 million to €31,880 million.

The decrease in RWA is primarily due to the lower credit risk.
The decrease in credit risk is due to the implementation of capital efficiency measures, rating improvements in the customer business and a smaller effect due to the use of the new local LGD model compared to the amount that was anticipated at the end of 2022 by means of an add-on.
Market risk was more than halved year-on-year, while operational risk increased slightly.

In addition to the minimum capital requirement of 8%, UniCredit Bank Austria AG is obliged to hold a capital conservation buffer of 2.5% consisting of Common Equity Tier 1 capital, a systemic risk buffer of 0.5% and a buffer for other systemically important institutions of 1.25%. The countercyclical capital buffer for material domestic credit positions is currently set at 0%.
In addition, UniCredit Bank Austria AG is obliged to hold an institution-specific Pillar 2 buffer of 1.75%.

The CET1 ratio (18.3%) and the total capital ratio (22.5%) are significantly above the regulatory requirements.

1.6. Information on the share capital and exercise of special rights

As at 31 December 2023, the subscribed capital of UniCredit Bank Austria AG amounted to €1,681,033,521.40, all of which was represented by registered ordinary shares.

As at 31 December 2023, UniCredit S.p.A. held a direct interest of 99.996% in UniCredit Bank Austria AG.

The registered shares with restricted transferability which are held by "AVZ Privatstiftung zur Verwaltung von Anteilsrechten (AVZ Stiftung)", a private foundation under Austrian law, and by "Betriebsratsfonds des Betriebsrats der Angestellten der UniCredit Bank Austria AG Region Wien (Betriebsratsfonds)", the Employees' Council Fund of the Employees' Council of Employees of UniCredit Bank Austria AG in the Vienna region, have a long tradition and carry special rights based on historical developments: for specific resolutions to be adopted at a general meeting of shareholders, the holders of registered shares with restricted transferability have to be present when the resolutions are adopted. The relevant resolutions are specified in Article 20 (13) and (14) of UniCredit Bank Austria AG's Articles of Association.

The "Restated Bank of the Regions Agreement" (ReBORA) is a syndicate agreement concluded between UniCredit S.p.A., the AVZ Stiftung and the Betriebsratsfonds.

In the ReBORA, the AVZ Stiftung and Betriebsratsfonds have given an undertaking to UniCredit to the effect that if they want to sell UniCredit Bank Austria AG shares, they will first offer such shares held by them to UniCredit. If UniCredit does not accept the offer, the relevant contracting party could sell the UniCredit Bank Austria AG shares to a third party. In this case UniCredit has a right of preemption.
Under this agreement concluded in 2006, the AVZ Stiftung had the right, until 31 March 2016, to nominate two members of the Supervisory Board of UniCredit Bank Austria AG. Thereafter it can nominate one member of the Supervisory Board for the duration of the guarantee issued by "AVZ Stiftung" and the Municipality of Vienna.

Management Report of UniCredit Bank Austria AG

In connection with the transfer of CEE business, UniCredit S.p.A. has given certain undertakings in favour of UniCredit Bank Austria AG with regard to the future business activities and capital structure of UniCredit Bank Austria AG; the majority of the obligations on the part of UniCredit S.p.A. will end at the end of June 2024.

There are no compensation agreements between UniCredit Bank Austria AG and members of its Management Board and Supervisory Board or its employees in the case of a public takeover offer.

1.7. Information on the squeeze-out pursuant to the Austrian Federal Act on the Squeeze-out of Minority Shareholders (Gesellschafterausschlussgesetz) of the holders of bearer shares in UniCredit Bank Austria AG

The company's Annual General Meeting on 3 May 2007 adopted a resolution concerning the planned squeeze-out. The legal actions for rescission and declaration of nullity brought against various resolutions adopted at the Annual General Meeting on 3 May 2007 were terminated in spring 2008. The squeeze-out was entered in the Register of Firms on 21 May 2008. After that date, former minority shareholders initiated proceedings for a review of the cash compensation offered by UniCredit. The democratically legitimised party in these proceedings is not UniCredit Bank Austria AG, but rather UniCredit S.p.A. In these proceedings an appraiser has been appointed who is reviewing the amount of the cash compensation; the appraisal report is available and essentially confirms the adequacy of the cash compensation paid as part of the shareholders' resolution. The evidence proceedings have not yet been completed and a first-instance decision on this matter is not yet available.

Management Report of UniCredit Bank Austria AG

2. Report on risk management, risks and third-party liabilities

2.1. Risk management

UniCredit Bank Austria AG identifies, measures, monitors, and manages all risks of Bank Austria. In performing these tasks, Bank Austria works closely with the risk control and risk management units of UniCredit Group in line with the existing Group structure. In this context, Bank Austria supports UniCredit Group's ongoing projects, in particular the further harmonization of Group-wide risk-controlling procedures and processes. Regular risk monitoring and risk management are also performed in close cooperation with a view to ensuring overall risk management across the Group.

The Management Board and the Supervisory Board determine the risk policy and approve the principles of risk management and the establishment of limits for all relevant risks. The risk monitoring procedure follows Group standards. In performing these tasks, the Management Board is supported by specific committees, independent risk management units and units of other divisions. All centrally organized risk management activities of Bank Austria are combined within a management function at Management Board level directed by the Chief Risk Officer (CRO) and are thus separate from the other divisions up to Management Board level. Lending decisions which exceed the limits of the relevant business units' approval authority, and the handling of problem loans, are the responsibility of the operative credit risk divisions (Credit Risk Operations). These units are supplemented in risk management by the Strategic, Credit & Integrated Risks and Financial Risk divisions. In order to ensure the independence of the Non-Financial Risk and Internal Validation departments, they also report directly to the CRO. The ALM & Funding division reports to the Chief Financial Officer (CFO) and is responsible for risk-adequate pricing of loans and funding (as part of the planning process and under contingency funding arrangements), among other things. The Planning division is responsible for the management of capital.

The Bank's internal control system (ICS) is effective at several levels: (1) in the various business areas, (2) at the Risk & Compliance level and (3) at the Internal Audit level. Internal Audit performs regular audits with regard to the adequacy of risk processes and compliance with them. The Management Board and the Supervisory Board are provided with reports on the results of these audits and recommendations. A comprehensive system of rules ranging from Group Policies to operational instructions governs processes at various levels. The most important policies are adopted directly by the Management Board, managed in a separate system, rolled out and monitored with regard to the degree of implementation.

Cross-divisional management / control and reporting

Bank Austria essentially divides the monitoring and controlling processes associated with risk management into the following categories: credit risk (default risk and migration risk), liquidity and funding risk, market risk (interest rate risk, credit spread risk, currency risk and equity risk), structural FX risk, derivatives-linked risk (counterparty risk, CVA risk), operational risk (including legal), reputational risk, business risk, sustainability risk, pension risk, financial investment risk and real estate risk. Bank Austria participates in a UniCredit Group-wide project to take ESG risks into account in the management of financial risks.

A key element of risk control by the Management Board is the annual definition of Bank Austria's Risk Appetite, which is approved by the Supervisory Board and takes place in coordination with UniCredit Group. The Risk Appetite describes the key principles of the Bank's risk orientation, in qualitative terms of a statement and in the form of a quantitative framework of key metrics. The Risk Appetite defines risk categories and the level of risk that Bank Austria is prepared to accept in pursuit of its strategic objectives and business plan and in view of its role within UniCredit Group. In this context the interests of external and internal parties (customers, shareholders, and supervisory authorities in particular) are taken into account. For example, markets and investment banking operations are concentrated outside Bank Austria at Munich-based UniCredit Bank; this is reflected in Bank Austria's focus on commercial banking business and in correspondingly low trading book limits. The key Risk Appetite dimensions are business strategy, capital, and liquidity adequacy. The defined bundle of key indicators comprises Pillar 1 and Pillar 2 indicators, and recovery plan indicators. The Risk Appetite is integrated in the budgeting process in the context of managing the objectives in defining and selecting the desired risk-return profile. A system of targets, thresholds and limits has been defined for the key indicators to ensure regular monitoring, timely escalation, and a link to the recovery plan. In addition to the risk appetite, the Management Board and the Supervisory Board adopt a resolution, once a year, defining Bank Austria's risk strategy, which further operationalizes the risk appetite and complements it with additional limits and targets.

Regular risk monitoring at top management level is performed through the overall risk report. The overall risk report is regularly additionally presented to the Supervisory Board. It comprises a description of the risk appetite, the risk-taking capacity (RTC), of credit risk, liquidity risk, market risk and operational risk, and the results of stress tests. Specialized risk committees have been established at senior management level for the management of key risks:

- Operational risks and risks to the Company's reputation are managed in the quarterly Non-Financial Risk Committee (NFRC) meeting.
- Credit risk is assessed by the Transactional Credit Committee (TCC).
- The Financial and Credit Risks Committee (FCRC) deals with liquidity, market, derivative, and non-operational credit risk issues. With regard to liquidity, operational aspects of liquidity management, including ongoing monitoring of the market, are discussed and compliance with the liquidity policy is ensured. Market risk topics include short-term business management with regard to the presentation and discussion of the risk/earnings situation of Markets & Corporate Treasury Sales, and decisions are also made on limit adjustments, product approvals, positioning, replication portfolios and in connection with the derivatives business. The latter deals with classic credit risk and counterparty risk issues and aspects of reputational risk in customer business. The FCRC also discusses cross-divisional risk management issues arising between sales units and the overall bank management, it presents the respective risks from an economic capital perspective (Pillar 2), and discusses all material issues related to risk models, in particular the IRB, IFRS 9 and credit portfolio models.

The resolutions and results from this committee are reported directly to the Bank's entire management board.

Risk-taking capacity (ICAAP/ILAAP)

Beyond compliance with regulatory capital rules and liquidity requirements of Pillar 1, Bank Austria controls capital and liquidity adequacy also via the relevant Pillar-2 approaches: Internal Capital Adequacy Assessment Process (ICAAP); Internal Liquidity Adequacy Assessment Process (ILAAP). As part of the Group-wide ILAAP, and in close coordination with UniCredit Group, the Bank reviews the adequacy of the liquidity risk management process, which comprises various components to ensure sufficient liquidity – such as limiting the short-term and the medium-term and long-term liquidity position, stress testing, the funding plan and key regulatory indicators. Risk measurement is based on Group-internal and regulatory requirements. In the context of ICAAP, Bank Austria applies the UniCredit Group approach to internal capital at the consolidated level (including subsidiaries). This approach includes the following phases:

- Perimeter definition and risk identification
- Risk measurement
- Definition of risk appetite and capital allocation
- Regular monitoring and reporting

The process ensures that Bank Austria's perimeter including all relevant Group units and risk types are fully covered and that risk and available financial resources are consistently taken into account. The risk types are measured using procedures which have been developed within the Group and also take concentration risks into account. The Risk-Taking Capacity (RTC) compares Available Financial Resources (AFR) with aggregate Internal Capital (IC): RTC = AFR/IC. It is calculated and reported on a quarterly basis under a going concern approach. This approach requires compliance with all regulatory requirements and the application of the relevant valuation rules and accounting standards. The observation period is one year for all risk categories. The unexpected losses are calculated with a confidence level of 99.9% for all risk types. An annual risk inventory analysis ensures that all materially relevant risk categories are taken into account.

Management Report of UniCredit Bank Austria AG

Bank Austria calculates internal capital (also referred to as "economic capital" for individual risk categories) for the following risk categories:

- Credit risk (default and mitigation risk) including possible exposure as a result of the counterparty risk
- Market risk including CVA for trading and banking books (interest rate risk, credit spread risk, currency risk and equity risk)
- Structural FX risk
- Pension risk
- Business risk
- Real estate risk
- Operational risk (including legal risks)
- Reputational risk
- Financial investment risk (for those equity investments which are not covered on the basis of their relevant individual risk categories, minority interests in particular)
- Model risk (as percentage surcharges on the risk types listed above)

The dominant risk category for Bank Austria is classic credit risk while the other risk categories are much less significant. Both ICAAP and ILAAP of Bank Austria are subject to annual review by Internal Audit.

Concentration risks

The VaR models used for internal capital take concentration risk into account, e.g. concentration risk associated with customers/customer groups and countries/sector concentrations in the credit portfolio model or risk factor concentrations in the market and counterparty risk model. At the holding company level, the allocation of limits with regard to individual and sector positions (bulk-risk and industry limits) is based on economic capital. In its lending operations, Bank Austria follows this Group strategy and the related limits for industrial sectors and large exposures. Monitoring and reporting the largest borrowers (individual customers and groups of companies) and the distribution among industries takes place through the overall risk report on a quarterly basis. At Bank Austria level, economic capital is also an important factor in the approval of large transactions. As part of the quarterly ICAAP report, the Credit Risk Economic Capital Detail Report shows credit positions with a large proportion of internal capital and presents capital allocation by various segments (divisions, asset classes, banking subsidiaries, major sub-portfolios, etc.). Granular sensitivity limits and reports complement VaR limits at the portfolio level in the area of market risk. Stress test limits are also used in connection with market risk. Counterparty limits and counterparty-risk simulations including stress considerations are applied to derivatives and repos. Sovereign limits and country limits specify the maximum amounts permitted for cross-border transactions (see section 2.2.7 - Country risk and sovereign risk).

The macro risk is concentrated in Austria and a few other European countries and also reflects regional areas of focus within the UniCredit Group. If we consider the industry distribution of loans, apart from the private customer business, commercial real estate and public sector customers account for the largest volume of loans, as in the previous year.

Limit system

Regular monitoring of key indicators, with appropriate limits and early warning thresholds, and a detailed network of operational limits ensure that the Bank operates within the adopted risk parameters and that management can take timely measures in the event of unfavorable developments. The top level is the risk appetite, with about 30 key indicators being monitored at Bank Austria Group level (also partly at the Bank Austria AG level). The most significant indicators include liquidity and funding indicators (short-term, structural, and stress-based), capital and leverage indicators, risk/return indicators, and indicators focusing on specific risk categories. Violations of risk-appetite thresholds/limits are dealt with according to the defined escalation hierarchy (several levels up to Supervisory Board approval authority). The complete overview of all key figures (“Risk Appetite dashboard”) is reported on a quarterly basis at FCRC meetings and as part of the overall risk report to the Management Board and the Supervisory Board.

Some of the key figures in the dashboard are monitored on a quarterly basis, others monthly. In addition, numerous key figures or sensitivities are presented regularly outside of the dashboard, which allows us to manage them at a granular level. For example, the development of market and liquidity risk positions, including compliance with the respective sensitivity limits, is discussed every month in the FCRC. Depending on the degree of detail in the relevant dimensions (e.g., maturity buckets, currencies), the escalation hierarchy comprises several levels in these areas, too. Many of the market and liquidity limits are based on daily reports. In the event that these limits are exceeded, the handling and any necessary escalation is therefore carried out very promptly and long before the complete dashboard is presented as part of the quarterly reporting of the Management Board and Supervisory Board. Other key indicators are not determined on a daily basis, with the escalation process following the respective frequency of reporting.

A central planning variable on the credit risk side is the expected loss (EL) at the sub-portfolio level for existing and new business. Developments in this context are monitored in detail during the year against the defined targets and thresholds; changes in parameters contributing to such developments are analyzed and discussed with the relevant business areas and at FCRC meetings with regard to a potential need for action. Individual lending decisions follow the defined loan approval process, which involves the operative credit risk departments, Bank Austria's Credit Committee and the relevant committees at the holding company, according to their respective levels of approval authority (see also section 2.2.1 – Credit risk).

Stress tests

Stress tests are a key component of risk analysis and planning at Bank Austria. The Bank performs overall bank stress tests and individual stress tests. The former cover major risk categories at a specific point in time, with detailed results being aggregated against the background of a coherent scenario and presented on an overall basis. The overall bank stress tests performed regularly include capital stress tests (Pillars 1 and 2) created in line with a regulatory and economic perspective and stress analyses under the recovery plan. Stress analyses under the recovery plan combine capital and liquidity aspects, showing developments over time and in the context of possible management reaction. Reverse stress tests attempt to find out what circumstances could cause the bank's failure. The most important regular individual stress tests cover credit risk, market risk, counterparty risk, liquidity risk and climate stress tests.

The most important individual and overall bank stress tests are presented to the management bodies in the FCRC, but also as part of the overall risk report. Stress tests are performed at defined intervals (capital stress tests at least on a half-yearly basis, individual stress tests on a quarterly basis in most cases) and are also a fixed part of the annual budgeting and planning of the risk appetite. Stress tests may also be performed in response to specific issues, e.g., in response to suggestions made by Internal Audit or supervisory authorities. Scenarios are defined centrally and locally over a horizon of several years. The Holding Stress Test Council defines a minimum set of scenarios for Pillar 2 ICAAP stress tests on a half-yearly basis, which need to be calculated and reported locally. Local scenarios are additionally defined where required. Predefined thresholds for specific stress tests require management to consider action plans or contingency plans.

Stress testing is subject to an annual review by Internal Audit.

2.2. Risks

2.2.1. Credit risk

Credit risk is defined as the risk of incurring losses as a result of non-fulfilment by the borrower of terms and conditions agreed under the loan agreement. The credit risk is the Bank's most significant risk category which is why the Bank has dedicated itself to this area in particular.

The credit risk of UniCredit Bank Austria AG is determined by the traditional corporate customer business, which is focused on the regional Austrian market, and the equally important retail customer business.
Of loans and advances to customers, about two-thirds are attributable to the Corporate segment. The remaining third is attributable to loans and advances to retail customers. Within this retail customer segment, it is worth noting from a risk perspective that the share of CHF loans as risk carriers has been declining steadily for years and is currently around 18% (previous year: 18%).

Management Report of UniCredit Bank Austria AG

Methods and instruments in credit risk

Very important factors in the credit approval process are a detailed assessment of risk associated with each loan exposure, and the customer's credit rating in particular. The basis for every loan decision is a thorough analysis of the loan commitment. Following the initial loan application, the Bank's loan exposures are reviewed at least once a year. In case of Watch classification or if the borrower's creditworthiness deteriorates substantially, shorter review intervals are applied.

Our Bank-internal credit rating check is based on three different rating procedures. In order to estimate the (12-month) loss, the parameters (probability of default – PD; loss given default – LGD; exposure at default – EAD) for the customer/business segments to be assessed on the basis of models specifically developed for these purposes are calculated. The calculations are made in line with the various asset classes pursuant to Article 147 of the CRR, Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions. There are country-specific or region-specific models (e.g., for corporate customers, private and business customers) and Group-wide models (e.g., for sovereigns, banks, multinational corporates). For the current status of the application of the internal ratings-based approach (IRB approach) to credit risk in Bank Austria, please see the next chapter.

In order to estimate the expected credit loss (ECL) under IFRS 9 regulations, the aforementioned parameters are used in their appropriate adapted form.

In the individual valuation of a credit exposure, data from the annual financial statements of the customers who prepare annual financial statements and qualitative corporate factors are taken into account in addition to the customer behavior observed internally at the Bank. Bank Austria uses an automated retail scoring system for assessing, monitoring and managing the large number of loan exposures to private customers, small businesses, independent professionals and small non-profit organizations. Retail scoring consists of application scoring, which is based on proven and recognized mathematical-statistical methods, and behavioral scoring, which takes account, among other things, of account deposits and customer payment behavior and results in customer scoring that is updated monthly. This gives the Bank a tool for lending decisions and early recognition of risk. Automated data processing helps Bank Austria to reduce costs required for credit control while accelerating lending decisions.
The various rating and scoring models provide the basis for efficient risk management of Bank Austria and are embedded in all decision-making processes relating to risk management. They are also a key factor for capital required to be held against risk-weighted assets. Great attention is given to consistency in the presentation for supervisory purposes and the requirements of internal control. Risk-adequate pricing and proactive risk management improve the portfolio's diversification and risk/return ratio on an ongoing basis.

All bank-internal rating procedures are subject to ongoing monitoring. The IRB model is verified regularly. The relevant rating model is verified as to whether it depicts the risks to be measured correctly. The focus of the IRB validation in 2023 was on validating the model changes and implementations for the EAD and LGD models, the ongoing validation of the IRB models with regard to the model, data, IT and process, and quarterly model monitoring. Quarterly validation monitoring continues to be carried out on the basis of the latest quarterly developments, which in 2023 has now also included the IFRS 9 components PD and TL in addition to the IRB monitoring reports, that have been prepared for some time. All model assumptions are based on long-term statistical averages of historical defaults and losses, taking into account current risk-relevant information. The modelling follows detailed regulatory and Group-wide specifications. FCRC is defined as an expert body within the meaning of Article 189 of the CRR, which deals with all material aspects related to credit risk models (their development, adjustment, control, and validation of model soundness). The Strategic, Credit & Integrated Risks division, with the relevant methodology and control units and with independent validation units, acts as a credit risk control unit within the meaning of Article 190 of the CRR.

Current status of the application of the internal ratings-based approach (IRB approach) for credit risk at UniCredit Bank Austria AG

UniCredit Bank Austria AG applies the internal ratings-based approach, using its own estimates of loss given default and of conversion factors for a major part of its loan portfolio (advanced IRB approach). Refining and further developing local and Group-wide models and, to a lesser extent, the introduction of additional Group-wide models is taking place on an ongoing basis or according to a multi-year plan (model road map). Following the guidelines of the EBA, the changes to all local PD models were put into production in 2021. Ratings were issued automatically and for the most part immediately for retail models for use in July 2021. They were then converted for corporate models using the re-ratings of individual customers.

Management Report of UniCredit Bank Austria AG

With the approval of the local LGD model in the first quarter of 2023, it was put into production in 1Q23. As the expected RWA uplift was already shown in 4Q22 by way of a bulk add-on, there was no relevant further change in RWA.

The revision and submission of the local EAD model was performed in 3Q23. The assessment of the EAD Model is subject to ECB onsite inspection, the implementation of the model foreseen for 1Q25.

With regard to the Group-wide models, the material changes approved by the ECB for the banking rating model were implemented in mid-2023. The recalibrated model for EAD and sovereigns (PD) were also implemented in February and November 2023 respectively.

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

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

All Austrian subsidiaries of UniCredit Bank Austria AG use the standardised approach. From a current perspective and for reasons of materiality, there are no plans to switch to one of the IRB approaches.

Information on exposures where concessions were made to debtors due to financial difficulties ("forborne exposures")

Forbearance measures are concessions made by a bank to a debtor facing or about to face difficulties in meeting its financial commitments. These may take the form of a modification of the terms and conditions of a contract that would not have been agreed if the debtor had not been in financial difficulties, or the form of total or partial refinancing. The primary objective of granting forbearance measures is that the borrower remains solvent and, if possible, to enable the borrower to regain performing status. Debtors that are classified as “forborne” are subject to special monitoring requirements and are to be clearly marked as such. If a forbearance measure is granted for a transaction classified as “performing”, this has the effect that this transaction is assigned to Stage 2 in any case.

Forbearance measures exist if, for example, a deferral or rescheduling agreement has been concluded, a new agreement on the conditions has been concluded at interest rates below the market level or the conversion of part of the loan into an equity investment or the reduction of the capital amount has taken place due to financial difficulties of the borrower. The probation periods to be observed with regard to forbearance status and non-performing classification are in line with the relevant EBA Guideline (EBA/GL/2018/06) or the EBA Technical Standards (ITS 2013/03 (rev1)) and are subject to backtesting / monitoring. For the assessment, if an obligor is deemed in financial difficulties, a Troubled Debt Test – TDT is performed. In order to provide system support for this check. an automatised TDT was implemented in 2023, which checks relevant dimensions such as rating worsening, stage 2-portion of the client’s transactions, past-due-signs and other manual or automatised warning signals. Archiving of the TDT results is mandatory. For Retail results are binding, for Corporates results of individual cases can be overruled provided the reasoning is properly documented.

Before granting a forbearance measure, an assessment of the borrower’s debt service capability must be performed. In addition, it must also be checked whether this measure results in a loss, for example, due to capital or an interest waiver (impairment test), in which case the forbearance measure is registered as distressed restructuring, which always results in a non-performing classification.

Apart from the delta net present value calculation, an examination must be performed to see if the modification of the contract results in a partial or full disposal of the financial instrument. In the case of financial assets, there is a disposal if a material change in contractual conditions leads to a situation in which the modified financial instrument, in substance, no longer corresponds to the instrument before the modification. In such a case the previously recognised financial instrument is to be derecognised and a new financial instrument is to be recognised, even if – in legal terms – the same contract continues to exist in an adjusted form. Derecognition in such cases also relates to any provision made in connection with the financial instrument.

Credit risk mitigation techniques

Bank Austria uses various credit risk mitigation techniques to reduce credit losses in case of debtor default.
With specific reference to credit risk mitigation, guidelines issued by UniCredit and Bank Austria are in force. These guidelines govern and standardize credit risk mitigation processes, in line with Group principles and best practice as well as in accordance with the relevant regulatory requirements – especially strategies and procedures for collateral management. Specifically, these relate to eligibility for recognition as collateral, valuation and monitoring rules and ensure the stable value, legal enforceability, and timely realization of collateral in accordance with local law.

According to the credit policies, collateral or guarantees can be accepted only to support loans and they cannot serve as a substitute for the borrower's ability to meet obligations. Collateral and guarantees are also subject to a specific valuation and analysis with regard to their supporting function to repay the outstanding amount.
The main types of collateral accepted in support of loans granted by Bank Austria include real estate (both residential and commercial), guarantees and tangible financial collateral (including cash deposits, bonds, equities and investment fund units). Further types of collateral comprise pledged goods, receivables, and insurance contracts as well as other types of funded protection. Bank Austria also makes use of bilateral netting agreements for OTC derivatives (by means of ISDA and CSA agreements), repos and securities lending.

Processes and controls focus on the requirements of legal certainty, hedging and the assessment of the suitability of the collateral or guarantee. In the case of personal guarantees, the ability to pay and the risk profile of the guarantor (or in the case of credit default swaps, of the protection provider) must be assessed.

In the case of collateral, market values are recognized reduced by corresponding haircuts in order to consider any lower revenue, in the case of utilization.
Monitoring processes of credit risk mitigation techniques ensure that general and specific requirements established by credit policies and regulatory rules are met at all times.

The internal rating scale
The **internal rating distribution for 2023** follows the UniCredit master scale below (amended compared to 2022) and considers the probability of default (PD) ranges shown below. Classes 1 to 3 correspond to the investment grade classes of the external ratings. The external rating classes can be reconciled to internal rating classes via the PD bands.
In 2023, the number of internal rating classes was reduced to 8 compared to 9 in 2022. In 2023, the internal rating 8D is reported in class 8 whereas in 2022 8D was reported in class 9. Impaired / Stage 3 exposures are reported under "not rated".

UniCredit Master Scale 2023

INTERNAL RATING CLASSES	PD MINIMUM	PD MAXIMUM
1	0.00%	0.05%
2	0.05%	0.12%
3	0.12%	0.31%
4	0.31%	0.77%
5	0.77%	1.96%
6	1.96%	4.96%
7	4.96%	12.57%
8	12.57%	100.00%
9	IMPAIRED	

The PD value of the class has to be considered as "greater or equal" than the lower bound of each rating class.
The PD value of the class has to be considered "strictly lower" than the upper bound of each rating class.

The **internal rating distribution for the year 2022** shown below follows the Group-wide UniCredit rating master scale set out below.

UniCredit Master Scale 2022

INTERNAL RATING CLASSES	PD MINIMUM	PD MAXIMUM
1	0.00%	0.05%
2	0.05%	0.12%
3	0.12%	0.31%
4	0.31%	0.77%
5	0.77%	1.96%
6	1.96%	4.96%
7	4.96%	12.57%
8	12.57%	31.82%
9	31.82%	99.99%

PD = Probability of Default

Realization of mortgage collateral

Mortgages are the main type of collateral accepted by UniCredit Bank Austria AG for real estate finance. If the mortgage needs to be realised, Bank Austria will first try to sell the property in the market by mutual agreement with the customer and to use the proceeds for loan repayment. Where this is not possible, the property will be sold in accordance with the rules of the Austrian Enforcement Code or the Austrian Bankruptcy Code. As there are orderly market conditions in Austria, mortgaged real estate is normally not acquired by Bank Austria (debt asset swap).

Credit risk stress testing

Credit risk stress tests are an essential component of Pillar 1 and Pillar 2 stress tests (which analyse the impact on regulatory capital and economic capital) and are therefore also presented at meetings of the FCRC.

The main dimensions of stress analysis include the following:
- increase of non-performing loans and associated losses
- increase of losses in already non-performing loans (LGD change)
- impact on expected loss on performing exposures (IFRS 9)
- impact on Pillar 1 RWAs and shortfall
- impact on economic capital

The calculation is based on dependency models developed and continuously updated by the UniCredit Group. The model takes into account both local and regional macroeconomic factors, such as changes in gross national product, interest rate levels, unemployment, inflation and exchange rates. The resulting impact on credit risk parameters is analysed with regard to the respective loan portfolio.

As a minimum, the relevant multi-year ICAAP scenarios are used as stress scenarios (typically, a base scenario and three different stress scenarios for a reference date) complemented by additional scenarios on an ad-hoc basis.

Management Report of UniCredit Bank Austria AG

ALM & Funding

The ALM & Funding department performs the following tasks relevant to credit risk:

First, preparing and monitoring the risk-adequate pricing of loans. To ensure uniform pricing within the UniCredit Group, the risk-adjusted spread is calculated on the basis of multi-year default probabilities / PDs (depending on the term of the loan), added as a price component and monitored continuously. Such pricing rationale follows the approach defined in the Group Risk Adjusted Pricing Discipline, which was approved as a Policy in UniCredit Bank Austria AG in July 2014.

The unit is also responsible throughout Bank Austria for transactions to reduce credit risk and increase liquidity. The instruments available for these purposes include securitizations, CLNs and CDSs.

Securitization transactions

Qualitative information
Bank Austria did not make use of traditional or synthetic securitisation transactions to obtain additional liquidity or broaden the refinancing base of the Group in the 2023 financial year.

2.2.2 Liquidity risks

Qualitative information

Liquidity risk is defined as the risk that the bank may find itself unable to fulfil its expected or unexpected payment obligations (by cash or delivery), current and future, without jeopardizing its day-to day operations or its financial condition.

UniCredit Bank Austria AG is integrated within UniCredit Group framework and has implemented a comprehensive set of liquidity risk rules, metrics, and methodologies in compliance to national binding laws and regulations.

Liquidity management in UniCredit Bank Austria AG is an integral part of UniCredit Group liquidity management. In line with the Group-wide distribution of tasks, UniCredit Bank Austria AG as liquidity reference bank (LRB) ensures the consolidation of liquidity flows and the funding for Austrian subsidiaries. The flow of funds is thereby optimized, and external funding is reduced to the necessary extent. The solid funding is based on a strong customer base, supplemented with capital market activities in the mortgage bond and benchmark format.

The overall liquidity framework (processes, governance and methodologies) is comprehensively detailed and assessed in the annual internal liquidity adequacy assessment process (ILAAP)

Strategies and processes to manage the liquidity risk
The banks' liquidity framework is based upon the Liquidity Risk Mismatch Model which is characterized by the following fundamental principles:
- the short-term liquidity risk management (operational liquidity), which considers the events that will impact upon the banks' liquidity position from 1 day up to one year. The primary objective is to maintain the banks' capacity to fulfil its ordinary and extraordinary payment obligations while minimizing the relevant costs;
- structural liquidity risk management (structural risk) which considers the events that will impact upon the bank's liquidity position over one year. The primary objective is to maintain an adequate ratio between medium/long term liabilities and medium to long-term assets, with a view to avoid pressures on short-term funding sources (both current and future), while in the meantime optimizing the cost of funding;
- stress testing, which is an excellent tool to reveal potential vulnerabilities in the balance sheet. The bank uses several scenarios ranging from general market crisis to idiosyncratic crisis, and a combination hereof.

Management Report of UniCredit Bank Austria AG

The risk measurement and reporting are ensured through a set of regulatory and internally defined metrics based on which the liquidity component of the Risk Appetite Framework is defined. One of the key pillars is represented by the regulatory standards. On the short-term maturity range (Liquidity Coverage Ratio – LCR), under this standard, net outflows of liquidity have been required to be covered by high-quality liquid assets to the minimum extent of 100%. In addition to the regulatory requirements mentioned above, UniCredit Bank Austria AG defines its internal risk appetite far more conservatively; as a result, the liquidity coverage ratio had to exceed at least 115% in 2023. The liquidity outflows that might be generated by the margin calls on derivatives due to stress on the market are considered in the LCR calculation and are updated on regular basis. Quantification of potential liquidity outflows, raised by the necessity of additional guarantees in case of adverse market scenarios, is measured leveraging on the historical analysis of net collateral posted (Historical Look Back Approach) (2023: €1,025 million.; 2022: €618 million). The regulatory liquidity coverage ratio for UniCredit Bank Austria AG as of 31 December 2023 stands at 155% (2022: 164%).
On the medium-term and long-term range (Net Stable Funding Ratio – NSFR) under this standard, it is required a full structural funding of the structural assets side to the minimum extent of 100%. By optimizing the structure of assets and liabilities and the holdings of high-quality liquid assets (cash and government bonds), the ratios required by law are exceeded. The Net Stable Funding Ratio (NSFR) based on CRR2 must be held above this limit at the individual bank level. At the end of 2023, UniCredit Bank Austria AG a NSFR of 125% for the > 1-year segment (2022: 121%).

In addition to the regulatory framework, in line with Group Standards UniCredit Bank Austria AG deals with liquidity risk as a central risk in banking business and has in place monitoring processes for the short- term and long-term liquidity requirements. In this context the liquidity situation for the next few days and months and also for longer periods is analyzed against a standard scenario and stress scenarios.
For the purpose of short-term liquidity management, volume limit values have been implemented in Bank Austria and at individual bank level of the Austrian perimeter for maturities up to nine months, which limit all treasury transactions and the securities portfolio of the respective bank. Liquidity fluctuations resulting from customers' investment decisions and market volatility in terms of margin calls on derivatives have also been taken into account via a specific daily liquidity buffer. Volume limits are also established for open maturities in various currencies to keep down the risk of a need for follow-up funding in the event that foreign currency markets dry up.
For the medium- and long-term perspective, structural liquidity ratios (SLR) for different time horizons are in place, for the >1-year segment, the SLR of UniCredit Bank Austria AG was 106% (2022: 118%) and for the > 3-year segment 124% (2022: 147%).
In addition, absolute limits are defined for material currencies – in the case of UniCredit Bank Austria AG, these are US dollars while other currencies are combined in a group; cross-currency refinancing is therefore only possible within the limits stated.

Funding Concentration Risk can arise when the bank leverages on a limited number of funding sources, that they become of such significance that the withdrawal of one or few could trigger liquidity problems.
In the bank the governance and control of funding concentration risk is mainly performed through the setting and monitoring of metrics, managerial and regulatory, aimed at preventing potential vulnerabilities in the bank's ability to meet its liquidity obligations when the funding contracts expire.

UniCredit Bank Austria AG performs liquidity stress tests for UniCredit Bank Austria AG and for relevant subsidiary banks on a regular basis, using a standardized Group-wide instrument and standardized Group-wide scenarios. These scenarios describe the effects of market-driven or name-driven crisis signals on liquidity inflows and outflows, with assumptions also being made about the behavior of non-banks.

A simulated name and market crisis with assumptions regarding the prolongation behavior of customer deposits and loans, increased drawing of credit lines, additional funding obligations from the derivatives business (stressed margin calls on derivatives due to volatility on the market) and rating downgrades currently results in a "survival period" of more than 12 months from a liquidity perspective; the prescribed minimum of this "time-to-wall" period is defined as one month.

The liquidity outflows expected to occur in stress situations are compared with available liquidity reserves (essentially, securities – government bonds – and credit instruments eligible as collateral at the central bank) to examine the Bank's risk-taking capacity in the maturity range of up to one year.

Management Report of UniCredit Bank Austria AG

The decrease in the **overall liquidity reserve** is driven by the change in the commercia gap (distance between commercial deposits and commercial loans) for the period from 31 December 2022 to 31 December 2023. The partial reallocation between the cash reserve/central bank balances and level 1 assets is mainly due to the TLTRO repayment, where the decline in cash is compensated by HQLA level 1 securities that have been released.

Composition of the Liquidity Reserve

(€ million)

COMPOSITION OF LIQUIDITY RESERVE [1]	31.12.2023	31.12.2022
Cash and balances with central banks	8,251	12,765
Level 1 assets	14,315	11,786
Level 2 assets	1,683	1,481
Other assets eligible as collateral for central bank borrowings	428	108
Liquidity reserve	**24,677**	**26,141**

[1] The liquidity reserve contains only freely available assets; the minimum reserve obligation is not included; amounts are shown as fair value.

General information, processes, IT, and management model

The governance and control of liquidity risk is mainly performed through the setting and monitoring of operating restrictions, managerial and regulatory, aimed at preventing potential vulnerabilities in the bank's ability to meet its cash flow obligations that are embedded in risk metrics limits or warning/trigger levels. In case of limit breach or warning level activation, risk management function investigates the rationale of the events, triggering the proper escalation and reporting them to the relevant committees.

All methods, procedures, management model, responsibilities and reporting lines in are embedded in a set of internal policies and internal handbooks at group level and cascaded down at the Austrian Perimeter. The Contingency Liquidity Management in the event of a liquidity crisis is described in a specific Contingency Liquidity Policy.

Funding

The business model of Bank Austria as a Commercial Bank leads to a well-diversified refinancing basis. The funding pillars are a strong customer base and an extensive product mix (sight, fixed-term, and savings deposits), supplemented by the placement of own issues in the medium-term and long-term maturity segment to fulfil the relevant funding needs under the various regulatory requirements, including buffers (e.g., Liquidity Coverage Ratio, Net Stable Funding Ratio). Against this backdrop, the medium and long-term refinancing base was significantly strengthened in 2023. In addition to a conventional covered bond issue in the amount of €1.0 billion in January 2023, Bank Austria very successfully placed its second green covered bond in February 2023 in the amount of €750 million. In addition, the Bank placed a senior non-preferred issue with UniCredit S.p.A. in the amount of €800 million in 2023 in order to comply with the “internal MREL requirements”.

Following the early repayment of central bank refinancing taken out under the ECB’s TLTRO III program in December 2022, the bank repaid the remaining outstanding in the amount of €5.4 billion of the fourth tranche of TLTRO III in June 2023. As at the end of 2023, central bank refinancing under the TLTRO III program amounted to €1.55 billion.

2.2.3 Market risks

Market risk management at Bank Austria encompasses all activities in connection with our Markets and Corporate Treasury Sales operations and management of the balance sheet structure. Risk positions are aggregated at least daily, analysed by the independent risk management unit, and compared with the risk limits set by the Management Board and the committees, such as the Financial & Credit Risk Committee (“FCRC”) designated by the Management Board. At Bank Austria, market risk management includes ongoing reporting of the risk position, limit utilisation of all positions associated with market risk. The existing positions in Bank Austria are largely attributable to the banking book; trading book activities were primarily driven by XVA hedges. In addition to the regulatorily-relevant dimensions of trading book and banking book, internal management focuses on accounting categories and makes a distinction between P&L (profit and loss) and OCI (other comprehensive income).
Bank Austria uses uniform Group-wide risk management procedures for all market risk positions. These procedures provide aggregate data and make available the major risk parameters for the various risk takers once a day. Value-at-Risk (VaR) is calculated daily with a 99% quantile based on 250 P&L strips (i.e., P&L of the last 250 business days) and is scaled to a ten-day horizon to calculate the regulatory RWAs.

Besides Value at Risk (VaR), other factors of equal importance are stress-oriented sensitivity and position limits. Additional elements of the limit system are the loss-warning level (applied to accumulated results for a specific period), the stressed VaR (SVaR) limit (determined for the trading book with a separate observation period), incremental risk charge (IRC)[12] limits, the stress test warning limit (limiting losses when a pre-defined stress event is applied) and granular market risk limits (GML)[13]. There is a separate GML framework for XVA hedging activities.

Bank Austria uses a standard measurement procedure which is also applied in UniCredit Group. The model, approved by supervisory authorities, is used for internal risk management and for determining regulatory capital requirements for market risk. Bank Austria is embedded in the market risk governance framework of UniCredit Group and leverages on the Group-wide risk management platform UGRM. The Group-wide Front-to-Back Office platform "Murex" and UGRM form an integrated risk system.

It is applied by Financial Risk within Bank Austria and is being further developed in cooperation with UniCredit Group. Further development includes reviewing the model as part of back-testing procedures, integrating new products, implementing requirements specified by the Management Board and the FCRC, and executing the Model Maintenance Report on a quarterly basis.

Risk Governance
A new product process (NPP) has been established for the introduction of new products in the Financial Risk department whereby risk managers play a decisive role in approving products. The risk model covers all major risk categories: interest rate risk and equity risk (both general and specific), credit spread risk, currency risk and commodity position risk. The IMOD[14] is subject to an annual review by Group Internal Validation (GIV) and internal audit. The risk report presented at the FCRC meetings, which are held every month, covers (stress) sensitivities in addition to VaR, and utilisation levels in the areas of IRC and SVaR (both for the regulatory trading books). Regular and specific stress tests complement the information provided to FCRC and the Management Board.

Stress tests
Bank Austria executes a comprehensive stress test programme for market risk. The results are reviewed and reported in the FCRC at least quarterly or on an ad-hoc basis given unfavourable market developments. Macro scenarios show the potential adverse impacts of global developments with specific effects on the respective risk categories, while stress sensitivities of individual risk factors or groups of risk factors show the potential adverse impacts on partial market segments. Stress scenarios are based on assumptions of extreme movements in individual market risk parameters. The Bank analyses the effect of such fluctuations and a liquidity disruption in specific products and risk factors on the Bank's results. The assumed fluctuations are dependent on currency, region, liquidity, and credit rating, and are set in the Open Market Risk Forum (OMRF) with the relevant experts from other bank areas (such as UniCredit research, trade, and market risk). Bank Austria takes part in the UniCredit Group-wide Open Market Risk Forum (OMRF), which is the platform for CRO units to discuss stress test results and agree on further common Group-wide scenario definitions. The "ICAAP scenarios" are updated at least once per year and used for stress test analyses, monitoring stress test limits and the regulatory stress report in the entire UniCredit Group.

Prudent Valuation
The regulatory approach to prudent valuation in the trading book is implemented primarily by Market Risk and further developed on an ongoing basis through cooperation within UniCredit Group. A Group-wide Independent Price Verification (IPV) process ensures the independence and reliability of valuation and risk measurement. The front-end system "MUREX" is supplied with the "golden copy" market data of UniCredit Group for daily valuation purposes. The Group-wide "golden copy" is drawn up by competence centres which are structured by asset class and independent of trading operations. Moreover, UniCredit Bank Austria AG takes part in meetings of the asset-class committees, which address and resolve valuation and market-data issues. The regulatory principle of prudence is met by determining all relevant Additional Valuation Adjustments (AVA).

Backtesting
Bank Austria performs a daily backtesting of both the hypothetical and actual (i.e., economic P/ L excluding fees, commissions, and net interest income) changes in the portfolio's value in accordance with Article 366 of the CRR. As of 31 December 2023, the number of backtesting excesses (negative change in value larger than model result) for Bank Austria in both, hypothetical and actual P/L dimensions, was equal to 0, accordingly the add-on factor for the VaR multiplier for the number of excesses is equal to 0.

[12] IRC (Incremental Risk Change) depicts the migration and default risks for a specified period and confidence interval (1 year, 99.9%). The scope includes CDS and bond positions in the trading book
[13] e.g. BPV or CPV limits, which describe the sensitivity to changes in interest rates or credit spreads
[14] Internal Model for Market Risk in accordance with Regulation (EU) No 575/2013 (CRR)

Management Report of UniCredit Bank Austria AG

Capital adequacy for market risk
The parameters used for calculating capital requirements are a 10-day holding period, a confidence level of 99% and a multiplier of 3 (base is 3 and the current add-on is 0) in respect of the Value-at-Risk figures, which is used in determining the capital requirement for market risk.

As of 31 December 2023, the following capital requirements resulted for Bank Austria in connection with Value at Risk (VaR), stressed VaR (SVaR) and incremental risk charge (IRC):

- VaR: €8.3 million (€22.5 million at the end of 2022)
- SVaR: €14.0 million (€31.6 million at the end of 2022)
- IRC: €0.0 million (€0.03 million at the end of 2022)

The decrease in capital requirements compared with the previous year resulted from the decrease in the multiplier as well as lower VaR and SVaR figures in the averaging window of the regulatory capital calculation formula.

Balance sheet structure management
An allocation to the Bank's business divisions according to the costs-by-cause principle is possible as a result of the reference interest rate system applied across UniCredit Group. The Bank's risk committee ensures that the Bank's overall liquidity and interest rate gap structure is optimised.

To assess the Bank's balance-sheet and profit structure, an integrated Interest Rate Risk in the Banking Book (IRRBB) management framework is established following UniCredit Group standards aiming to facilitate an effective decision-making process and governance. The Financial and Credit Risk Committee is responsible for defining the operational strategy for managing the interest rate risk of the banking book, including the strategy for managing the capital and the structural gap between assets and liabilities not sensitive to the interest rate. The management of the interest rate risk of the Banking book is aimed at reducing adverse impacts on the long-term interest margins, due to the volatility of interest rates, to achieve a flow of profits and a return on capital consistent with the strategic plan. The strategy does not envisage any directional or discretionary positioning aimed at generating additional profits, unless approved by the competent bodies and monitored separately. The Treasury function manages the interest rate risk deriving from commercial transactions while maintaining the exposure within the limits set by the Risk Committee. The strategic transactions in the Banking book are managed by the Asset and Liability Management department, ALM.
Limits and alert thresholds are defined for in terms of sensitivity to the economic value or interest margin. The set of metrics is defined according to the Group IRRBB standards and level of complexity of the Bank's business model.
On a regular basis, at least quarterly, the relevant IRR exposure, complemented by the analysis of the compliance to the limits, must be reported to the FCRC.

The interest rate risk management strategy is established considering also the main impacts deriving from the behavioral aspects of customers, which can impact on the value of interest margins and the economic value of the banking book, such as the example of early repayments of disbursed loans ("prepayment") as well as the maturity and repricing profile of non-maturity deposits. Asset and Liability Management department is responsible for defining the hedging strategy on non-maturity deposits aiming to optimize the NII over time within IRRBB RAF framework; a prudential stance is kept in determining the volume and duration of the hedging strategy to limit over-hedging risk.
The assumptions and parameters of the behavioral models are the same for the internal measurement framework as well as for the generation of the regulatory exposures.

The measurement of Interest Rate Risk in the Banking Book covers both, the economic value and the earnings perspective, in particular:
- the analysis of the sensitivity of the Economic Value to changes in interest rates: it includes the economic value sensitivity of the balance sheet items for different time buckets and a 1bp rate shock, as well as the impact on the economic value deriving from large changes in market rates, according to the scenarios of the "Supervisory Outlier Test" required by the EBA Guideline (EBA/GL/2022/14),
- the sensitivity analysis of interest margins to changes in interest rates ("NII sensitivity") under the assumptions and considerations of a constant balance sheet during the time period and different shocks of the interest rate curves as required by the EBA guidelines as well as additional scenarios to consider basis risk and other non-parallel shocks.

Both perspectives are part of UCBA AG's Risk Appetite framework where for the earnings perspective the Net Interest Income (NII) is monitored in relation to budget while Economic Value (EV) change is measured in relation to Tier1-capital.

As at 31 December 2023, the **sensitivity to interest rates changes** for the worst-of-six "Supervisory Outlier Test", as envisioned by EBA guideline (EBA/GL/2022/14), was the Parallel up scenario and equal to €-524 million (2022: €-608 million), which translates in relation to Tier 1 capital to -8.1% (2022: -9.3%).

The table below contains the **interest rate risk exposure metrics in the banking book** as of 31 December 2023 and 31 December 2022:

Interest rate risks on positions in the banking book

(€ million)

SUPERVISORY SHOCK SCENARIOS	CHANGES OF THE ECONOMIC VALUE OF EQUITY 31.12.2023	31.12.2022
Parallel up	(524)	(608)
Parallel down	222	323
Steepener	40	111
Flattener	(83)	(246)
Short rates up	(227)	(410)
Short rates down	58	153

The changes in the sensitivity of the Economic Value in 2023 are mainly due to the closure of the TLTRO III hedges following the repayment of the fourth tranche in June 2023, supplemented by updates to the customer behaviour models, including the introduction of the new savings deposit model.

As at 31 December 2023, the net interest income sensitivity ("NII Sensitivity") to an immediate parallel and positive shift of the interest rates was equal to €38.5 million (2022: -9.6mn), whilst the immediate change to a parallel downward shift of interest rate of the interest rates amounted to €-48.0 million (2022: €55.8mn)[15].

The changes in the sensitivity of the net interest income ("NII Sensitivity") between 31 December 2022 and 31 December 2023 are predominantly driven by the closure of the TLTRO III hedges, supplemented by updates to the customer behaviour models, including the introduction of the new savings deposit model.

2.2.4 Derivative business volume

Derivatives are classified as financial derivatives and credit derivatives, according to the underlying financial instrument. In these categories, a distinction is made between trading book and banking book and between different counterparties. Bank Austria's business volume in derivatives focuses on interest rate contracts.

UniCredit Bank Austria AG uses derivatives for interest rate management in the banking book to hedge securities held as assets, loans, and advances as well as securitized and non-securitized liabilities against interest rate risk and currency risk. The bank uses primarily interest rate swaps caps and floors as hedges. The bank forms micro and macro valuation units, with non-linear derivatives always being added up as micro valuation unit. Hedge accounting is not applied to bonds on the assets side that are held as current assets and which are economically hedged.

2.2.5 Currency risk

CHF risk

As in previous years, the reduction in CHF loans continued in 2023. Loans and receivables with customers reduced by around a further €0.5 billion in consideration of the net volume (after impairments) and reduced from €3.7 billion to €3.2 billion. Approximately 5.1% thereof was classified as non-performing. The majority of the loans and receivables come from the Retail segment, to which 92% of the CHF volume is allocated.

Other currency risks

Customer loans in other currencies (net volume, exclusively CHF) amounted to €2.5 billion as of 31 December 2023 (2022: €2.8 billion), a large part of which were loans in USD (primarily to customers in the Corporate segment).

2.2.6 Counterparty risks

[15] The interest rate shocks applied for the main currency EUR are +100 / -50 bps in 2023 and +100 / -25 bps in 2022. For the other currencies, the interest rate shifts are + 100 bps or -100 bps or less, depending on the interest rate level of the individual currency. For certain currencies, the downward shock was adjusted in 2023 compared to 2022, taking into account the individual interest rate environments. However, the main cause of the change in the sensitivity of net interest income is described in the main text.

Management Report of UniCredit Bank Austria AG

Trading in derivatives at Bank Austria is primarily related to the hedging of positions entered into vis-à-vis customers.

Contracts are valued at current prices using recognised and tested models. Market values show the contract values as at the balance sheet date, positive current market values and estimated future market values indicate the potential default risk arising from the relevant activity.
For the purposes of portfolio management and risk limitation in connection with derivatives, securities lending transactions and repurchase agreements, UniCredit Bank Austria AG uses an internal counterparty risk model (IMM). The model is based on a Monte Carlo path simulation for risk management in derivatives and securities financing business with banks and customers to estimate the potential future exposure at portfolio level for each counterparty.

The UniCredit Group-wide counterparty risk model applies an expected shortfall of 87.5% (equals a 95% quantile) and 3,000 scenarios with 52 grid points for the purpose of internal risk control. Furthermore, the model is based on a standardised margin period of risk and on the use of default conditional metrics.
The calculations are based on market volatility, correlations between specific risk factors, future cash flows and stress considerations. Netting agreements and collateral agreements are also taken into account for simulation purposes.

The simulation calculations are performed for all major types of transactions, e.g., forward foreign exchange transactions, commodity futures transactions, interest rate instruments, securities lending transactions and repurchase agreements, equity-related, commodity-related or inflation-related instruments and credit derivatives. Other products (some of them exotic) are taken into account with an add-on factor approach (depending on volatility and maturity).
In addition to determining the potential future exposure for internal risk control purposes, the path simulation also enables the Bank to calculate the average exposure and the modified average exposure (exposure at default) pursuant to Basel 3, as well as the effective maturity of the exposure and the “stressed EPE” (Expected Positive Exposure) for each counterparty. This makes it possible to include counterparty risk in a Basel 3-compliant internal model to calculate capital requirements. The regulatory exposure at default is calculated at netting-set level. A netting set is a group of transactions between the Bank and a customer which is subject to a legally enforceable bilateral netting agreement.

UniCredit Bank Austria AG has implemented the general requirements in the area of counterparty credit risk resulting from the publications of the Basel Committee (Basel 3) and the Capital Requirements Regulation (CRR). The regulatory requirements include the calculation of normal counterparty exposure and of stressed counterparty exposure (comparable with the stressed VaR in market risk), the capital backing for market risk in respect of credit valuation adjustments (CVA market risk) and stricter standards for collateral management.
The requirements regarding the mandatory exchange of securities in bilateral margining agreements with financial counterparts for margin variation were implemented in line with regulations.
The requirements to be met with regard to stress testing and backtesting in respect of counterparty credit risk have also been implemented at UniCredit Bank Austria AG. Backtesting is performed at regular intervals – at the level of individual counterparties and at overall bank level – to review the model quality on a regular basis.

The counterparty risk model is constantly being improved. Since 2019, the basis for generating the scenarios for internal risk management has been changed over from historical fluctuations to market-implicit volatilities. The significant model change resulting from this regarding the calculation of the capital requirements has been applied for with the ECB and has also been used for regulatory purposes since the end of Q1 2021.

In June 2021, the implementation of the new legal requirements of CRR 2 for the new standard approach for counterparty credit risk (SA-CCR) was implemented in the Bank’s internal risk systems. In the SA-CCR, transactions that are not recorded in the internal counterparty risk model using Monte Carlo simulation (e.g., stock exchange derivatives or securities transactions) are shown for calculating the equity capital requirements for regulatory purposes.

The internal IT systems are used for calculating counterparty risk arising from derivatives business, securities lending transactions and repurchase agreements, and for determining risk arising from other risk types. This ensures that exposures resulting from derivatives business as well as money-market risk, issuer risk and settlement risk are calculated centrally using the internal IT systems (FRE – Full Revaluation Engine, AGE – Aggregation Engine).

In 2022, the settlement risk calculation method was revised and technically implemented as part of a Group-wide project. The main methodological changes represent a more precise distinction between “principal and replacement cost risk”, as well as the distinction between “irrevocable risk and uncertain risk”.
In addition, mitigating effects such as the consideration of FX payment netting and “delivery versus payment”-settlement are also taken into account to reduce risk.

Moreover, country risk is calculated and reported separately for external and internal country risk.

Line utilisation for trading business is available in real time in the central treasury system MLC (“Murex Limit Controller”). The MLC treasury system is the central limit system used by UniCredit Bank Austria AG. In addition to current line utilisation – at customer level – resulting from derivatives and securities financing transactions, the system shows utilisation levels for money-market, issuer, and settlement risk.
UniCredit Bank Austria AG additionally limits the credit risk arising from its derivatives business through strict use of master agreements, through collateral agreements and break clauses. These collateral agreements were changed to eligible benchmarks (e.g., from EONIA to ESTR) in 2021 in accordance with regulatory requirements. Despite the very good average creditworthiness of our business partners, management is paying increased attention to default risk.

Since 2021, UniCredit Bank Austria AG has continued to expand its online trading platform (UCTrader/ExCEED) which was introduced in 2020 and enables our customers to conclude derivatives transactions in real time. As part of these initiatives, the relevant risk checks were implemented, ensuring, for example, an online real-time review and compliance with pre-settlement and settlement risk limits.

Moreover, in accordance with the European Market Infrastructure Regulation (EMIR), the central clearing obligation for OTC derivatives was implemented at UniCredit Bank Austria AG. UniCredit Bank Austria AG is a clearing member of the “London Clearing House” (LCH Clearnet) clearing institution and since 2020 has also been a clearing member of the “LCH SA” clearing institution in Paris. Furthermore, UniCredit Bank Austria AG clears repurchase agreements at EUREX Clearing AG, the central counterparty.
Separate reporting on counterparty credit risk is in place with a view to informing UniCredit Bank Austria AG’s FCRC of current exposure trends, stress testing, collateral management and wrong way risk while also providing additional information relevant to risk management. Energy and commodity-related customers and risks are also taken into account.

At the end of the year, UniCredit Bank Austria AG had total exposure of €2,676 million (previous year: €3,281 million) from the use of the counterparty credit risk calculation method of the Group-wide risk systems for the exposures from derivative transactions, repurchase agreements and securities lending transactions.

The **total exposure at the end of 2023** can also be split into the following sectors:

Exposure by sectors

(€ million)

SECTOR	31.12.2023	31.12.2022
Industry and trade	779	859
Financial services sector	457	931
Real estate	321	284
Energy and Commodity sector	226	364
Public sector	28	31
Central Clearing Counterparties (CCP)	865	813
TOTAL	**2,676**	**3,281**

Management Report of UniCredit Bank Austria AG

Exposure by rating class

(€ million)

RATING CLASS	31.12.2023	31.12.2022
1	971	992
2	881	472
3	214	1,318
4	264	278
5	123	152
6	130	45
7	82	16
8	6	4
9	6	5
TOTAL	**2,676**	**3,281**

2.2.7 Country risk and sovereign risk

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

2.2.8 Operational risks

Operational risk (OpRisk) is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events (including legal risks – see section 2.2.12). For example, compensation paid to customers for incorrect/inadequate product-related advice, IT system failures, damage to property, processing errors or fraud are subject to accurate and consolidated risk measurement and management (collection of loss data, external data, scenarios, indicators), on which the calculation of capital to be held for operational risk is based.

Loss data is collected, and processes are optimized, in close coordination and cooperation across departments and units including the business areas, Internal Audit, Compliance, Legal Affairs, Digital & Information and the insurance sector. Over the years, UniCredit Bank Austria AG has taken numerous measures in the various divisions to manage and reduce operational risk. Thus, data security measures, measures to ensure the confidentiality and integrity of stored data, access authorisation systems, the two-signatures principle, and a large number of monitoring and control processes as well as staff training programmes have been implemented among other measures. Raising awareness of operational risks plays a particularly important role and is supported by a variety of measures such as "tone from the top" mailings from the Management Board, training courses for managers and mandatory online training.

UniCredit Bank Austria AG has built up a decentralized operational risk management framework in the form of OpRisk representatives (so-called "Decentralized OpRisk & RepRisk Managers" (DORRM)) for all relevant company divisions – in addition to central operational risk management, the Non-Financial Risks function. The central OpRisk & RepRisk function of UniCredit Bank Austria AG was assigned directly to the Chief Risk Officer as a staff unit in 2018. As in UniCredit Bank Austria AG, there are also OpRisk managers or contact persons in all relevant subsidiaries of the UniCredit Bank Austria Group.

While the main task of central risk management is to define the methods used and to perform risk measurement and analysis, decentralized risk management is responsible for taking measures to reduce, prevent, or take out insurance against risks. The central OpRisk Management is responsible for monitoring the adequacy of risk handling measures as part of the "2nd level controls".

Management Report of UniCredit Bank Austria AG

Activities in 2023 focused on:
- Integrating the OpRisk & RepRisk strategy issues of 2021 and their monitoring by reference to key risk indicators in the Permanent Work Group (a cross-divisional OpRisk work group which holds regular meetings)
- Implementing risk-minimizing measures for the identified strategy topics (through DORRMs and experts) and their report in the Permanent Work Group and the Non-Financial Risk Committee
- Monitoring of OpRisk exposures using key indicators that are part of the risk appetite framework
- Carrying out 2nd level controls for OpRisk assessments for relevant outsourcings and third-party contracts
- Revising the KRI monitoring framework on an ongoing basis to measure risk more effectively and carry out the scenario analysis.
- Raising awareness of OpRisk topics through various training courses for different target groups and through online training that is mandatory for all employees
- Revising OpRisk-relevant accounts and books as part of accounting reconciliation, general ledger analysis and transitory and suspense account analysis in order to ensure complete OpRisk data collection
- Carrying out focal point analyses on various OpRisk-relevant subject areas, also triggered by relevant external OpRisk incidents
- Carrying out a Risk & Control Self-Assessment (RCSA) for relevant business processes, including the ICT risk assessment for the UCBA
- Increased focus on a uniform approach by the subsidiary company
- Execution of ICT project risk assessments for all relevant ICT projects
- ICT 2nd level controls and monitoring of ICT security KPIs for UCBA AG and all relevant subsidiaries

A network of independent functions and teams are involved in managing and controlling risks, providing the Management Board with sufficient information on the risk situation and enabling the Management Board to manage risk.

The operational risk agendas are dealt with on the Non-Financial Risk Committee. The Committee is a central component in integrating operational risk into the Bank’s processes; its main tasks are to report on current operational risk issues and developments, to approve operational risk-relevant documents, to report losses and to serve as a body to which unresolved issues are referred. The entire Management Board of UCBA is represented on the Committee.

Since the beginning of 2008, UniCredit Bank Austria AG has been using the Advanced Measurement Approach (AMA Approach) for calculating the OpRisk capital, with the model calculation for all AMA subsidiaries being performed by the UniCredit Group.

Domestic subsidiaries
Schoellerbank AG and UniCredit Leasing Austria GmbH apply the AMA in the area of operational risk.

Implementation of disclosure requirements under CRR
Within UniCredit Group, comprehensive disclosure (under the Pillar 3 disclosure requirements pursuant to the CRR) is carried out by the parent company UniCredit on its website, based on the consolidated financial position in its function as EU parent bank. Bank Austria is a significant subsidiary pursuant to Article 13 of the CRR and, for the 2023 fiscal year, discloses information regarding its capital resources (“own funds”, Article 437 of the CRR), capital requirements (Article 438 of the CRR), capital buffers (Article 440 of the CRR), credit risk adjustments (Article 442 of the CRR), remuneration policy (Article 450 of the CRR), leverage ratio (Article 451 of the CRR), liquidity coverage requirements (Article 451a of the CRR) and use of credit risk mitigation techniques (Article 453 of the CRR).

The disclosure by Bank Austria is available on its website (www.bankaustria.at/en/about-us-investor-relations) according to Basel 2 and 3 (CRR).

Management Report of UniCredit Bank Austria AG

2.2.9 Reputational risks

Bank Austria and the UniCredit Group have identified reputational risk as the current or future risk of a decline in profits as result of a negative perception of the Bank's image by customers, counterparties, shareholders, investors, employees, or regulators.

Since 2012, the CRO team has been entrusted with managing and monitoring strategic reputational risk agendas. In 2018, the Op&RepRisk office, now Non-Financial Risks, was directly assigned to the CRO as a staff unit. Together with other departments such as Identity & Communications, Compliance, Legal, Customer Experience & Complaints Management, etc., the central risk unit is responsible for managing the reputation of UniCredit Bank Austria AG.

Reputational risk-related topics are reported quarterly in the Non-Financial Risk Committee, such as:
- Business decisions, which were made in the Reputational Risk / Credit Committee
- Report on RepRisk assessments that were analyzed as part of the new product process and subsequent acceptance of new products
- Information on accepting new RepRisk policies
- Relevant reporting about UniCredit Bank Austria AG
- RepRisk status of AMA subsidiaries
- Other issues affecting the reputation of the bank

In 2023, reputational risk activities focused on supporting subsidiaries, expanding structures, implementing RepRisk policies, supporting business areas and training.

RepRisk guidelines to regulate the handling of specific industrial sectors, such as the coal industry or the oil and gas industry are in place. All regulations focused in particular on environmental aspects and on supporting customers to achieve greater sustainability.

Another focus was on raising Reputational Risk Management awareness through training activities at UniCredit Bank Austria AG and its subsidiaries.

2.2.10. Business risks

Business risk is defined as unexpected adverse changes in business volume and/or margins which cannot be attributed to other types of risk. Adverse impacts of such changes on profitability result mainly from a significant deterioration in market conditions, changes in the competitive position or customer behavior, and from changes in the legal environment.

Business risk measurement thus measures the influence of external factors on a decline in profits and the effect on the market value.

As part of general income and cost management, operational management of business risk is the responsibility of the individual business units.

2.2.11. Investment and real estate risks

In dealing with risks arising from the Bank's shareholdings and equity interests, Bank Austria takes into account potential market price fluctuations in its equity holdings in listed and unlisted companies.

Not included are equity interests in consolidated subsidiaries of Bank Austria because risks associated with such companies are determined and recorded under the various other risk types. The portfolio includes various strategic investments; real estate holding companies are taken into account in real estate risk.

Financial investment risk and real estate risk are covered by a value-at-risk approach under the ICAAP.

Management Report of UniCredit Bank Austria AG

2.2.12 Legal risks

Generally, provisions are made for those proceedings where impending losses are probable or certain, but where the amount or timing of such losses is uncertain. In these cases, provisions are made in the amount deemed appropriate in the light of the circumstances and in accordance with accounting principles, taking into account both the principle of prudence and the principle of reasonable, reliable estimates.

In accordance with the principles outlined above, provisions have been recognized for pending litigation and other proceedings in the amount of the estimated risk.

2.2.13. Climate-related and environmental risks

UniCredit has developed a long-term sustainability strategy for environmental, social & governance (ESG) risks and takes ESG factors into account in its risk framework. UniCredit Bank Austria's strategy follows this framework. The aim is to achieve three goals:
- Fulfilment of regulatory requirements for the business strategy and risk management processes
- Management of climate and environmental risks
- Identifying financing potential for customers on their way to a sustainable, low-carbon economy

The term "sustainability" refers to Articles 3 and 9 of the Taxonomy Regulation. Article 3 defines the criteria for environmentally sustainable economic activities (significant contribution to the achievement of the environmental objectives defined in Article 9, no significant 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 CO_2-low 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, PCAF[16] and other relevant industry guidance, the baseline for the financed emissions for the three priority sectors of the credit portfolio was determined, and the targets were set on group level based on the respective emissions profile (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 and updated for monitoring purposes on the respective reporting dates.

For 2023, Bank Austria has for the first time defined measurable ESG targets in its Risk Appetite Framework for new environmental lending exposure and set triggers and limits for real estate collateral received that is exposed to physical risks.

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.

[16] PCAF = Partnership for Carbon Accounting Financials

These consequences include:

- Possibly higher defaults on loans and/or losses from the revaluation of customer exposures or assets that may be affected by physical[17] and/or transitory[18] 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.

Also, in 2023 UniCredit Group 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 SME's, 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.

Acknowledging the growing importance of ESG topics, the Group is progressively developing the current IFRS 9 methodological framework for incorporating environmental-related forecasting information into ECL models. In light of this, it is planned to incorporate in 2024 specific climate-related variables in addition to current macro-factors into the stress models adopted for credit risk projections to properly capture sectoral and company specificities to transition risk. Similarly expected evolution of real estate dynamics already considered in the IFRS 9 scenarios will be differentiated according to the level of Energy Performance and geolocation of the properties used as collaterals.

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 GTCC[19]/GCC[20] is responsible and all positions for which TCC[21] 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 corresponding 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, tornado, storm) is based on the method of an external provider and is based on data on the real estate collateral in our credit portfolio.

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[17] 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).
[18] Transitory risks are the risks associated with the transition to a low-carbon economy (e.g. introduction of new or stricter CO_2 emission guidelines, enforcement of new technologies or business models, changes in market sentiment or societal preferences).
[19] GTCC: Group Transactional Credit Committee
[20] GCC: Group Credit Committee
[21] TCC: Transactional Credit Committee

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**:
- implementation of the Taxonomy Regulation[22] through the integration of customer and product-specific information to support the transition to a carbon-neutral economy into our processes and IT systems, which went live in the fourth quarter of 2023
- 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
- In the reporting period, Bank Austria did not carry out business in emission trading schemes and renewable energy certificates

2.3. Third-party liability

Under Section 92 (9) of the Austrian Banking Act, "AVZ Privatstiftung zur Verwaltung von Anteilsrechten" ("AV-Z Stiftung", a private foundation under Austrian law) serves as deficiency guarantor for all liabilities of UniCredit Bank Austria AG in the event of the company's insolvency.

After the change in the legal form of Anteilsverwaltung-Zentralsparkasse into a private foundation ("AV-Z Stiftung") in 2001, the Municipality of Vienna serves as deficiency guarantor for all outstanding liabilities, and obligations to pay future benefits, of UniCredit Bank Austria AG (then Bank Austria Aktiengesellschaft) which were entered into prior to and including 31 December 2001.

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

[22] Regulation = VO/Verordnung (in German)

Management Report of UniCredit Bank Austria AG

3. Future development (outlook for 2024)

3.1. Economic scenario

Economic environment 2024

The global economy is expected to lose further momentum at the start of 2024. The synchronized tightening of monetary policy, reduced household savings buffers, the expiring pent-up demand for tourism services, for example, and a less supportive fiscal policy will have an impact. In addition, the ongoing geopolitical tensions will continue to cause uncertainty. Global GDP growth should therefore weaken from 3.0% in 2023 to 2.7% in 2024. The global slowdown in growth will be reflected in a cooling of the US economy to a GDP increase of around 1%, after 2.4% in 2023. In addition, the worsening demographic situation and difficulties in China's bloated real estate sector will weigh on global momentum, while other emerging markets will be more resilient, supported by falling interest rates. In this environment, modest growth is expected for the eurozone, supported by the rise in real incomes. On average, the eurozone economy should be able to maintain its 2023 growth rate of 0.5% in 2024, supported by falling inflation and a tentative recovery in global trade later in the year. However, strong headwinds can also be expected in 2024, as the consequences of the European Central Bank's (ECB) interest rate hikes will become increasingly noticeable at a time when households' savings cushions have largely been used up, fiscal policy is becoming tighter and the resilience of the labor market is beginning to wane. Nevertheless, after a weaker start, the European economy should be able to build up some momentum over the course of 2024.

The ongoing disinflation process should continue in 2024. Overall inflation in the US and the eurozone will approach the central banks' target of 2% over the course of the year. On average for the year, we expect inflation to fall to around 2.5% in the US and the eurozone, after 4.1% in the US and 5.4% in the eurozone in 2023. Both, the US Federal Reserve and the ECB are expected to change their monetary policy in 2024 and begin cutting interest rates. In the US, we expect interest rates to be cut by 25 basis points per meeting from June to December 2024, which would mean that the target range for the federal funds rate would fall to between 4.00% and 4.25% by the end of 2024. In the eurozone, we expect key interest rates to be cut by 75 basis points in each case, meaning that the refinancing rate should be 3.75% and the deposit rate 3.25% by the end of 2024. We estimate that both economic areas will therefore continue to exceed the longer-term neutral interest rate.

Outlook for Austria

Following the weak economic development in Austria in 2023, a moderate recovery should gradually get underway in 2024. After a subdued start to the year, GDP is only expected to increase slightly by 0.3% in 2024 as a whole. Rising real wage growth as a result of a further fall in inflation should give the economy more momentum via consumption. A turnaround in the inventory cycle should also stimulate growth. By contrast, the ECB's monetary policy, which remains restrictive despite the start of the interest rate reduction cycle, will continue to pose a major challenge for investment activity in 2024. While the service sector is likely to lead the recovery, supported by the rising purchasing power of households, the situation in the construction sector, particularly in building construction, and in industry remains tense. However, a gradual improvement in the global economy over the course of the year should increasingly support the export-oriented sectors. The situation on the labor market is likely to deteriorate in 2024, primarily due to the weakness in industry and construction. We expect the annual average unemployment rate to rise to 6.7% in 2024, compared to 6.4% in 2023. The relatively high resilience in a persistently weak economic phase is due to the tightness of the domestic labor market. Due to demographic effects, such as the retirement of baby boomers from the labor market and the high attractiveness of part-time work, the development of employment and the volume of available working hours in Austria can hardly keep pace with demand. After inflation is likely to reach an annual average of 7.8% in 2023, we expect inflation to slow significantly to 3.6% in 2024, despite a rather modest downward trend in the rise in many service prices due to noticeable wage increases. This means that inflation in Austria will once again fall much more slowly than the eurozone average. This continues to be the result of stronger energy price increases, which have triggered higher second-round effects, e.g. through indexed rents.

The economic outlook for 2024 is characterized by unusually high risks. Geopolitical uncertainties are the key factor here. A large number of elections, especially in the US, could also bring additional uncertainty. It should also be borne in mind that the higher interest rates and tighter financial conditions resulting from the central banks' excessive monetary policy have increased the risks to financial market stability.

Management Report of UniCredit Bank Austria AG

Following the stagnation in demand for credit in 2023 due to the declining volume of residential construction loans and only weak growth in demand for corporate loans, demand for credit in Austria should increase again slightly in the course of 2024, driven by slightly falling interest rates and an improvement in consumer and investment activity. However, credit growth in residential construction, consumer and corporate financing will continue to gain only modest momentum and remain well below the growth rates prior to 2023.

Following the stagnation in household deposits and the decline in corporate deposits in 2023, deposits are also expected to increase only slightly in 2024. Although the improved real income situation would allow slightly stronger deposit growth, this would be offset by falling interest rates and alternatives in the bond sector.

3.2. Medium- and long-term objectives

The Bank's focus will be on sustainable value generation and further increasing efficiency, with a double-digit ROAC, maintaining excellent cost/income ratios and furthermore maintaining the regulatory capital ratios (CET1 ratio) at a high level. This is based on customer-oriented service models, supported by the integration of technology and digitalization, the further simplification of processes and the inclusion of sustainability in all relevant activities. In addition, the Bank will put a focus on a sound liquidity position, based on a balanced development of loans, deposits and security issues.

The evaluation of a possible cross-border merger of **UniCredit Bank Slovenia** with Bank Austria and thus a transformation of UniCredit Bank Slovenia into a branch of Bank Austria in Slovenia started in Q2 2023. After completion of the review in October 2023, UniCredit decided to put this project on hold.

Supporting the transformation of companies towards the energy transition and sustainability

As a strategic financial partner and advisor, the bank supports its customers in solving acute issues, in the case of corporate customers for example with 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, the bank is also increasingly financing investments in the energy transition. After all, if the COVID-19 pandemic was a turbo for digitalization, the current geopolitical conditions will further accelerate the overall economic transformation towards the increased use of renewable energies and a sustainable economy.

The ongoing transformation of the economy therefore offers great opportunities for innovation, but also requires high levels of investment - because around 80 percent of the investment required to achieve the climate targets relates to the transition, i.e. the ecologically 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: from wind energy and photovoltaic projects to the use of waste heat in industrial companies. The range of financing instruments extends from sustainability 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).

Concrete examples of how Bank Austria is financing the transformation of the Austrian economy:
- "*EIB Climate Action Austria Facility Loan"*, which supports investments in small and medium-sized renewable energy projects and energy efficiency projects in Austria
- Customer financing: As part of the *"Krone Sonne"* campaign, Bank Austria has been supporting a regional energy supplier with customer financing since mid-2022. Specifically, it offers a flexible loan (with favorable conditions) to private customers throughout Austria.
- Project financing: The largest UniCredit Leasing project financing in the last ten years is currently being realized in Seestadt Aspern in Vienna (groundbreaking ceremony in September 2023). The global pharmaceutical company Takeda, a long-standing customer of Bank Austria, is investing in a new research center there - a "laboratory of the future" with state-of-the-art laboratory technology for around 250 researchers (from 2025). And the financing of this investment as a whole and the sustainable construction in particular are fully in line with Bank Austria's corporate goals of making the economy more climate-friendly and sustainable.

Management Report of UniCredit Bank Austria AG

- Real estate sector: For Bank Austria, the ESG quality of the real estate projects it finances is relevant and important not least for its own refinancing. In February 2023, Bank Austria has already issued the second green bond in the amount of EUR 750 million (Green Mortgage Covered Bond - and uses the proceeds to finance or refinance environmentally friendly buildings:
- Sustainability loan for SMEs: Bank Austria provides SMEs with special investment or working capital loans, enabling them to make investments that reduce their CO_2 emissions, improve the working conditions of their employees or ensure sustainable corporate governance.

Bank Austria also offers a wide range of current accounts in the retail sector with its GoGreen accounts It finances sustainable projects for every euro in the *GoGreen* accounts of its private and business customers: These are primarily sustainable home financing, but also wind power and hydropower projects as well as electric vehicles.
Bank Austria has set itself clear **priorities in the area of ESG/sustainability**:

- Further alignment of the business with the targets of the ***Net-Zero Banking Alliance***, which UniCredit Group joined in 2021, i.e. analysis of the portfolio and definition of net-zero targets - after defining the targets for the first three sectors with the highest emissions (oil and gas, electricity generation and automotive), the target paths for other sectors will be successively defined
- Further expansion of its **range of green products and services, such as** ESG asset management for private banking clients
- Further strengthening its social commitment with a focus on **financial education**
- Comprehensive internal **ESG and sustainability training initiative** for all employees and managers

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

At the same time, Bank Austria is also systematically driving forward the transformation of its own core business and has already implemented a large number of procedural changes and innovations in its product range. The relevance and quality of these initiatives have been confirmed by independent experts: As part of the **WWF banking study** published in October 2022, experts from WWF *(World Wildlife Fund*) and PwC Austria assessed the 14 largest Austrian universal banks (based on total assets) and their approach to 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 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 our own actions as a company, keyword "**ecological footprint**". Since 2008, Bank Austria has reduced this footprint by 80 percent or more, depending on the observed segment - from business trips to waste, paper, water and energy consumption to overall CO_2 emissions. Sustainability and efficiency are not mutually exclusive, on the contrary: over the years, the company has made enormous savings in CO_2 emissions, but also in costs and time, particularly in terms of 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 company headquarters on the Austria Campus with one of the largest geothermal systems in Europe - it aims to significantly reduce energy consumption in the future, for example by adapting the cooling and heating systems and lighting in the bank's buildings.

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

Management Report of UniCredit Bank Austria AG

Digitalization and simplification as important pillars of the "*UniCredit Unlocked*" multi-year plan

Initiatives for further digitalization and simplification not only make the Bank faster and more efficient, but also significantly improve the customer experience in particular. At the same time, digitalisation and simplification also go hand in hand with reduced personnel requirements..They are therefore important pillars in the successful implementation of the Group-wide "UniCredit Unlocked" multi-year plan.

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

- The bank is consistently implementing its ambitious digitalization targets as part of its **"channel strategy"**: In 2023, the percentage of Bank Austria customers who are "Mobile Active Users" increased to around 50 percent, while the percentage of "Digital Active Users" even rose to around 54 percent. Further increases are planned in both categories for 2024 so that even more customers can benefit from the advantages of the digitalization of banking services. In 2023, over 30% of all customer orders could be completed remotely, i.e. via an electronic channel outside of traditional branch processes, and a target of over 40% has been set for 2024.
- Numerous processes in the 24-hour service line (call centre) have been systematically simplified and at the same time the skills of the service line employees have been expanded in order to significantly speed up the handling of customer concerns. In addition to service issues, this channel is now also increasingly being used by customers to purchase products. Overall, this significantly improves the customer journey and therefore 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 requirements. Here, customers have access to advisors who respond to customer concerns within 24 hours - via 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 requirements.
- In the area of **corporate customer loans,** the corporate credit workflow tool (*CoALA 2.0 - Compact Automated Loan Application*) is being further developed with the aim of speeding up the lending and review process, making it even more efficient and, from the customer's perspective, shortening the time to loan approval in particular.
- In the area of **consumer loans,** the number of input fields in the loan application was reduced. On the one hand, this reduces the amount of work required to process an application at the bank and, on the other, it improves the customer experience by speeding up the process. Since the end of July 2023, Bank Austria has been offering a new online route on the internet for applying for consumer loans, especially for new customers.
- For **new account customers,** a complete account package including debit card and internet banking is opened within 15 minutes - for example, private customers can open a *GoGreen account* as a paperless green salary account completely online within a few minutes using video legitimization and use it immediately.
- A new **automated process for approving credit** cards was implemented in the credit card product area:
A data-driven decision model and a streamlined process now enable credit card offers for pre-selected customers - and thus a considerably shortened and simplified process with a reduced number of manual entries and processing steps until approval.
- With CashBack Mobile, a CashBack programme was introduced in the Bank Austria MobileBanking app, which allows customers to get money back when paying with their Bank Austria debit card - including their digital debit cards or ApplePay - when shopping.
- In addition, the Bank Austria MobileBanking app has been redesigned to present the products even more clearly.

4. Report on key features of the internal control and risk management systems in relation to the financial reporting process

The Management Board is responsible for establishing and designing internal control and risk management systems which meet the company's requirements in relation to the financial reporting process. The audit committee oversees the efficacy of the internal control and risk management system in addition to the accounting process as a whole; it may, if required, issue recommendations and suggestions to ensure the reliability of the accounting process.

The objective of the internal control system is to assist management in assuring internal controls in relation to financial reporting which are effective and are improved on an ongoing basis. The system is geared to complying with rules and regulations and creating conditions which are conducive to performing specific controls in key accounting processes.

Management Report of UniCredit Bank Austria AG

Following the integration of the Bank Austria Group in UniCredit Group, the Italian Savings Law, Section 262 (detailed descriptions of processes, risk, and control for minimizing risk in preparing financial statements) in particular, must be complied with in addition to the existing internal control system.

Internal Audit performs independent and regular reviews of compliance with legal provisions and internal rules also in the accounting area. The Head of Internal Audit reports directly to the Management Board and provides the Chairman of the Supervisory Board and the Audit Committee with quarterly reports.

Control environment

UniCredit S.p.A., the parent company of UniCredit Bank Austria AG, works to maintain effective communication and convey the corporate values “integrity”, “ownership”, and “caring”.

The implementation of the internal control system in relation to the financial reporting process is also set out in the internal rules and regulations.

All accounting entries are made within the guidelines established in the Accounting Policy, and release follows defined instruction and control criteria. Appropriate processes have been implemented and are reviewed by Internal Audit on an ongoing basis.

Risk assessment

In connection with the “262 Saving Law”, the responsible persons identified risks in relation to the financial reporting process and described them in detail using the method defined by UniCredit S.p.A. These risks are monitored on an ongoing basis and checked for up-to-dateness at least on a half-yearly basis. The focus is on those risks which are typically considered to be material.

To meet the “262 Saving Law” requirements, controls pursuant to the methodology used by UniCredit S.p.A. are required to be performed at least on a half-yearly basis (for full-year and half-year reporting). Such control evidence must be kept on file for 10 years by the person having process responsibility. Any controls that do not meet the relevant criteria are identified under this method and reported to management together with a proposal for a solution.

Controls

All controls are applied in the current business process to ensure that potential errors or deviations in financial reporting are prevented or detected and corrected. Coordination measures range from a management review of results for the various periods to specific reconciliation of accounts and the analysis of continuous accounting processes.

The levels of hierarchy are designed in such a way that an activity and the monitoring of that activity is not performed by the same person (four-eyes principle). In the course of the preparation of financial reports, the general ledger accounts are reconciled with business and front-end systems.

IT security controls are a cornerstone of the internal control system. Defined IT controls are documented under the “262 Saving Law” and are audited by external auditors pursuant to the “International Standards for Assurance Engagements (ISAE) No. 3402”.

Information and communication

Management regularly updates rules and regulations for financial reporting and communicates them to all employees concerned.

Moreover, regular discussions on financial reporting and on the rules and regulations applicable in this context take place in various bodies and are repeatedly communicated to UniCredit Bank Austria AG. Employees in Financial Accounting receive regular training in new methods of international financial reporting in order to counteract risks of unintended misreporting at an early stage.

Management Report of UniCredit Bank Austria AG

To perform monitoring and control functions with a view to proper financial accounting and reporting, extensive financial information is made available at key levels of the Bank. The Supervisory Board and Management Board shall receive relevant information and middle management shall also be provided with detailed reports.

Monitoring

As part of the implementation of the internal control system pursuant to the “262 Savings Law”, instruments were introduced to monitor the effectiveness of controls. In connection with the compulsory, half-yearly certification process for the preparation of the management report, the relevant responsible persons are required to carry out tests to check the up-to-dateness of descriptions and the effectiveness of controls. It must be ascertained whether the controls work according to their design and whether the persons who perform controls have the competence/authority and qualifications required to perform the controls effectively.

All relevant responsible persons shall confirm, by means of certification, that their processes are adequately documented, risks have been identified and controls have been evaluated with a view to deriving measures to minimise risk.

The Management Board of UniCredit Bank Austria AG receives the certifications of UniCredit Bank Austria AG and of the subsidiaries defined by UniCredit S.p.A. within the group of consolidated companies, in the form of a consolidated management report on a half-yearly basis, and provides UniCredit S.p.A. and the public with confirmation of the reliability and effectiveness of the internal control system pursuant to the “262 Savings Law” in the context of the financial statements for the first six months and the annual financial statements.

Management Report of UniCredit Bank Austria AG

Vienna, 20 February 2024

The Management Board

Robert Zadrazil
CEO – Chief Executive Officer
(Chairperson)

Daniela Barco
Retail

Philipp Gamauf
CFO – Chief Financial Officer

Dieter Hengl
Corporates

Emilio Manca
COO – Chief Operating Officer

Marion Morales Albiñana-Rosner
Wealth Management & Private Banking

Svetlana Pančenko
People & Culture

Wolfgang Schilk
CRO – Chief Risk Officer

Financial Statements of UniCredit Bank Austria AG

Balance Sheet as at 31 December 2023 - UniCredit Bank Austria AG

Assets

	31.12.2023 (€)	31.12.2022 (€ THOUSAND)	CHANGE +/- € THSD	+/- %
1. Cash in hand, balances with central banks and postal giro offices	**8,801,808,126.46**	**13,358,037**	**(4,556,228)**	**-34.1%**
2. Treasury bills and other bills eligible for refinancing at central banks	**11,082,251,927.66**	**8,557,583**	**2,524,669**	**29.5%**
a) treasury bills and similar securities	11,082,251,927.66	8,557,583	2,524,669	29.5%
b) other bills eligible for refinancing at central banks	-	-	-	-
3. Loans and advances to credit institutions	**3,015,961,831.15**	**2,917,537**	**98,425**	**3.4%**
a) repayable on demand	802,521,103.72	878,261	(75,740)	-8.6%
b) other loans and advances	2,213,440,727.43	2,039,276	174,165	8.5%
4. Loans and advances to customers	**64,576,209,565.32**	**66,685,652**	**(2,109,442)**	**-3.2%**
5. Bonds and other fixed-income securities	**6,893,068,077.57**	**6,798,248**	**94,820**	**1.4%**
a) issued by public borrowers	1,760,196,819.89	2,416,184	(655,987)	-27.1%
b) issued by other borrowers	5,132,871,257.68	4,382,064	750,807	17.1%
of which: own bonds	-	*29*	*(29)*	*<-100%*
6. Shares and other variable-yield securities	**27,078,154.07**	**27,476**	**(398)**	**-1.4%**
7. Equity interests	**274,062,675.79**	**271,476**	**2,587**	**1.0%**
of which: in credit institutions	*231,870,175.61*	*228,353*	*3,517*	*1.5%*
8. Shares in group companies	**1,625,206,171.11**	**1,626,485**	**(1,279)**	**-0.1%**
of which: in credit institutions	*281,644,800.63*	*281,645*	-	*0.0%*
9. Intangible fixed assets	**10,022,176.00**	**11,547**	**(1,525)**	**-13.2%**
10. Tangible fixed assets	**101,073,820.86**	**106,094**	**(5,021)**	**-4.7%**
of which: land and buildings used by the credit institution for its own business operations	*16,061,553.89*	*15,748*	*313*	*2.0%*
11. Shares in a controlling company or a company holding a majority interest	**-**	**-**	**-**	**-**
of which: par value	-	-	-	-
12. Other assets	**2,341,249,980.94**	**2,861,084**	**(519,834)**	**-18.2%**
13. Subscribed capital called but not paid	**-**	**-**	**-**	**-**
14. Prepaid expenses	**258,003,322.30**	**97,313**	**160,690**	**>100%**
15. Deferred tax assets	**368,146,538.86**	**334,590**	**33,556**	**10.0%**
TOTAL ASSETS	**99,374,142,368.09**	**103,653,121**	**(4,278,978)**	**-4.1%**

Items shown below the Balance Sheet
Assets

	31.12.2023 (€)	31.12.2022 (€ THOUSAND)	CHANGE +/- € THSD	+/- %
1. Foreign assets	**30,937,728,237.27**	**30,978,106**	**(40,377)**	**-0.1%**

Financial Statements of UniCredit Bank Austria AG

Liabilities and Shareholders' Equity

	31.12.2023 (€)	31.12.2022 (€ THOUSAND)	CHANGE +/- € THSD	+/- %
1. Amounts owed to credit institutions	**15,255,793,183.39**	**19,112,827**	**(3,857,033)**	**-20.2%**
a) repayable on demand	5,369,056,425.95	4,448,908	920,148	20.7%
b) with agreed maturity dates or periods of notice	9,886,736,757.44	14,663,918	(4,777,182)	-32.6%
2. Amounts owed to customers	**57,085,422,430.07**	**60,588,232**	**(3,502,809)**	**-5.8%**
a) savings deposits	15,248,476,866.63	15,044,554	203,923	1.4%
aa) repayable on demand	7,089,339,806.37	8,728,444	(1,639,104)	-18.8%
bb) with agreed maturity dates or periods of notice	8,159,137,060.26	6,316,110	1,843,027	29.2%
b) other liabilities	41,836,945,563.44	45,543,678	(3,706,732)	-8.1%
aa) repayable on demand	30,338,773,803.47	37,704,298	(7,365,524)	-19.5%
bb) with agreed maturity dates or periods of notice	11,498,171,759.97	7,839,380	3,658,792	46.7%
3. Debts evidenced by certificates	**12,158,876,040.12**	**9,657,958**	**2,500,918**	**25.9%**
a) bonds issued	12,158,876,040.12	9,657,958	2,500,918	25.9%
b) other debts evidenced by certificates	-	-	-	-
4. Other liabilities	**2,603,822,586.84**	**2,875,891**	**(272,068)**	**-9.5%**
5. Deferred income	**134,525,344.54**	**44,163**	**90,363**	**>100%**
6. Provisions	**3,645,103,059.38**	**3,482,130**	**162,973**	**4.7%**
a) provisions for severance payments	222,920,540.98	253,267	(30,346)	-12.0%
b) pension provisions	2,646,075,000.00	2,657,343	(11,268)	-0.4%
c) provisions for taxes	17,052,979.14	24,042	(6,989)	-29.1%
d) other	759,054,539.26	547,479	211,576	38.6%
6a. Special fund for general banking risks	**-**	**-**	**-**	**-**
7. Tier 2 capital pursuant to Chapter 4 of Title I of Part Two of Regulation (EU) No 575 /2013	**591,731,359.01**	**592,845**	**(1,114)**	**-0.2%**
8. Additional Tier 1 capital pursuant to Chapter 3 of Title I of Part Two of Regulation (EU) No 575 /2013	**602,180,327.87**	**602,271**	**(90)**	**0.0%**
of which: Contingent convertible bonds pursuant to Section 26 of the Austrian Banking Act	-	-	-	-
8b. Instruments without voting right pursuant to Section 26a of the Austrian Banking Act	**-**	**-**	**-**	**-**
9. Subscribed capital	**1,681,033,521.40**	**1,681,034**	**-**	**0.0%**
10. Capital reserves	**1,876,354,199.40**	**1,876,354**	**-**	**0.0%**
a) subject to legal restrictions	876,354,199.40	876,354	-	0.0%
b) other	1,000,000,000.00	1,000,000	-	0.0%
11. Revenue reserves	**192,056,563.11**	**192,057**	**-**	**0.0%**
a) for own shares and shares in a controlling company	-	-	-	-
b) statutory reserve	-	-	-	-
c) reserves provided for by the bye-laws	-	-	-	-
d) other reserves	192,056,563.11	192,057	-	0.0%
12. Reserve pursuant to Section 57 (5) of the Austrian Banking Act (BWG)	**2,129,748,409.45**	**2,129,748**	**-**	**0.0%**
13. Accumulated profit/loss	**1,417,495,343.51**	**817,612**	**599,883**	**73.4%**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**99,374,142,368.09**	**103,653,121**	**(4,278,978)**	**-4.1%**

Financial Statements of UniCredit Bank Austria AG

Items shown below the Balance Sheet

Liabilities and Shareholders' Equity

	31.12.2023 (€)	31.12.2022 (€ THOUSAND)	CHANGE +/- € THSD	+/- %
1. Contingent liabilities	**8,811,163,185.26**	**9,435,621**	**(624,458)**	**-6.6%**
of which: *a) acceptances and endorsements*	-	-	-	-
b) guarantees and assets pledged as collateral security	*8,811,163,185.26*	*9,435,621*	*(624,458)*	*-6.6%*
2. Commitments	**12,124,326,559.23**	**12,229,022**	**(104,695)**	**-0.9%**
of which: commitments arising from repurchase agreements	-	-	-	-
3. Liabilities arising from transactions on a trust basis	**3,409,461.30**	**-**	**-**	-
4. Eligible capital pursuant to Part Two of Regulation (EU) No 575 /2013	**7,166,701,802.59**	**7,257,738**	**(91,036)**	-1.3%
of which: Tier 2 capital pursuant to Chapter 4 of Title I of Part Two of Regulation (EU) No 575 /2013	*724,013,724.76*	*730,730*	*(6,716)*	*-0.9%*
5. Capital requirements pursuant to Article 92 of Regulation (EU) No 575 /2013	**31,879,803,997.32**	**35,243,104**	**(3,363,300)**	**-9.5%**
of which: capital requirements pursuant to points (a) to (c) of Article 92 (1) of Regulation (EU) No 575 /2013				
a) Common Equity Tier 1 capital ratio	*18.33%*	*16.82%*		*+151 bp*
b) Tier 1 capital ratio	*20.21%*	*18.52%*		*+169 bp*
c) Total capital ratio	*22.48%*	*20.59%*		*+189 bp*
6. Foreign liabilities	**16,713,899,265.00**	**11,144,717**	**5,569,182**	**50.0%**

Profit and Loss Account

Profit and Loss Account for the year ended 31 December 2023

Profit and Loss Account

	2023 (€)	2022 (€ THOUSAND)	CHANGE +/- € THSD	+/- %
1. Interest and similar income	**4,678,008,271.13**	**1,684,588**	**2,993,420**	**>100%**
of which: from fixed-income securities	*310,574,952.75*	*117,593*	*192,982*	*>100%*
2. Interest and similar expenses	**(3,038,711,344.39)**	**(624,575)**	**(2,414,136)**	**>100%**
I. NET INTEREST INCOME	**1,639,296,926.74**	**1,060,013**	**579,284**	**54.6%**
3. Income from securities and equity interests	**128,639,552.45**	**134,242**	**(5,602)**	**-4.2%**
a) income from shares, other ownership interests and variable-yield securities	21,084.08	82	(61)	-74.4%
b) income from equity interests	16,738,916.99	14,501	2,238	15.4%
c) income from shares in group companies	111,879,551.38	119,658	(7,779)	-6.5%
4. Fee and commission income	**616,282,961.04**	**622,801**	**(6,518)**	**-1.0%**
5. Fee and commission expenses	**(106,411,744.87)**	**(124,710)**	**18,298**	**-14.7%**
6. Net profit / loss on trading activities	**34,962,445.14**	**115,635**	**(80,673)**	**-69.8%**
7. Other operating income	**42,852,342.98**	**667,554**	**(624,701)**	**-93.6%**
II. OPERATING INCOME	**2,355,622,483.48**	**2,475,535**	**(119,912)**	**-4.8%**
8. General administrative expenses	**(1,213,786,955.03)**	**(914,878)**	**(298,909)**	**32.7%**
a) staff costs	(791,158,149.44)	(478,127)	(313,031)	65.5%
of which: *aa) wages and salaries*	*(494,796,711.83)*	*(332,932)*	*(161,865)*	*48.6%*
bb) expenses for statutory social-security contributions and compulsory contributions related to wages and salaries	*(82,524,736.45)*	*(81,519)*	*(1,006)*	*1.2%*
cc) other employee benefits	*(6,785,735.03)*	*(6,336)*	*(450)*	*7.1%*
dd) expenses for retirement benefits	*(107,481,544.59)*	*(42,735)*	*(64,747)*	*>100%*
ee) allocation to the pension provision	*(71,465,866.86)*	*-*	*(71,466)*	*-*
ff) expenses for severance payments and payments to severance-payment funds	*(28,103,554.68)*	*(14,606)*	*(13,498)*	*92.4%*
b) other administrative expenses	*(422,628,805.59)*	*(436,750)*	*14,122*	*-3.2%*
9. Depreciation and amortisation of asset items 9 and 10	**(19,582,455.12)**	**(22,112)**	**2,530**	**-11.4%**
10. Other operating expenses	**(311,691,753.63)**	**(135,733)**	**(175,959)**	**>100%**
III. OPERATING EXPENSES	**(1,545,061,163.78)**	**(1,072,723)**	**(472,338)**	**44.0%**
IV. OPERATING RESULTS	**810,561,319.70**	**1,402,811**	**(592,250)**	**-42.2%**
11./12. Balance of impairments on loans and advances and additions to provisions for contingent liabilities and for credit risk, as well as income from the reversal of impairments on loans and advances and of provisions for contingent liabilities and for credit risk	**41,285,811.25**	**(461,388)**	**502,674**	**n.a**
13./14. Balance of impairments on securities valued in the same way as financial assets and on equity interests and shares in group companies, as well as income from valuation of securities valued in the same way as financial assets, as well as of equity interests and shares in group companies	**(30,751,341.53)**	**(14,448)**	**(16,303)**	**>100%**
V. RESULTS FROM ORDINARY BUSINESS ACTIVITIES (carry-over)	**821,095,789.42**	**926,975**	**(105,879)**	**-11.4%**

Profit and Loss Account

Carry-over **(V. RESULTS FROM ORDINARY BUSINESS ACTIVITIES)**	**821,095,789.00**	**926,975**	**(105,879)**	**-11.4%**
15. Extraordinary income	**-**	**-**	**-**	**-**
of which: releases from the special fund for general banking risks	-	-	-	-
16. Extraordinary expenses	**-**	**-**	**-**	**-**
of which: allocations to the special fund for general banking risks	-	-	-	-
17. Extraordinary results (sub-total of items 15 and 16)	**-**	**-**	**-**	**-**
18. Taxes on income	**33,286,769.00**	**(235,705)**	**268,991**	**n.a**
19. Other taxes not included under item 18	**(20,958,437.37)**	**(20,296)**	**(662)**	**3.3%**
VI. ANNUAL SURPLUS/ANNUAL DEFICIT	**833,424,121.05**	**670,974**	**162,450**	**24.2%**
20. Movements in reserves	**-**	**-**	**-**	**-**
VII. PROFIT/LOSS FOR THE YEAR	**833,424,121.05**	**670,974**	**162,450**	**24.2%**
21. Profit / loss brought forward from previous year	**584,071,222.46**	**146,638**	**437,433**	**>100%**
VIII. ACCUMULATED PROFIT/LOSS	**1,417,495,343.51**	**817,612**	**599,883**	**73.4%**

Notes to the Financial Statements

Notes to the Financial Statements

Notes to the Financial Statements

1. General information

The financial statements of UniCredit Bank Austria AG for the 2023 financial year were prepared pursuant to the regulations of the Austrian Business Code (Unternehmensgesetzbuch – UGB) in its currently applicable version and in compliance with the rules of the Austrian Banking Act (Bankwesengesetz – BWG) and the Austrian Joint Stock Companies Act (Aktiengesetz – AktG) that are applicable to credit institutions. The formats of the balance sheet and of the profit and loss account comply with the forms in Annex 2 to Section 43 of the Austrian Banking Act.

The disclosure in the balance sheet items “Loans and receivables with banks” or “Loans and receivables with customers” as well as “Deposits from banks” or “Deposits from customers” is due to technical and procedural reasons, as well as for better comparability with the consolidated financial statements of the BA Group according to the Regulation (EU) No 575/2013 (“CRR”).

UniCredit Bank Austria AG is a subsidiary included in the consolidated financial statements of UniCredit S.p.A.
The consolidated financial statements prepared by the Group’s parent company are published at the following address: UniCredit S.p.A, registered office: Piazza Gae Aulenti 3 – Tower A – 20154 Milan, Italy. They are published on the Internet at **www.unicreditgroup.eu.**

Pursuant to Section 243b (7) Austrian Business Code, UniCredit Bank Austria AG is exempt from the obligation to prepare a non-financial statement. UniCredit Bank Austria AG is included in the separate consolidated non-financial report of its parent company UniCredit S.p.A.. The report is published on the website at **www.unicreditgroup.eu.**

Disclosure (“Pillar 3”) according to Regulation (EU) No 575/2013 (“CRR”)
Within UniCredit Group, comprehensive disclosure (under the Pillar 3 disclosure requirements pursuant to the CRR) is carried out by the parent company UniCredit on its website, based on the consolidated financial position in its function as EU parent bank. Bank Austria is a significant subsidiary pursuant to Article 13 of the CRR and, for the 2023 fiscal year, discloses information regarding its capital resources (“own funds”, Article 437 of the CRR), capital requirements (Article 438 of the CRR), capital buffers (Article 440 of the CRR), credit risk adjustments (Article 442 of the CRR), remuneration policy (Article 450 of the CRR), leverage ratio (Article 451 of the CRR), liquidity coverage requirements (Article 451a of the CRR) and use of credit risk mitigation techniques (Article 453 of the CRR).

The disclosure by Bank Austria is available on its website (**www.bankaustria.at/en/about-us-investor-relations**) according to Basel 2 and 3 (CRR).

Size classification pursuant to Section 221 of the Austrian Business Code
According to the size classification pursuant to Section 221 of the Austrian Business Code, UniCredit Bank Austria AG is classified as a large company.

Multi-year plan – "UniCredit Unlocked"
UniCredit Group continued to successfully pursue the strategic guidelines identified by the "UniCredit Unlocked" Plan, whose objectives are:
- grow in the geographical areas of reference and develop the network of customers, transforming the business model and operating methods of the Group;
- achieve economies of scale from the Group's network of banks, through a technological transformation focused on Digital & Data and operating with a view to sustainability;
- driving financial performance through three interconnected levers under full managerial control: streamlining and improvement of efficiency throughout the organization with very rigorous cost management, organic capital generation, increase in revenues net of loan loss provisions to achieve profitability above the cost of capital;
- to enable, through the new business model, a high organic generation of capital with a significantly higher and progressively growing distribution to shareholders.

As integral part of UniCredit Group, also Bank Austria follows the strategy of the "UniCredit Unlocked" Plan.

Based on the strategic plan provisions for risks and charges or restructuring expenses were recognised for the measures relating to UniCredit Bank Austria AG in 2023. In the financial year 2023, these restructuring expenses were mainly recognised under “Staff costs” in the amount of €141.2 million (taking the discounting into account), under (ii) “Other administrative expenses” in the amount of €18.5 million, under (iii) “Other operating expenses” in the amount of €6.2 million. Material disclosures on provisions in the financial year 2023 are shown under 4.24. Provisions.

Notes to the Financial Statements

2. Accounting and valuation methods

2.1. General rule

The financial statements were prepared on the basis of generally accepted accounting principles and in compliance with the general requirement of giving a true and fair view of the company's assets and liabilities, its financial position and results. Assets and liabilities were valued in accordance with the principle of individual valuation on a going concern basis. The annual financial statements were prepared in accordance with the principle of completeness. The principle of prudence was taken into account under consideration of the specifics of the banking business.

2.2. Accounting and valuation methods

2.2.1. Foreign currency translation

Assets and liabilities denominated in foreign currencies were stated in the balance sheet at the European Central Bank's reference rates as at 31 December 2023. Expenses and income in foreign currencies were translated at the ECB's end-of-month reference rates. Forward transactions that had not been settled at the balance sheet date were translated at the forward rate. For currencies for which no ECB reference rate is temporarily (for example RUB) or permanently available, the prices are determined according to Group-wide guidelines.

2.2.2. Fair Value

In UniCredit Bank Austria AG, financial instruments measured at fair value and stated at their fair values in the balance sheet are primarily measured at market value. If it is not possible readily to determine the market value of financial instruments as a whole, the market value will be derived from the market values of the components of the financial instrument or from the market value of a financial instrument that is substantially the same. If a reliable market value cannot be readily determined, generally recognized valuation models and techniques will be used to determine the value if such models and techniques ensure a reasonable approximation of the market value.

The following value adjustments are taken into account when determining fair values using valuation models and methods:

Fair value adjustments
Fair value adjustment is defined as the amount to be added either to the market observed mid-price or to the theoretical price generated by a valuation model with the aim of obtaining a fair value of the position. Therefore, FVA are aimed at insuring that the fair value reflects the actual exit price of a certain position. The fair-value-adjustments include:
- Credit and Debit Valuation Adjustment (CVA/DVA)
- Funding Valuation Adjustment (FuVA)
- Model risk
- Close-out risk
- Market liquidity risk
- Other adjustments

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

UniCredit Bank Austria AG CVA/DVA methodology is based on the following inputs:
- positive and Negative exposure profiles derived by simulation techniques. Simulated exposures also take into account Specific Wrong-Way Risk that arises from transactions where there is a correlation between counterparty credit risk and the underlying derivative risk factors;
- PD implied by current market default rates, obtained from Credit Default Swaps;
- LGD based on the estimated level of expected recovery should a counterparty default and implied by current market default rates, obtained from credit default swaps.

In general, a bilateral CVA calculation based on market-implied values for PD and LGD (CDS) is used for performing counterparts.

Notes to the Financial Statements

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

As at 31 December 2023, a CVA of €- 29,415,877.76 (31.12.2022: €-30,046 thousand) and a DVA of €26,595,746.92 (31.12.2022: €52,354 thousand) were applied for the derivatives business.

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

UniCredit Bank Austria AG FundVA methodology is based on the following inputs:
- positive and Negative exposure profiles derived leveraging on a risk-neutral spin-off of the counterparty credit risk internal model;
- PD term structure implied by current market default rates obtained from credit default swaps;
- a funding spread curve that is representative of the average funding spread of peer financial groups.

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

Close-out cost
It measures the implicit cost of closing a trading position. The position can be closed by a long position (or purchase in the case of a short position), or by entering into a new transaction (or several transactions) that offsets (hedges) the open position. The close-out costs are typically derived from the bid/ask spreads observed on the market. It accounts for the fact that a position is valued at mid but can only be closed at bid or ask. This adjustment is not needed when the position is marked at bid or ask and already represents an exit price. In addition, a close-out adjustment of the NAV is applied when there are some penalties relating to position write-off in an investment fund.

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

2.2.3. Loans and advances to credit institutions and customers

Under consideration of the „Guideline for Banks on Impaired Loans" of the European Central Bank, UniCredit Bank Austria AG has implemented internal guidelines for the recording, administration and valuation of loans, which govern both value adjustments and write-offs or partial write-offs of loans. Credit loans and advances to credit institutions and customers are measured in accordance with the AFRAC statement 14 using the effective interest rate method.

Provisioning process

On the basis of the AFRAC statement 14 (June 2021), UniCredit Bank Austria AG decided to also apply the IFRS 9 credit risk provisioning model under regulations of the Austrian Business Code. With regard to the assessment of credit risk, it should be noted that the IFRS 9 estimate is based on forward-looking information and, in particular, on the development of macroeconomic scenarios used in the calculation of the allowance for credit losses. The determination of expected losses from the loan portfolio as of the reporting date represents management's best estimate.

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

Notes to the Financial Statements

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

- Stage 1 includes (i) newly originated or purchased credit exposures, (ii) exposures whose credit risk has not deteriorated significantly since initial recognition, (iii) exposures with low credit risk (low credit risk exemption)
- Stage 2 includes instruments for which a significant increase in risk has been identified since the initial recognition, but in which there have been no failures yet, and are therefore classified as "performing", as well as instruments without a PD at the time of access.
- Stage 3 is for the non-performing portfolio, which is made up of unusual risk positions pursuant to Article 178 of Regulation (EU) No 575/2013 (“CRR”).

UniCredit Bank Austria AG’s current definition of default, which is also used for regulatory purposes, has been adopted for the definitions of the terms "performing" and "non-performing".

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

Impairment Losses for Stage 1 and Stage 2 (performing portfolio)

For Stage 1 instruments, a credit loss equal to the expected 12-month credit loss ("1 year ECL") is recognised. For Stage 2 and 3 instruments, on the other hand, a credit loss amounting to the expected lifetime credit loss ("lifetime ECL") is recognised. The credit risk parameters used are generally based on the regulatory IRB models, and are adapted in relation to IFRS 9-specific requirements (e.g. consideration of future-oriented macroeconomic information).

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

- **Quantitative Stage transfer criteria**: a relative comparison on a transaction basis between default probability (PD) at the reporting date and that at initial recognition using internal models. The threshold values are defined using a complex statistical procedure that takes into account the probability of default, the age and residual term of the loan and the historical default behavior of the segment in question. Each month, the probability of default as at the observation date is compared with the probability of default at the start of business. The comparison is based on the PD profile for the entire term of the transactions. The limit from which deterioration is considered significant is determined for each individual transaction, using a function which applies this PD at the time of the initial recognition as most important variable. The higher the PD is at the start of business, the lower the relative tolerated deterioration is, which leads to a shift into Stage 2. The functions are determined for various sub-portfolios and are calibrated differently. This calibration is based on the long-term rate of default, including the forbearance portfolio share and items where payment is delayed by at least 30 days. The quantitative calibration of the stage transfer criteria is designed to ensure that a corresponding share of the sub-portfolio will be classified as Stage 2 for average economic situations. This share may increase or decrease, depending on the respective economy. Transactions for which the probability of default has at least tripled (PD over the entire residual term) are classified as Stage 2 regardless of the function described above, as well as transactions with a probability of default of 20% or more (IRB PD). Conversely, all transactions with a PD below 30 basis points (12-month PD) are classified as Stage 1.
- **Qualitative criteria**: All quantitative criteria are supplemented by a number of qualitative criteria, any one of which will lead to a Stage 2 classification: "30-day arrears", "forbearance" and certain "watch list cases".
- **Stage upgrade**: If the PD of the transaction has improved sufficiently again by the next reporting date and no qualitative Stage 2 criteria apply, it is transferred back to Stage 1. However, a shift from Stage 2 to Stage 1 may only be made if the transaction would consistently have been assigned to Stage 1 on the previous three monthly reporting dates.
- **Special portfolios in Stage 2**: Foreign currency loans in the retail banking segment, taking into account the inherent risks since initial recognition in Stage 2. Since Q1 2022, transactions with risk- or domicile countries that include Russia, Ukraine or Belarus have been allocated to Stage 2 transactions.
- **Portfolios in Stage 1**: Internal transactions within the UniCredit Group are in Stage 1 unless individually assigned to Stage 2 at the transaction level.
- **Special treatment of final transactions:** For Stage-2 transactions, IFRS 9 PD is not accumulated over the remaining term as of the reporting date, but over the total term of the transaction. This special feature means that a significantly higher PD is used in the ECL calculation for Stage-2 transactions with final maturity than, for example, for loans that are continuously being paid out. At the same time, the use of this higher PD also causes some transactions to be assigned to Stage 2.

Impairment Stage 3 (non-performing portfolio)

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

Notes to the Financial Statements

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

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

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

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

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

Special features of the group of foreign currency loans

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

New business of this kind has not been recorded since 2008, and old business has long maturities, as is customary for mortgage-backed transactions. The allocation to Stage 2 is based on the long-term exchange rate development of the Swiss Franc (which led to increased EADs compared with the time the loan was issued) and as a result of the development of repayment vehicles frequently remaining considerably below original expectations.

As a result of the special significance of the currency development for this portfolio, in addition to the forward-looking information described below that is applied to the remaining portfolios, the following factors are considered:
- A scenario-weighted adjustment of the lifetime EAD is made, based inter alia on the long-term exchange rate development of the Swiss franc and continuously adjusted.
- Certain components of the regulatory PD model are also adjusted to the PD curve logic used for IFRS 9. Because the majority of the foreign currency loans are paid off at maturity, the probability of default is not reduced according to the residual term, but is instead based on the total term.

Write-offs of Non-Performing Loans

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

Notes to the Financial Statements

Assessment of the loss potential in the current environment

Geopolitical environment

For the entire UniCredit Bank Austria AG portfolio, the constantly deteriorating macro environment is taken into account by means of regular macro scenario adjustments on the basis of internal projections prepared by UniCredit Research. Since the introduction of IFRS 9, this has been the primary tool for considering forward-looking information - "FLI". The macroeconomic factors are translated into changes in the credit risk parameters using the Group's macro dependency model ("Satellite Model"). The most recent macro adjustment was made in the 4Q23 (see also below). In this regard, the scheduled point-in-time calibrations and semi-annual adjustments to the macro scenarios were carried out in 2023 - the cumulative effect of these adjustments resulted in a total expected credit loss (ECL) impact of €48 million). If we add the comparatively smaller impact from the half-year update as well (€-2 million) and the annual recalibration of the through-the-cycle PD-curves (€-7 million), the aggregated effect amounts to overall €38 million (compared to €46 million in 2022). In addition, a one-off effect came from the recalibration of the Satellite Models in the 4Q23, which led to an ECL reduction of €-44 million and hence leads to a total impact of €-6 million (there was no recalibration in 2022).

At the same time, geopolitical threats continue to be of great importance for understanding the performing portfolio ECL. While the general consideration of forward-looking information - "FLI" - is incorporated into the ECL by means of macro-dependency models (as stated above), overlays represent a complementary measure to the IFRS9 models that aims to additionally consider the scenario impact of particularly vulnerable sub-segments.

In UniCredit taxonomy, adjustments related to temporary one-off measures, complementary to the IFRS9 models, aimed at coping with specific exogenous contingent situations are the ones strictly qualifiable as “overlays”. The other adjustments are generally qualifiable as “PMAs” (Post Model Adjustments) being usually more connected to credit risk models anticipation as well as tactical corrections prior to the full technical implementation into models and IT-systems. In contrast to the exogenously triggered overlays the latter are generally more endogenously driven.

The Geopolitical Overlay introduced in 4Q22 continues to be seen as an important means of maintaining the level of stage 1 and 2 impairments for the specifically at-risk segments at an adequate level. Although some of the effects of the Russia /Ukraine conflict have weakened somewhat compared to the previous year, the current macroeconomic context continues to be burdened by a high level of uncertainty - primarily due to geopolitical tensions in the Middle East. This makes the situation on the energy markets still very uncertain. Furthermore, inflation is still high and domestic price pressures remains strong. Despite interest rate forecasts suggesting some incremental relief, we expect interest rate levels to approach the former ones only very slowly. Hence the stress stemming from the sharp rate increase is expected to prevail longer. In this environment, downside risks to economic growth also remain high. Consequently, the Geopolitical Overlay measure continues to be necessary for 4Q23, given underlying source of risks has neither realized nor faded away with reliable level of confidence. At the end of 2023, the overlay amounts to €110 million (compared to €123 million end of 2022).

Furthermore, steadily high interest rate environment has been increasingly affecting the commercial real estate and construction sectors, which are also struggling with lower orders, higher construction costs due to inflation and in some cases falling real estate prices and increased refinancing risk. For this reason, the Bank has decided to supplement the existing Geopolitical Overlay with a new Commercial Real Estate Finance - CREF Overlay, which covers not only CRE companies but also the entire building construction and real estate sector. There is no overlap between the geopolitical and the CREF overlay. The relevant methodological approach works in the same way as the geopolitical overlay. Based on the default rates of the specific segments, a stressed default rate is derived, which implies an additional flow into the non-performing portfolio that goes beyond the FLI-related one. As a result, higher value adjustments are already being recognized in the performing portfolio. The additional value adjustments booked in this way amount to €27 million at the end of the year, or in other words, approximately 3,8% of the value adjustments in the performing portfolio.

The total Overlay (Geopolitical and CREF) now amounts to €137 million as at December 2023, or 19,2% of the performing portfolio LLPs (vs. €123 million or 20.1% in 4Q22). Overlay methods including the underlying parameters as well as all relevant amendments are submitted to the local FCRC for approval. In line with the temporary nature of overlays, the bank plans medium term to transfer them into the models, unless the necessity changes substantially meanwhile.

Notes to the Financial Statements

Other materially relevant methodological adjustments to Stage 1 and 2 impairments

The new IRB LGD model for RWA and EL purposes was implemented in 1Q23 (one-year horizon). Subsequently, the technical requirements for an implementation for ECL purposes were created. This simulation was used to calculate an LGD **Post-Model Adjustment** (PMA), which led to an increase in impairments compared to the preliminary anticipation in 4Q22 and on the basis of the current portfolio. At the end of the year, this PMA amounted to €86 million (versus 8 million 4Q22). Replacement of the PMA in favor of a full implementation in production environment is planned for 2024.

The new method for bullet/balloon loans introduced as a PMA in 4Q22 to account for the specific risk of loans with bulk payments at the end was technically implemented into the production environment in 4Q23 and was also amended with regard to its impact on staging, which led to a migration from S1 to S2 of about €1billion. The method increases ECL levels to €36 million in 4Q23 (the value for end of 2022 had been €21 million).

Loans in the regions of Russia (Belarus) and Ukraine continue to be allocated to stage 2. As at the end of 2023, these do not play a material role (counting for approx. €163.3 million) or are largely secured by export guarantee agencies (hence not materially relevant for the level of ECL).

The Table below shows an overview of the changes of the main Overlays and Post Model Adjustments.

Overlays and Post-Model Adjustments

(€ million)

		2023	2022	CHANGE
OVERLAYS	Geopolitical	110	123	-12
	Commercial Real Estate Finance (CREF)	27	0	27
PMA	Bullet/Balloon	36	21	15
	Loss-Given Default (LGD)	86	8	78
STAGE 1&2 - LLP OVERALL		**713**	**610**	**103**

Consideration of baseline and adverse scenarios

Macroeconomic forecasts are considered in the determination of expected credit losses. They were updated as per 4Q23 and are an important input for the forward-looking calibration of core IFRS9 parameters. For Stage 1 and 2, the scenarios are considered by estimating the impact of specific factors on the ECL (“*overlay factor*”). The same scenarios are taken into account when calibrating the loss rates for the portfolio-based specific provisioning methods.

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

As in the previous year, UniCredit Bank Austria AG selected two macro scenarios based on the economic environment in December 2023 to determine the forward-looking information – a baseline scenario and a adverse scenario The positive scenario is weighted with 0% since first half of 2022. The baseline scenario is considered the most likely and therefore forms a central reference point. The adverse scenario represents a possible a development, which is worse than the baseline scenario.

Probabilities of occurrence:

The UniCredit Group has determined the following probabilities of occurrence for the 2 scenarios:
- 60% for the baseline scenario (“slight growth”)
- 40% for the adverse scenario (“recession”)

Weights are proposed by UniCredit Research and approved group-wide. Weights were not changed compared to 4Q22.

Notes to the Financial Statements

Baseline scenario:

The baseline scenario expects a weak growth for the next quarters as increased requirements for financing, which makes borrowing more difficult, dampen activity. Inflation is expected to be on a declining path. No material gas rationing will be necessary in most countries. Country's counter actions (high storage level and gas savings) in total are assumed to be able to compensate even a very low gas supply from Russia. This scenario is characterized by still high energy prices and weak global trade. ECB rates are expected to remain at around 400 bps, stable until mid-2024 and then reducing subsequently.

The deceleration largely reflects the lagged effects of tighter monetary policy amid depleted household savings buffers. Inflation has declined considerably from its peak, mainly due to energy prices, but core inflation is falling too thanks to lower price pressure.

In the Eurozone compression of corporate profit margins amid weakening demand seems to have started and will probably continue. The continuing decline in inflation will have a positive impact on the development of real incomes and, in combination with a relatively stable labour market, could strengthen private consumptions in 2024. Positive trends are expected for financial markets.

Adverse scenario:

In this scenario, we assume that an escalation of the conflict in Ukraine leads to a complete stop of Russia's gas supply, which leads to adverse shocks in the energy market. The price of energy soars while that of food and other commodities rise strongly fueling inflation. High uncertainty, supply-chain disruption and erosion of real incomes push the European economy in a recession. Inflation expectations at short maturities rise, but, crucially, it is assumed that expectations at intermediate and longer maturities remain well anchored and even decline in the following years. The ECB responds to the shock cutting rates meaningfully in 2024 (higher decline vs. baseline scenario).

Eurozone GDP will turn negative in 2024 leading to a recession. A tentative recovery is expected in 2025 as the commodity price shock fades and supply chains start to normalize. The inflation in the Eurozone is expected to be higher than in the baseline scenario in 2024, however, will be back to baseline level in subsequent years due to demand weakness. In this scenario inflation remains above the ECB's 2% target in 2024 and eases to 2% from 2025. The ECB rate is expected smaller than in the baseline scenario as central banks focus more on growth damage and its implications for price stability. Equity markets will have significant losses in 2024 reflecting the recessionary environment.

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

Scenarios (Baseline- and Adverse Scenario)

FACTORS	DETAILS	BASELINE SCENARIO				ADVERSE SCENARIO			
		2023	2024	2025	2026	2023	2024	2025	2026
Real GDP	**Eurozone**	0.5	0.6	1.3	1.4	0.5	-2.0	0.4	1.4
Annual change (%)	**Austria**	0.1	0.9	1.7	1.6	0.1	-2.0	0.5	1.9
Inflation	**Eurozone (HVPI)**	5.6	2.6	2.0	2.0	5.6	3.5	2.0	2.0
Annual index change (%)	**Austria (VPI)**	7.8	3.6	2.3	1.9	7.8	4.5	2.1	2.1
Unemployment (%)	**Eurozone**	6.6	6.9	6.8	6.8	6.6	8.3	8.3	7.8
	Austria	5.0	5.0	4.8	4.6	5.0	6.0	6.2	5.5
Financial Indicators	**EURIBOR 3m (end of period)**	4.00	3.25	2.55	2.55	4.00	2.00	2.00	2.00
	Brent raw oil price ($/b)	86.0	89.0	80.0	80.0	86.0	108.8	100.1	102.3
Disposable Income Annual change (%)	**Austria**	-0.8	0.9	1.3	1.3	-0.8	-0.6	0.8	0.8
Public Debt (% of GDP)		75.5	74.0	72.8	72.2	75.5	80.0	83.3	86.4

Notes to the Financial Statements

For comparison, for the business year 2022 the scenarios of the following table were applied:

Scenarios (Baseline- and Adverse Scenario)

FACTORS	DETAILS	BASELINE SCENARIO				ADVERSE SCENARIO			
		2022	2023	2024	2025	2022	2023	2024	2025
Real GDP	**Eurozone**	3.1	0.2	1.3	1.5	3.1	-3.0	1.7	1.7
Annual change (%)	**Austria**	5.3	0.4	1.9	1.9	5.3	-3.3	2.0	1.9
Inflation	**Eurozone (HVPI)**	8.4	5.5	2.5	2.0	8.4	7.0	3.0	2.0
Annual index change (%)	**Austria (VPI)**	8.3	5.5	2.3	1.9	8.3	7.7	3.6	2.0
Unemployment (%)	**Eurozone**	6.7	6.7	6.7	6.7	6.7	7.8	7.5	7.5
	Austria	4.5	4.5	4.4	4.3	4.5	5.9	5.2	5.0
Financial Indicators	**EURIBOR 3m (end of period)**	2.25	2.50	2.25	2.25	2.25	2.50	2.25	2.25
	Brent raw oil price ($/b)	103.2	99.2	88.8	75.0	103.2	140.1	105.0	87.5
Disposable Income Annual change (%)	**Austria**	-0.4	2.3	1.8	1.8	-0.4	-0.3	0.8	0.8
Public Debt (% of GDP)		78.5	76.3	74.6	74.6	78.5	80.5	80.1	80.1

Sensitivity analysis
As explained above, the consideration of forward-looking information is an important element when calculating impairment losses, with the macro-dependency model of the Group used acting as a multi-factor model and considering the changes in multiple macrofactors as a whole. To be able to interpret sensitivities easily, we therefore present them as sensitivities to the adverse scenario explained above as a whole (this means that the factors are changed simultaneously to the respective overall extent and not just by 1%). Moreover, the impairment losses of Stage 1 and 2 have been calculated individually using the baseline and adverse scenarios. If we took the adverse scenario instead of the basis scenario for ECL calculation, ECL would increase by 5,9% (the comparable amount in 4Q22 was 8,7%).

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

Overall picture of the development of expected credit losses

Due to the tense economic situation and tight monetary policy, there was a decline in corporate loans in 2023, with an even greater weakening in the portfolio of loans to private households and a noticeable decline in new business with housing loans.
Overall, we see higher allocations to risk provisions on loans and advances in the performing portfolio compared to the same period of the previous year, primarily due to the LGD model update, offset by declines in risk provisions on loans and advances in the non-performing portfolio, mainly due to successful revocery. Overall, total allowances for losses on loans and advances to customers have therefore increased in 2023 compared to 2022 (€1,435,053 thousand) at €1,459,888.614,06.
This is accompanied by the continuous development of monitoring and control mechanisms (expansion of 2nd level controls and optimized management reporting) as well reduction of the real estate backlog.

Credit losses recognized for stage 1 and 2 risk volumes amounted to €549,232 thousand at the end of 2022 and increased to €654,132,535.39 at the end of 2023. Provisions for stage 3 (including financial assets that are credit impaired on initial recognition) fell from €885,150 thousand at the end of 2022 to €805,756,078.07 at the end of 2023.

Development of non-performing loans and credit risk costs

Loans and advances to customers of UniCredit Bank Austria AG decreased in the financial year 2023 from €66,685,652 thousand (end of 2022) to €64,576,209,565.32. Of this amount, €63,656,029,426.26 relates to loans to customers (after deducting the credit losses made for this in the amount of €1,459,768,773.73). The non-performing volume increased from €2,016,375 thousand to €2,073,562,135.16 in the same period, mainly due to inflows from large commercial real estate companies in Q4 2023, partially offset by the recovery of individual borrowers in the non-performing portfolio due to successful restructurings.

Due to defaults in the financial year 2023 on the one hand and a lower volume of loans to the customers on the other, the non-performing portfolio rose from 3.0% to 3.18%.

Notes to the Financial Statements

In the non-performing portfolio, the level of impairment losses equated to around 38.9% of the defaulted volume at the end of 2023 (2022: 43.9%). The decline in the loan loss provision coverage ratio is primarily due to the fact that only minor loan loss provisions were required for these exposures due to the high level of collateralization of the recently defaulted loans of large commercial real estate companies. The Retail segment recorded the highest coverage.

The year 2023 showed an increase in credit risk costs to €83.376.935,15 (2022: €13,953 thousand).

2.2.4. Securities

Securities intended to be held as long-term investments including receivables and similar financial instruments (Forderungen und forderungsähnliche Finanzinstrumente (FFI)) were measured at cost. Use was made of the optional rule contained in Section 56 (2) and (3) of the Austrian Banking Act (spreading premiums/discounts in the profit and loss account over the period to maturity) applying the effective interest method. The relevant amounts of premiums and discounts are indicated in item 4 of the notes to the balance sheet (4.6. Differences between cost and repayable amount of bonds and other fixed-income securities). FFIs are debt instruments that are intended to be held to maturity and whose value is not potentially impacted by risk and reward structures that differ significantly from the default risks of the instrument. Such securities are measured at amortized cost less impairment for default risks as an expression of fair value.

Securities held in the trading book were measured at fair value. Other securities held as current assets were measured at amortised acquisition cost or market value, whichever was lower (strict application of valuation rule "whichever is lowest out of market value or acquisition costs"). Own issues that were repurchased were presented in the balance sheet at amortised acquisition cost. Details are given in item 4 of the notes to the balance sheet (4.7. Differences between cost and market value of securities admitted to trading on an exchange which are not held as financial fixed assets).

Securities are allocated to the trading book, to current assets or to financial fixed assets, taking into account the intention and ability to hold the respective security permanently in accordance with the strategies decided by management.

2.2.5. Equity interests and shares in group companies

Equity interests and shares in group companies were measured at cost. In the case of a permanent decline in value, write-downs are made in respect of listed and unlisted companies. If it turns out that there are reasons for write-ups, a write-up is carried out in the amount of the impairment reversal, taking historical acquisition costs into account.

Impairment test of investments in subsidiaries, associates and other companies

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

Phase 1 – planning period (2024 - 2026; in isolated cases deviating from this):
For 2023, annual net profit and for the valuation of banks, also risk-weighted assets were used according to forecast figures for 2023, while for the following years, values according to the currently available multi-year plan, which usually extends to 2026, were used. Any planning data available for subsequent years beyond this was used.

Phase 2 (from the end of the planning period until 2031):
Within this phase, the growing rate converges to the expected sustainable long-term economic growth of the euro area of 2% (unchanged from the previous year).

Phase 3 – perpetual annuity:
Calculation of the present value of a perpetual annuity on the assumption of an expected long-term growth rate, of 2%, which takes the sustainable long-term economic growth expected by UniCredit Bank Austria AG for the euro area.

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

As the parameters and data used to test carrying amounts for impairment are significantly influenced by the overall economic environment and by market conditions, which may be subject to rapid unpredictable changes, the results of future impairment tests may differ from those which were used for the 2023 financial statements.

Notes to the Financial Statements

2.2.6. Intangible assets

As at 31 December 2023, UniCredit Bank Austria AG reported a goodwill figure of €10,022,176.00 (2022: €11,547 thousand), which is amortised over a period of 5 or 10 years. No other intangible assets were reported in the year under review.

2.2.7. Tangible fixed assets

The valuation of the land, buildings and operating and office equipment was carried out at acquisition or production costs less depreciation and impairment. The rate of depreciation applied to buildings was between 2% p.a. and 5% p.a. and for furniture and equipment between 10% p.a. and 25% p.a, in line with their ordinary useful lives.

2.2.8. Low-value assets

Low-value assets were fully depreciated in the year of acquisition.

2.2.9. Derivatives

UniCredit Bank Austria AG uses derivatives for interest rate management in the banking book to hedge securities held as assets, loans, and advances as well as securitized and non-securitized liabilities against interest rate risk and currency risk. The bank uses primarily interest rate swaps caps and floors as hedges. The bank forms micro and macro valuation units, with non-linear derivatives always being added up as micro valuation unit. As in the previous year, hedge accounting is not applied to bonds on the assets side that are held as current assets.

Due to the "Benchmark Regulation" (Regulation EU 2016/1011), which has been applicable in the EU since January 1, 2018, and the analogous global efforts to adjust benchmarks, in particular IBOR (Interbank Offered Rates) interest rates were replaced by new benchmark interest rates. UniCredit Bank Austria AG already launched a comprehensive project in 2019 in which the necessary steps were taken in connection with the effects of the benchmark reform. The simplifications regarding AFRAC 15 Statement No. 77c were also applied when adjusting the reference values. In the first half of 2021, the reconciliation mechanism for the loan portfolio covered by the interest rate benchmark reform was defined and corresponding contractual, technical and procedural changes were initiated. These were gradually implemented by February 2022 in accordance with the underlying schedule. The only exceptions were the reformed EURIBOR, which can still be used as a reference interest rate, and some USD LIBORs (overnight, 1, 3, 6 and 12 months), which remained in place until June 30, 2023. No new USD Libor transactions were concluded in 2023. Following the final discontinuation of almost all LIBOR (London Interbank Offered Rate) rates, USD LIBOR rates were discontinued as of June 30, 2023. Existing contracts will be converted to the new benchmark indices on an ongoing basis, or the synthetic USD LIBOR will be used for the "legacy business".

Derivatives used for interest rate management in macro valuation units

In line with the relevant FMA circular of December 2012, functional units were formed, based on the relevant currencies, for derivatives used for interest rate risk management in the banking book. Positive and negative market values are offset within these functional units. UniCredit Bank Austria AG also includes cross-currency swaps in derivatives used for interest rate risk management.

UniCredit Bank Austria AG may enter open interest rate risk positions in the banking book only within narrow limits. Most of the derivatives for interest rate risk management are therefore used as part of a macro hedge.

An excess of negative market values per functional unit is therefore compared with the items hedged by these derivatives and is offset against unrecognized reserves from interest rate risk assessment.

A retrospective effectiveness measurement is performed to test the unfolding of the hedging effect of the hedging instruments.

The following table shows the positive and negative surpluses of the derivative market values compared with the hidden reserves of the hedged items, broken down by the relevant currencies. If a negative overhang of the derivative market value is not covered by hidden reserves from the hedged item, a provision for pending losses must be recognized for this currency.

Notes to the Financial Statements

Derivatives

(€ thousand)

	CLEAN MARKET VALUES OF DERIVATIVES, NET AMOUNTS 31.12.2023	CLEAN MARKET VALUES OF DERIVATIVES, NET AMOUNTS 31.12.2022	OFFSETTING HIDDEN RESERVES FROM ITEMS UNDER A MACRO HEDGE 31.12.2023	PROVISION FOR PENDING LOSSES 31.12.2023	PROVISION FOR PENDING LOSSES 31.12.2022	CHANGE IN PROVISION FOR PENDING LOSSES IN 2023	LONGEST TERM OF DERIVATIVES 2023
EUR	74,432.3	158,558.4	(22,069.5)	-	-	-	30.09.2064
CAD	-	4.2	(782.1)	-	-	-	-
CHF	3,321.1	45,155.6	279,389.4	-	-	-	16.06.2031
CZK	46.1	209.6	(132.8)	-	-	-	31.03.2026
GBP	(229.4)	(37.6)	(16,027.0)	(229.4)	(37.6)	(191.7)	15.05.2024
JPY	(17.5)	164.7	804.1	-	-	-	15.02.2024
HUF	(5.2)	(28.5)	19.7	-	(28.5)	28.5	02.01.2024
NZD	(6.1)	-	-	(6.1)	-	(6.1)	03.01.2024
PLN	(9.0)	(0.4)	170.0	-	-	-	02.01.2024
RON	(3.0)	(7.7)	30.0	-	(5.1)	5.1	03.01.2024
TRY	-	(2.7)	(0.6)	-	(2.7)	2.7	-
USD	(9,496.1)	(10,239.6)	(66,104.9)	(9,496.1)	-	(9,496.1)	05.07.2033
Other	(29.1)	7,030.7	656.4	(12.0)	(34.9)	22.9	12.01.2024
	68,004.0	**200,806.5**	**175,952.7**	**(9,743.6)**	**(108.9)**	**(9,634.7)**	

In most macro valuation units (split into currencies), the hidden reserves exceed the negative excesses of the corresponding derivative market values. For GBP and USD this is not the case, therefore the provision for contingent losses in macro valuation units was increased by €9,634,748.76 to €9,743,633.02 in 2023.

Effectiveness is tested regularly as part of interest rate risk management based on interest rate sensitivities (present value-based, basis point value) which is not a mere comparison of the market value of the hedging instrument and the silent reserve of the underlying, but efficiency of the hedging relationship is also made sure by analyses in the respective control system. As the functional unit is defined per currency, the macro valuation unit is also defined per currency. The fixed interest rate risk is thus transformed into a variable interest rate risk per currency.
Regular stress tests are performed for the banking book as part of interest rate management; in addition to parallel shifts in the yield curve, yield curve turns (clockwise and counterclockwise) and money market shocks are also simulated.

Regardless of whether a provision is to be made for pending losses, accrued interest on derivatives for interest rate management in the banking book continues to be recognized and the result is included in net interest income.

Derivatives used for interest rate management in micro valuation units

As critical parameters of the micro valuation units largely match, UniCredit Bank Austria AG uses critical term matches in prospective tests of effectiveness while retrospective measurements of effectiveness are reviewed using the dollar offset method.

Regarding hedging at an individual level (micro-valuation units), the values of the derivatives used relevant to the auditing of the impending loss provision totaled €-338,515,454.96 (2022: €-551,279 thousand). The published figures for the previous year have been adjusted. Of this figure, €-326,555,837.58 (2022: €-581,571 thousand) relates to hedging instruments for the below mentioned transactions on the liabilities side. Regarding the below mentioned transactions on the assets side, the netted values of the hedging instruments amount to €-11,959,617.38 (2022: €30,291 thousand).

Notes to the Financial Statements

Micro Valuation Unit

TYPE OF MICRO VALUATION UNIT	SIDE OF BALANCE SHEET	TYPE OF UNDERLYING	VALUE IN €	LONGEST TERM OF DERIVATIVES
Cash Flow	Assets	Securities	12,928,606.07	20.06.2029
Cash Flow	Liabilities	Securities	-	-
Fair Value	Assets	Loans to customers	(12,801,717.65)	29.03.2052
Fair Value	Assets	Securities	(12,086,505.80)	04.10.2052
Fair Value	Liabilities	Money Market	(19,146,050.40)	15.12.2046
Fair Value	Liabilities	Securities	(307,409,787.17)	21.09.2035
TOTAL			**(338,515,454.96)**	

The required **provision for impending losses** as of 31 December 2023 for derivatives in macro valuation units and for derivatives in micro valuation units comprises of the following for all currencies:

Type of valuation unit

(€ thousand)

TYPE OF VALUATION UNIT	PROVISION REQUIRED FOR PENDING LOSSES 31.12.2023	PROVISION MADE FOR PENDING LOSSES 31.12.2022	CHANGE IN PROVISION FOR PENDING LOSSES IN 2023
Macro valuation units	(9,744)	(109)	(9,635)
Micro valuation units	(2,541)	(5,686)	3,145
TOTAL	**(12,284)**	**(5,795)**	**(6,489)**

The provisioning requirement listed in the aforementioned table includes the interest-related current value components incorporated into the hedging relationship, both for the macro-valuation units as well as for the micro-valuation units. The value adjustments in the interest management derivatives can primarily be attributed to adjustments in the interest rate level during the reporting period. The hedging period extends in principle from the start of the hedging relationship to the final maturity date of the respective underlying transaction.

2.2.10. Liabilities

Liabilities were stated in the balance sheet at the settlement amount. Premiums and discounts in connection with own issues are spread over the period to maturity.

2.2.11. Targeted Longer-Term Refinancing Operations (TLTRO)

UniCredit Bank Austria AG originally used a total of €16.95 billion in central bank refinancing, which each had a 3-year term (of which €15.40 billion under the fourth tranche of TLTRO III in June 2020 and €1.55 billion under the seventh tranche of TLTRO III in March 2021).
TLTRO III.4 in remaining size of €5.4 billion was repaid at maturity in June 2023.
As of 31 December 2023, UniCredit Bank Austria AG holds €1.55 billion in TLTRO III.7 (due in March 2024).

TLTRO III.7 and TLTRO III.4 have a negative contribution to 2023 income statement in the amount of €125 million interest recorded. In previous year the contribution to the 2022 income statement was positive in the amount of €123.7 million, which resulted from the following factors: (i) positive interest recorded from 1 January to 22 November 2022 in the amount of €68.5 million, (ii) interest costs of €23.6 million for the period from 23 November to 31 December 2022, (iii) positive €78.7 million from the derecognition of financial liabilities and the recording of final interest rates.

2.1.12. Securities Lending and Repurchase Agreements

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

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

Notes to the Financial Statements

2.2.13. Deferred tax

In general, deferred tax assets and deferred tax liabilities arise when there are differences between the carrying amounts of assets or liabilities in the balance sheet and the tax carrying amounts of the assets or liabilities.

Deferred tax assets and deferred tax liabilities are recognized using the tax rates that are expected to apply to the period in which the carrying amount of the asset will be recovered or the liability settled, and the amounts recognized are reviewed periodically to reflect changes in regulation.

The local tax rate in Austria of 24.0% (2022: 25%) is used to calculate deferred taxes, and the respective local tax rate of 16% and 19% for the branches in Romania and Poland. The effect of the resolved tax rate change (from 2024: 23%) was calculated according to the expected future use of the deferred tax assets and taken into account accordingly.

Deferred tax assets are only recognized to the extent as it is probable that the company will generate sufficient taxable profits in the future.

Due to the introduction of group taxation in Austria, Bank Austria formed a group of companies. A profit and loss transfer agreement has been concluded with 10 (2022: 10) Group members, and a tax allocation agreement with 125 (2022: 129). Foreign companies are not included in this figure.

2.2.14. Provisions

Provisions were recognised at the settlement amount using the best estimate. Provisions with a remaining maturity of more than one year, which show a significant interest effect, are recognized in the balance sheet at the discounted present value using a market interest rate.

Long-term benefits payable to former employees

The provision for long-term benefits payable to former employees is calculated according to the actuarial methods pursuant to IAS 19.

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

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

Defined-contribution plans are plans under which the company makes fixed contributions. Benefits are the result of the amount of contributions paid and return on contributions invested. Under this type of plan, no actuarial or investment risks are borne by the employer.

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

Under a commitment to provide defined benefits, UniCredit Bank Austria AG continues to recognise a pension provision for the entitlements of employees who retired before the pension reform which became effective on 31 December 1999, and – as a special feature of UniCredit Bank Austria AG's staff regulations – for the future benefits, equivalent to those under mandatory insurance, earned by pensioners for whom UniCredit Bank Austria AG has assumed the obligations of a pension insurance provider pursuant to Section 5 of the Austrian General Social Insurance Act (ASVG) if these persons have left the company to retire by 31 December 2016.

Provisions for pensions and similar obligations decreased by €41,613,968.51 to a total of €2,868,995,540.98 (thereof provisions for pensions €2,646,075,000.00).

Notes to the Financial Statements

The present value of pension obligations and severance-payment obligations as well as anniversary bonuses is determined with due regard to internal service regulations, on the basis of the following actuarial assumptions:

- Actuarial interest rate: 3.55% p.a. (2022: 3.80% p.a.)
  The interest rate was determined by the UniCredit Group on the basis of the DBO cash flows determined by Mercer and the UniCredit Yield Curve. The actuarial assumptions used to determine obligations vary from plan to plan; the discount rate is determined, depending on the maturity of the liability, by reference to market yield's next to the balance sheet date on a basket of "high quality corporate bonds" in order to reflect economic correlation and guarantee mutual consistency among different measurement assumptions (i.e.inflation rate, salary and pension increases rates, plan assets). As at 31 December 2023, the weighted duration for pension, severance compensation and service anniversary bonus obligation is 10.7 years.
- Salary increase: 3.04% (2022: 3.43%) considering an expected average long-term (corresponding to the average duration) inflation rate of 2.67% (2022: 3.01%)
- Pension increase (BA-ASVG): 2.40% p.a. (2022: 2.85% p.a.). Calculated on the basis of the effective average real pension increases of the last 20 years considering an expected average long-term inflation rate of 2.67% (2022: 3.01%).
- Pension increase (others): 2.82% p.a. (2022: 3.14% p.a.) calculated on the basis of the effective average real pension increases, taking into account an expected average long-term inflation rate of 2.67% (2022: 3.01%).
- No discount for staff turnover
- AVÖ-2018-P statistical tables of *Aktuarverein Österreich* [Austrian Actuarial Association] (life-expectancy tables for salaried staff) (2021: AVÖ-2018 P for employees)

Sensitivity analysis

(€ millions)

		EFFECT ON DEFINED BENEFIT OBLIGATIONS	
		31.12.2023	31.12.2022
Discount rate	-0,25%	76	79
	0,25%	(72)	(78)
Salary increase rate	-0,25%	4	(4)
	0,25%	4	4
Pension increase rate	-0,25%	(69)	(71)
	0,25%	72	75

2.2.15 Legal risks

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

In accordance with the principles described above provisions were formed for the following pending legal disputes and other proceedings in the amount of the assessed risk:

A) Madoff

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

Notes to the Financial Statements

Civil law procedures in Austria

Investors in the Primeo and Herald Madoff Feeder Funds have filed numerous civil suits, eight of which are still open, with a claimed amount of €4.8 million plus interest. The claims asserted in these proceedings are that the UniCredit Bank Austria AG committed certain breaches of duty in its capacity as prospectus controller. The Austrian Supreme Court issued 28 legally binding rulings with regard to the prospectus liability claims asserted in the proceedings. Regarding the proceedings concerning the Primeo Feeder funds, eighteen final decisions of the Austrian Supreme Court were taken in favor of UniCredit Bank Austria AG. In two proceedings, the Supreme Court rejected UniCredit Bank Austria AG's extraordinary appeal and therefore made the decision of the Court of Appeal, which had been issued in favor of the plaintiffs, final. With regard to the Herald Feeder Fund, the Austrian Supreme Court has ruled on the prospectus liability claims five times, twice in favor of UniCredit Bank Austria AG and three times in favor of the plaintiffs. In a prospectus liability case where investments were made in Primeo and Herald, the Supreme Court ruled in favor of UniCredit Bank Austria AG; in two further prospectus liability cases where investments were made in Primeo and Herald, the Supreme Court rejected the plaintiffs' extraordinary appeals, thereby ruling the decisions of the Court of Appeal to be legally binding in favor of UniCredit Bank Austria AG.

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

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

Proceedings in the United States

Actions by the SIPA trustee

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

In the HSBC Proceedings, the SIPA Trustee filed civil claims and avoidance claims (also known as "clawback claims") worth several billion US dollars. The civil claims were dismissed in 2011 and no further appeals are pending against this decision. In 2015, the SIPA Trustee dropped the avoidance claims against UniCredit S.p.A and the Alternative Investments Division of Pioneer ("PAI") in the HSBC proceedings, waiving the claims, as well as the avoidance claims against UniCredit Bank Austria AG, without waiving the claims; this was done following claim adjustments that did not concern UniCredit S.p.A., PAI or UniCredit Bank Austria AG and were considered by the SIPA trustee to satisfy the relevant claims. A judgement was issued by the Bankruptcy Court on 22 November 2016 which ordered the avoidance claims against BA Worldwide Fund Management Ltd ("BAWFM") to be rejected. On 9 March 2017, the SIPA Trustee commented on the rejection of the avoidance claims against BAWFM in writing. On 16 March 2017, the SIPA Trustee appealed against the dismissal of the claims. In February 2019, the Court of Appeal annulled the decision of the Bankruptcy Court of 22 November 2016 and ruled that the SIPA trustee could recover the transfers of funds by BLMIS to BAWFM and other similar parties before their insolvency. BAWFM and other defendants requested a new hearing before the Court of Appeals by an "en banc" committee (then by all judges). The Court of Appeal rejected that request in April 2019. At the request of the defendant, the Court of Appeals shall leave the proceedings suspended so that the proceedings are not continued during the review process at the Supreme Court. BAWFM and the other defendants submitted a review on 30 August 2019. On 1 June 2020, the Supreme Court rejected this revision. The case was then referred back to the Bankruptcy Court for further proceedings.

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

Possible ramifications

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

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

Notes to the Financial Statements

B) Alpine Holding GmbH

Alpine Holding GmbH issued one bond in 2010, one in 2011 and one in 2012. In 2010 and 2011, UniCredit Bank Austria AG acted as joint lead manager together with another bank. In June/July 2013, Alpine Holding GmbH and Alpine Bau GmbH became insolvent and bankruptcy proceedings followed. Numerous bondholders then wrote to the banks involved in the bond issues to assert claims. At least as far as UniCredit Bank Austria AG is concerned, the bondholders largely based their claims on the prospectus liability of the joint lead managers and, in fewer cases, also on flawed investment advice provided by the banks that sold the bonds to their customers. Investors have filed civil proceedings, including subpoenas for three class actions by the Federal Chamber of Labour (with claims amounting to some €18.7 million), in which UniCredit Bank Austria AG is named as a defendant in addition to other banks. The significant cause of action is the prospectus liability. These civil proceedings are predominantly still pending at first instance. In December 2023, a first instance court delivered judgement on the bondholders' prospectus liability claims. In its judgement, the court confirmed the legal position of UniCredit Bank Austria AG and the other issuing banks that the prospectuses were correct and complete and fully rejected the bondholders claims based on prospectus liability. The bondholders can appeal against this decision. To date, no legally binding decisions have been issued by the Supreme Court against UniCredit Bank Austria AG concerning prospectus liability. In addition to the aforementioned proceedings against UniCredit Bank Austria AG, further actions against UniCredit Bank Austria AG have been threatened in connection with Alpine bankruptcy, which could be brought in the future. Pending or future actions may negatively affect UniCredit Bank Austria AG. UniCredit Bank Austria AG intends to use all available means to defend itself against these claims. With regard to the pending Austrian civil proceedings, UniCredit Bank Austria AG has made provisions for risks and charges to the extent that is considered appropriate for the current risks. No new provisions for risks and charges were made in the last years. At present, despite the favourable development it is not possible to estimate the timing and outcome of the various proceedings or to assess UniCredit Bank Austria AG's level of responsibility, if any.

C) VKI list of fees (17 fees)

The Vienna Regional Court of Appeal (OLG Wien) ruled in a class action case brought by the VKI that various fees for consumers contained in the price notices for current accounts, personal loans and savings accounts are inadmissible. The inadmissibility was justified mostly by the non-transparent wording of these fee clauses, which makes it impossible or difficult for consumer customers to determine or understand the basis for charging these fees. Due to the inadmissibility of the fees, the affected consumer customers now have a claim for repayment against UniCredit Bank Austria AG.

In out-of-court negotiations with the VKI, UniCredit Bank Austria AG has now found a way for the affected consumers to easily assert their repayment claims.

The provision for damages already set up by UniCredit Bank Austria AG, following the OLG Wien decision, was increased accordingly and will now be used in particular to satisfy the claims for reimbursement asserted by the affected customers via the VKI.

D) Class action suit regarding various fees

The Austrian Chamber of Labour brought a class action suit against UniCredit Bank Austria AG, alleging the inadmissibility or contractual invalidity of fees in the consumer loan sector due to violations of good manners or statutory provisions as well as non-transparent wording. The contested fees are loan processing fees, account management fees and fees for the cancellation receipt. If fees are found to be inadmissible, they may no longer be used in business transactions with consumers in future. Invalid charged fees may be refunded to the affected consumers.

In addition to the class action suit, there are also individual proceedings with similar content. These proceedings have a total value in dispute of €130 thousand.

UniCredit Bank Austria AG, together with the mandated legal representative, analysed these clauses at the beginning of the proceedings and assessed the risk of a litigation loss to be lower than 50%, which is why no provision for damages was formed.

Notes to the Financial Statements

3. Changes in accounting policies and reclassification

There were no changes to the valuation methods compared to the previous year.

In the fourth quarter, securities with a nominal value of €1,210,527,000.00 were reclassified from fixed assets to current assets.

4. Notes to the balance sheet

4.1. Breakdown by maturity – not repayable on demand

Breakdown by maturity

	31.12.2023 (IN €)	31.12.2022 (IN € THOUSAND)
Loans and advances to credit institutions		
up to three months	841,545,775.54	1,363,658
over three months and up to one year	813,849,736.41	53,817
over one year and up to five years	136,491,675.20	177,854
over five years	421,553,540.28	443,946
Loans and advances to customers		
up to three months	3,535,584,700.86	3,908,133
over three months and up to one year	3,486,014,928.68	4,537,624
over one year and up to five years	17,169,433,036.86	18,104,215
over five years	34,769,745,120.56	34,520,296
Amounts owed to credit institutions		
up to three months	4,677,660,427.16	3,277,463
over three months and up to one year	1,132,896,697.72	5,671,885
over one year and up to five years	1,584,744,116.02	3,591,080
over five years	2,491,435,516.54	2,123,489
Amounts owed to customers		
a) Savings deposits		
up to three months	182,997,130.09	104,016
over three months and up to one year	1,305,645,617.16	796,719
over one year and up to five years	2,273,725,675.38	1,467,262
over five years	4,396,768,637.63	3,948,113
b) Other amounts owed to customers		
up to three months	7,049,594,535.66	4,761,196
over three months and up to one year	1,552,637,711.71	2,050,539
over one year and up to five years	2,675,764,096.29	730,090
over five years	220,175,416.28	297,555
Bonds issued evidenced by certificates		
up to three months	653,733,926.97	67,829
over three months and up to one year	167,741,865.49	177,389
over one year and up to five years	7,328,262,360.33	6,510,855
over five years	4,009,137,887.33	2,901,885
Other debts evidenced by certificates		
up to three months	-	-
over three months and up to one year	-	-
over one year and up to five years	-	-
over five years	-	-

Ad Amounts owed to credit institutions) In 2023, liabilities to banks include a TLTRO (Targeted Longer-Term Refinancing Operations) volume of €1.6 billion (31.12.2022: €6.8 billion) and is reported under the term "up to three months".

Ad a) Saving deposits) The expected retention period was used for savings deposits. The calculation was carried out using recognized statistical methods.

Notes to the Financial Statements

4.2. Assets and liabilities denominated in foreign currencies

The total amount of foreign currency assets amounted to €7,664,473,440.68 at the end of the year, or 7.71% of the balance sheet total (31.12.2022: €7,526,589 thousand or 7.26% of the balance sheet total). Foreign currency liabilities reached €7,740,126,631.44 or 7.79% of the balance sheet total (31.12.2022: 7,602,212 thousand or 7.33% of the balance sheet total).

4.3. Loans and advances to, and amounts owed to group companies and companies in which an equity interest is held

Loans and advances to, and amounts owed to, group companies and companies in which an equity interest is held

	GROUP COMPANIES		COMPANIES IN WHICH AN EQUITY INTEREST IS HELD		KEY MANAGEMENT PERSONNEL	
	31.12.2023 (IN €)	31.12.2022 (IN TSD €)	31.12.2023 (IN €)	31.12.2022 (IN TSD €)	31.12.2023 (IN €)	31.12.2022 (IN TSD €)
Loans and advances						
Loans and advances to credit institutions	479,573,262.68	1,023,867	109,426,381.48	30,385	-	-
Loans and advances to customers	3,041,406,591.37	3,265,451	344,649,128.24	44,524	1,205,927.55	1,346
Bonds and other fixed-income securities	15,331,060.53	-	114,871,798.61	115,491	-	-
Shares and other variable-yield securities	13,993,007.62	13,243	-	-	-	-
Amounts owed						
Amounts owed to credit institutions	2,312,270,618.89	4,898,563	5,531,053,421.16	5,529,881	-	-
Amounts owed to customers	489,988,908.39	567,023	644,800,045.79	1,012,658	3,112,844.08	1,459
Debts evidenced by certificates	3,365,252,316.81	2,575,086	-	-	-	-
Tier 2 capital	-	-	-	-	-	-

4.4. Group companies and companies in which an equity interest is held

Those companies in which UniCredit Bank Austria AG holds at least 20% of the share capital – directly or through group companies – are listed in the table at the end of the notes to the financial statements pursuant to Section 238 (1) 4 of the Austrian Business Code. Business relations with group companies were customary banking relationships. Equity capital substitutes were used for some financings.

Notes to the Financial Statements

Shares in group companies (consolidated)

NAME AND DOMICILE OF COMPANY	TOTAL INTEREST IN %	EQUITY (IN €)	NET INCOME/ LOSS (IN €)	TOTAL ASSETS (IN €)	BALANCE SHEET DATE
BA Gebäudevermietungsgmbh, Vienna, AT	100.00	11,883,161.00	491,389.00	19,495,441.00	31.12.2023[2])
BA-CA Markets & Investment Beteiligung Ges.m.b.H., Vienna, AT[1)]	100.00	33,070,699.00	1,961,680.00	33,094,200.00	31.12.2023[2])
Bank Austria Finanzservice GmbH, Vienna, AT	100.00	2,055,294.00	(2,263,079.00)	2,112,317.00	31.12.2023[2])
Bank Austria Real Invest Immobilien-Management GmbH, Vienna, AT[1)]	94.95	49,131,598.00	21,329,255.00	53,702,382.00	31.12.2023[2])
Bank Austria Wohnbaubank AG, Vienna, AT[1)]	100.00	46,281,613.00	1,873,803.00	46,314,569.00	31.12.2023[2])
CABET-Holding GmbH, Vienna, AT[1)]	100.00	785,750,912.12	21,543,464.00	785,760,743.04	31.12.2023[2])
card complete Service Bank AG, Vienna, AT	50.10	46,709,374.70	1,570,295.16	734,857,524.67	31.12.2023[2])
FactorBank Aktiengesellschaft, Vienna, AT	100.00	112,019,871.91	5,517,752.39	946,358,131.48	31.12.2023[2])
Kaiserwasser Bau- und Errichtungs GmbH und Co OG, Vienna, AT	99.80	4,830,073.00	(777,650.00)	18,405,959.00	31.12.2023[2])
Paytria Unternehmensbeteiligungen GmbH, Vienna, AT	100.00	517,680.00	10,773.00	521,480.00	31.12.2023[2])
POLLUX Immobilien GmbH, Vienna, AT	100.00	41,451,632.00	1,380,852.00	50,854,173.00	31.12.2023[2])
Schoellerbank Aktiengesellschaft, Vienna, AT	100.00	247,349,435.69	43,428,792.86	3,128,223,747.24	31.12.2023[2])
UniCredit Center am Kaiserwasser GmbH, Vienna, AT	100.00	(226,240.00)	61,014.00	15,566,863.00	31.12.2023[2])
UniCredit Leasing (Austria) GmbH, Vienna, AT	100.00	90,877,413.46	11,297,399.42	408,109,642.46	31.12.2023[2])
UNIVERSALE International Realitäten GmbH, Vienna, AT	100.00	241,586,620.00	5,432,114.00	261,343,728.00	31.12.2023[2])

1) Profit pooling with UniCredit Bank Austria AG
2) Figures are not audited IFRS values

Notes to the Financial Statements

Interests in companies accounted for under the equity method

NAME AND DOMICILE OF COMPANY	TOTAL INTEREST IN %	EQUITY (IN €)	NET INCOME/ LOSS (IN €)	TOTAL ASSETS (IN €)	BALANCE SHEET DATE
Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck, AT	47.38	2,073,849,000.00	83,132,000.00	14,097,866,000.00	31.12.2022[1)]
BKS Bank AG, Klagenfurt, AT	29.78	1,543,813,000.00	63,561,000.00	10,533,048,000.00	31.12.2022[1)]
NOTARTREUHANDBANK AG, Vienna, AT	25.00	47,765,563.53	6,280,643.74	2,696,134,979.22	31.12.2022
Oberbank AG, Linz, AT	27.17	3,546,920,000.00	243,287,000.00	26,798,166,000.00	31.12.2022[1)]
Oesterreichische Kontrollbank Aktiengesellschaft, Vienna, AT	49.15	900,620,000.00	58,229,000.00	33,613,278,000.00	31.12.2022[1)]
Österreichische Wertpapierdaten Service GmbH, Vienna, AT	29.30	315,190.59	11,541.43	3,744,329.33	31.12.2022
PSA Payment Services Austria GmbH, Vienna, AT	24.00	59,826,810.33	12,687,686.65	250,652,890.72	31.12.2022
WKBG Wiener Kreditbürgschafts- und Beteiligungsbank AG, Vienna, AT	21.54	26,373,613.45	(433,114.09)	32,204,130.96	31.12.2022

[1)] Figures are IFRS values

Unconsolidated companies

NAME AND DOMICILE OF COMPANY	TOTAL INTEREST IN %	EQUITY (IN €)	NET INCOME/ LOSS (IN €)	TOTAL ASSETS (IN €)	BALANCE SHEET DATE
A) Group companies					
Alpine Cayman Islands Ltd., George Town, Grand Cayman, KY	100.00	425,095.00	(36,676.00)	444,798.00	31.12.2022
BA Alpine Holdings, Inc., Wilmington County, New Castle, US	100.00	6,769,282.77	345,380.65	6,799,336.21	31.12.2022
Human Resources Service and Development GmbH, Vienna, AT[1)]	100.00	11,554.97	61,241.05	384,689.69	31.12.2022
RAMSES-Immobilienholding GmbH, Vienna, AT	100.00	60,272.50	3,908.10	65,613.89	31.12.2022
RE-St.Marx Holding GmbH, Vienna, AT[1)]	100.00	112,189.13	(6,100.52)	114,583.13	31.12.2023

1) Profit pooling arrangements with UniCredit Bank Austria AG

The total percentage held comprises all shares held by consolidated companies and other group companies but not shares held on a trust basis.
Equity: equity pursuant to Section 229 of the Austrian Business Code

At the balance sheet date and unchanged in comparison with the previous year, UniCredit Bank Austria AG maintained profit and loss transfer agreements for tax purposes with the following companies:
- BA-CA Markets & Investment Beteiligung GmbH
- Bank Austria Real Invest Immobilien-Management GmbH
- Bank Austria Wohnbaubank AG
- CABET-Holding-GmbH
- Human Resources Service and Development GmbH
- RE-St. Marx Holding GmbH

Notes to the Financial Statements

4.5. Securities

At the end of the year 2023 €6,658,891,225.31 (31.12.2022: €8,735,288 thousand) of the entire securities portfolio of UniCredit Bank Austria AG related to financial fixed assets and €12,301,529,233.46 (31.12.2022: €7,951,866 thousand) to the current assets including the trading portfolio.

4.5.1. The following breakdown shows securities admitted to trading on an exchange:

Breakdown of securities admitted to trading on an exchange

	LISTED		NOT LISTED	
	31.12.2023 (IN €)	31.12.2022 (IN € THOUSAND)	31.12.2023 (IN €)	31.12.2022 (IN € THOUSAND)
Bonds and other fixed-income securities	6,893,068,077.57	6,798,248	-	-
Shares and other variable-yield securities	21.59	20	-	-
Equity interests	129,889,024.58	127,384	-	-
Shares in group companies	-	-	-	-
TOTAL	**7,022,957,123.74**	**6,925,652**	**-**	**-**

4.5.2. The following table shows securities admitted to trading on an exchange, broken down into fixed (long-term) and current assets:

Breakdown of securities admitted to trading on an exchange into fixed (long-term) and current assets

	FIXED ASSETS		CURRENT ASSETS	
	31.12.2023 (IN €)	31.12.2022 (IN € THOUSAND)	31.12.2023 (IN €)	31.12.2022 (IN € THOUSAND)
Bonds and other fixed-income securities	1,740,959,110.03	2,181,768	5,152,108,967.54	4,616,481
Shares and other variable-yield securities	-	-	21.59	20
TOTAL	**1,740,959,110.03**	**2,181,768**	**5,152,108,989.13**	**4,616,501**

4.5.3. Financial instruments carried as financial fixed assets for which the carrying amounts are higher than their fair values (Section 237a (1) 2 of the Austrian Business Code):

Financial instruments carried as financial fixed assets for which the carrying amounts are higher than their fair values (Section 238 (1) 2 of the Austrian Business Code)

	BOOK VALUE 31.12.2023 (IN €)	UNRECOGNISED LOSSES 31.12.2023 (IN €)	BOOK VALUE 31.12.2022 (IN € THOUSAND)	UNRECOGNISED LOSSES 31.12.2022 (IN € THOUSAND)
Treasury bills and similar securities	3,480,439,038.10	467,622,861.40	5,468,121	762,230
Bonds and other fixed-income securities	1,530,171,941.51	152,920,618.20	2,174,872	252,221
Shares and other variable-yield securities	-	-	-	-
Equity interests	-	-	-	-
Shares in group companies	-	-	-	-

These financial instruments are subject to an impairment test. There were no impairment losses in the items "Bonds and other fixed-income securities" and "Shares and other variable-yield securities" in 2023 (31.12.2022: €0 thousand). For receivables and similar financial instruments (Forderungen und forderungsähnliche Finanzinstrumente (FFI)), a statistically calculated credit risk provision in the amount of €196,894.79 (31.12.2022: €846 thousand) was recognized. Analyses performed in respect of the other portfolios did not provide any indication of impairment because on the one hand the majority of these are secured by micro/macro hedges and on the other hand the unhedged portfolios are planned to be held to maturity. Therefore, no further write-downs were required for 2023.

Notes to the Financial Statements

4.6. Differences between cost and repayable amount of bonds and other fixed-income securities

In the case of bonds and other fixed-income securities which are held as financial fixed assets and for which cost exceeds the amount repayable, the difference is amortised over the period to maturity pursuant to Section 56 (2) of the Austrian Banking Act. At year-end 2023, the difference to be amortised over the remaining maturity amounted to €135,086,497.66 (31.12.2022: €172,894 thousand).

In the case of bonds and other fixed-income securities which are held as financial fixed assets and for which cost is lower than the amount repayable, a write-up is made for the difference over the period to maturity pursuant to Section 56 (3) of the Austrian Banking Act. Until the balance sheet date, write-ups made in respect of such differences amounted to €15,634,228.70 (31.12.2022: €7,989 thousand). As at 31 December 2023, the difference between cost and repayable amount was €184,483,313.49 (31.12.2022: €125,053 thousand).

4.7. Differences between cost and market value of securities admitted to trading on an exchange which are not held as financial fixed assets

As at 31 December 2023, the market value of securities held in the trading portfolio pursuant to Section 56 (5) of the Austrian Banking Act was €7.72 (31.12.2022: €0 thousand) higher than cost.

At balance sheet date, the market value of listed securities held to comply with liquidity requirements pursuant to Section 56 (4) of the Austrian Banking Act was €191,087,120.24 (31.12.2022: €1,259 thousand) higher than the carrying amount.

4.8. Bonds becoming due in the subsequent year

In 2023, receivables in the form of bonds and other fixed-interest securities in the amount of €813,094,426.64 (31.12.2022: €986,011 thousand) as well as bonds issued and other securitised liabiltities in the amount of €821,475,792.46 (31.12.2022: €245,218 thousand) will become due.

4.9. Trading book

In the 2023 financial year, UniCredit Bank Austria AG maintained a trading book pursuant to Section 64 (1) 15 of the Austrian Banking Act. Within the trading book, securities carried in the balance sheet accounted for €297,177.57 (31.12.2022: €424 thousand) and derivatives with a market value of €3,095,720,037.85 (31.12.2022: €4,709,458 thousand). The published figures for the previous year were adjusted to the methodology of Art 94 CRR.

4.10. Own shares

There were no sales or purchases of UniCredit Bank Austria AG ordinary shares in 2023 (2022: no sales or purchases). As at 31 December 2023, UniCredit Bank Austria AG did not hold any of its own shares (31.12.2022: 0).

4.11. Shares in a controlling company

In the reporting year, there were no sales or purchases of UniCredit S.p.A. ordinary shares as part of customer business (2022: 0 shares).
At the balance sheet date, UniCredit Bank Austria AG did not hold any UniCredit S.p.A. shares (31.12.2022: 0).

4.12. Repurchased own subordinated bonds and Tier 2 capital

UniCredit Bank Austria AG had no subordinated bonds issued by it as at the balance sheet date 2023 (31.12.2022: €0 thousand

4.13. Trust transactions

The book values of the following assets items and liabilities items include trust transactions pursuant to Section 48 (1) of the Austrian Banking Act

	31.12.2023 (IN €)	31.12.2022 (IN € THOUSAND)
Loans and advances to customers	90,344,314.22	107,834
Total assets items	**90,344,314.22**	**107,834**
Amounts owed to credit institutions	47,277,612.50	54,620
Amounts owed to customers	43,066,701.72	53,213
Total liabilities items	**90,344,314.22**	**107,833**

Notes to the Financial Statements

In addition, as at 31 December 2023, bonds issued on a trust basis for Bank Austria by Wohnbaubank AG in the total amount of €493,685,100.00 (31.12.2022: €539,846 thousand) compare with assets totalling €584,752,508.78 (31.12.2022: €757,442 thousand) which were provided as collateral and are included in the item "Loans and advances to customers".

4.14. Assets sold under repurchase agreements and securities lending transactions

As at the balance sheet date, the book value of assets transferred under repurchase agreements was €1,635,784,735.75 (31.12.2022: €476,805 thousand). The assets continue to be recognised as assets in the balance sheet, the consideration received is included in liabilities. As of December 31, 2023, €485,498,345.98 in securities were lent by UniCredit Bank Austria AG (31.12.2022: €764,361 thousand).

4.15. Subordinated assets

Subordinated assets

	31.12.2023 (IN €)	31.12.2022 (IN € THOUSAND)
Loans and advances to credit institutions	**230,442,679.64**	**228,571**
of which: equity interests	-	-
of which: group companies	*230,442,679.64*	*228,571*
Loans and advances to customers	**27,989,418.29**	**27,820**
of which: equity interests	-	-
of which: group companies	*27,989,418.29*	*27,820*
Bonds and other fixed-income securities	**-**	**-**
of which: equity interests	-	-
of which: group companies	-	-

4.16. Intangible fixed assets and tangible fixed assets

At the end of the reporting period a goodwill is reported under "Intangible assets" in the amount of €10,022,176.00 (31.12.2022: €11,547 thousand). The reduction in goodwill in the 2023 financial year results from amortization.

The value of land of real estate properties totalled €3,026,207.41 at the end of the reporting period (31.12.2022: €3,227 thousand).

Notes to the Financial Statements

4.17. Fixed assets

Movements in fixed assets of UniCredit Bank Austria AG

(in €)

	31.12.2022	ADDITIONS	DISPOSALS	TRANSFERS	31.12.2023
Cost					
Treasury bills and similar securities	5,920,705,010.52	411,541,003.79	(1,835,469,511.05)	-	4,496,776,503.26
Loans and advances to credit institutions	331,563,830.99	25,593,204.08	(325,989,584.63)	-	31,167,450.44
Loans and advances to customers	500,051,190.85	1,644,401.97	(35,896,789.48)	-	465,798,803.34
Bonds and other fixed-income securities	2,192,028,455.45	324,232,958.88	(764,706,084.89)	-	1,751,555,329.44
Shares and other variable-yield securities	-	-	-	-	-
Equity interests	329,221,705.43	2,892,245.57	(209,861.50)	-	331,904,089.50
Shares in group companies	3,113,985,818.70	9,366,348.56	(116,161,314.44)	-	3,007,190,852.82
Intangible fixed assets	493,969,830.89	1,224,000.00	-	-	495,193,830.89
Tangible fixed assets					
a) Land and buildings	48,576,027.96	980,209.58	(3,359,473.36)	302,564.79	46,499,328.97
b) Other tangible fixed assets	222,107,850.76	12,694,098.98	(1,979,615.34)	(302,564.79)	232,519,769.61
TOTALS	**13,152,209,721.55**	**790,168,471.41**	**(3,083,772,234.69)**	**-**	**10,858,605,958.27**

Movements in fixed assets of UniCredit Bank Austria AG

(in €)

	ACCUMULATED WRITE-DOWNS/DEPRECIATION 31.12.2022	WRITE-DOWNS/ DEPRECIATION 2023	WRITE-UPS 2023	ACCUMULATED WRITE-DOWNS/DEPRECIATION DISPOSALS 2023
Carrying value and write-downs/depreciation				
Treasury bills and similar securities	(199,542,394.80)	(20,444,612.06)	47,611,438.54	96,313,254.64
Loans and advances to credit institutions	1,101,217.54	-	37,619.59	(1,086,003.15)
Loans and advances to customers	(358,349.44)	-	557,187.38	-
Bonds and other fixed-income securities	(10,260,690.25)	(5,946,216.58)	4,761,969.47	848,717.95
Shares and other variable-yield securities	-	-	-	-
Equity interests	(57,746,193.27)	(9,262,726.38)	9,106,011.27	61,494.67
Shares in group companies	(1,487,500,754.26)	(21,444,749.00)	11,750,990.13	115,209,831.42
Intangible fixed assets	(482,423,146.89)	(2,748,508.00)	-	-
Tangible fixed assets				
a) Land and buildings	(28,919,680.47)	(640,513.59)	-	1,960,808.28
b) Other tangible fixed assets	(135,669,719.46)	(16,193,433.53)	-	1,517,261.05
TOTALS	**(2,401,319,711.30)**	**(76,680,759.14)**	**73,825,216.38**	**214,825,364.86**

Notes to the Financial Statements

	ACCUMULATED WRITE-DOWNS/DEPRECIATION TRANSFERS 31.12.2023	ACCUMULATED WRITE-DOWNS/DEPRECIATION 31.12.2023	CARRYING VALUE 31.12.2023	CARRYING VALUE 31.12.2022
Carrying value and write-downs/depreciation (continued)				
Treasury bills and similar securities	-	(76,062,313.68)	4,420,714,189.58	5,721,162,615.72
Loans and advances to credit institutions	-	52,833.98	31,220,284.42	332,665,048.53
Loans and advances to customers	-	198,837.94	465,997,641.28	499,692,841.41
Bonds and other fixed-income securities	-	(10,596,219.41)	1,740,959,110.03	2,181,767,765.20
Shares and other variable-yield securities	-	-	-	-
Equity interests	-	(57,841,413.71)	274,062,675.79	271,475,512.16
Shares in group companies	-	(1,381,984,681.71)	1,625,206,171.11	1,626,485,064.44
Intangible fixed assets	-	(485,171,654.89)	10,022,176.00	11,546,684.00
Tangible fixed assets				
a) Land and buildings	-	(27,599,385.78)	18,899,943.19	19,656,347.49
b) Other tangible fixed assets	-	(150,345,891.94)	82,173,877.67	86,438,131.30
TOTALS	**-**	**(2,189,349,918.20)**	**8,669,256,069.07**	**10,750,890,010.25**

The 2022 amount referring to closing balance and accumulated write-downs for the item “Shares in group companies” has been reviewed and differ from the ones published at that time.

4.18. Leasing activities

While UniCredit Bank Austria AG was not directly active as lessor in the leasing business in 2023, as in the previous year, its activities included the extension of loans to leasing companies.

4.19. Total expenses for the use of tangible fixed assets not carried as assets

Obligations arising from the use of tangible fixed assets not carried as assets in the balance sheet (under leasing and rent agreements) which will become due in the subsequent period and in the subsequent five years are indicated in the table below:

Obligations under leasing and rent agreements

	31.12.2023 (IN €)	31.12.2022 (IN € THOUSAND)
for the subsequent business year	41,992,430.89	40,160
for the subsequent five business years	216,772,242.44	208,063

4.20. Other assets

4.20.1. Other assets

Other assets

	31.12.2023 (IN €)	31.12.2022 (IN € THOUSAND)
Valuation components from derivative products	2,083,477,077.30	2,630,445
Dividend receivables from affiliated companies, with which a profit-pooling agreement is in place	46,696,773.80	61,711
Claims against the Austrian tax office for companies (Finanzamt für Körperschaften)	59,559,574.61	52,839
Accrued interest and fee and commission income	151,312,510.11	115,057
Other	204,045.12	1,031
TOTAL	**2,341,249,980.94**	**2,861,084**

Notes to the Financial Statements

4.20.2. Prepaid expenses

Prepaid expenses

	31.12.2023 (IN €)	31.12.2022 (IN € THOUSAND)
Advance rent payment for real estate	824,603.76	995
Discounts in respect of own issues	85,988,927.65	95,995
Other	171,189,790.89	323
TOTAL	**258,003,322.30**	**97,313**

The item "Other" contains open upfront fees in the amount of €171,147,218.60.

4.21. Deferred tax assets

The amount which was required to be carried as an asset in the reporting year pursuant to Section 198 (9) of the Austrian Business Code, amounts to €368,146,538.86 (2022: €334,590 thousand); this amount included deferred taxes of €157,788.71 (2022: €122 thousand) resulting from temporary differences at companies with which UniCredit Bank Austria AG maintained profit and loss transfer agreements for tax purposes. The actively deferred taxes are predominantly based on temporary differences in the area of pension and severance provisions, the valuation of receivables, the valuation of securities as well as the seventh part amortisation ("Siebentel-Abschreibungen"). In addition, there are actively deferred tax assets from differential amounts resulting from the different corporate law and tax approach of other provisions for risks and charges and of non-current provisions and liabilities.

The effect of the resolved tax rate change (from 2024: 23%) was calculated according to the expected future use of the deferred tax assets and taken into account accordingly. In the year under review, this led to a reduction in deferred tax assets of €1,990,470.90 (2022: €28.354 thousand).

No use was made of the option to capitalize tax loss carryforwards.

4.22. Other liabilities

Other liabilities

	31.12.2023 (IN €)	31.12.2022 (IN € THOUSAND)
Valuation component from derivative products	2,133,333,634.68	2,432,059
Liabilities from restructuring	314,198,042.56	284,339
Liabilities from witholding tax (Kapitalertragsteuer / KESt) settlements	30,223,830.25	28,222
Anticipations on liabilities side	15,163,451.46	11,798
Other	110,903,627.89	119,472
TOTAL	**2,603,822,586.84**	**2,875,891**

4.23. Deferred income

Deferred Income

	31.12.2023 (IN €)	31.12.2022 (IN € THOUSAND)
Premiums in respect of own issues	7,915,192.80	9,876
Deferrals from terminated swaps	24,517,099.66	25,261
Other deferred income	102,093,052.08	9,026
TOTAL	**134,525,344.54**	**44,163**

The item "Other deferred income" contains open upfront fees in the amount of €92,073,093.73.

Notes to the Financial Statements

4.24. Other provisions

Other provisions

	31.12.2023 (IN €)	31.12.2022 (IN € THOUSAND)
Provisions for credit risks	158,085,201.25	176,073
Provisions for pending losses	280,829,441.06	82,201
Provisions for indeterminate liabilities	140,812,204.32	161,049
Restructuring provisions	179,327,692.63	128,157
TOTAL	**759,054,539.26**	**547,479**

The provisions for contingent liabilities include mainly provisions for payroll accounting.

The provisions for pending losses primarily include losses on derivatives and provisions for legal risks. A detailed description of the existing legal risks can be found under 2.2.15 Legal risks.

The restructuring provisions include payroll costs and other administrative expenses related to the “UniCredit Unlocked” strategic plan initiated by UniCredit. The increase in restructuring provisions is mainly attributable to the new staff exit plan defined with the update of the Strategic Plan.

4.25. Tier 2 capital

Tier 2 capital pursuant to Chapter 4 of Title I of Part Two of Regulation (EU) 2019/876 (CRR II) amending Regulations (EU) No 575/2013, including accrued interest payable stated in the balance sheet at 31 December 2023 amounts to €591,731,359.01 (31.12.2022: €592,845). In the reporting year no Tier 2 capital have been repaid.

The liabilities are subordinated in the event of liquidation or bankruptcy and are only satisfied after the claims of other creditors.
The contractual terms do not provide for a write-down or conversion of the liability in continuing operations.

As at 31 December 2023 the supplementary capital consists of 11 bonds (31.12.2022: 11 bonds) and 1 time deposit (31.12.2022: 1 time deposit), most of which have a term of more than five years.

The subordinated issues are held in accordance with CRR II, Article 494b (2), and can be allocated to supplementary capital until June 28, 2025.
The bonds are denominated in EUR and USD.

The subordinated term deposit in the form of a promissory note loan is denominated in USD and matures on December 15, 2046.

The subordinated senior non-preferred bonds that are not included in supplementary capital are reported under debts evidenced by certificates. The total amount reported in the balance sheet as at 31.12.2023, including accrued interest, is €3,309,990,416.67 (31.12.2022: €2,505,625 thousand).

4.26. Instruments of additional regulatory Tier 1 capital

In December 2021, UniCredit Bank Austria AG issued an additional tier 1 capital instrument of €600,000,000 in the form of a Tier 1 issue (AT1 bonds). This was fully subscribed by the parent company UniCredit S.p.A.

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

The issuer first has the option to redeem the issue after five years, and the initial interest is 4.75%. From 3 June 2027, the interest rate corresponds to the five-year mid-market swap rate of +4.90%.

Notes to the Financial Statements

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

4.27. Equity

4.27.1. Subscribed share capital

The share capital of UniCredit Bank Austria AG as at 31 December 2023 was €1,681,033,521.40, unchanged compared with the previous year. The share capital is divided into 10,115 registered no-par value shares with voting rights and restricted transferability and 231,218,705 registered no-par value shares with voting rights, and each no-par value share participates in the share capital to the same extent.

4.27.2. Capital reserves

As at 31 December 2023, capital reserves subject to legal restrictions were stated at €876,354,199.40, unchanged compared with 31 December 2022. A capital reserve which is not subject to legal restrictions amounted to €1,000,000,000.00 as at balance sheet date (31 December 2022: €1,000,000 thousand), reflecting a shareholder contribution from UniCredit S.p.A.

4.27.3. Revenue reserves

As at 31 December 2023, revenue reserves were stated unchanged at €192,056,563.11 (31.12.2022: €192,057 thousand).

4.27.4. Reserve pursuant to Section 57 (5) of the Austrian Banking Act

As at 31 December 2023, reserve pursuant to section 57 (5) of the Austrian Banking Act were stated unchanged at €2,129,748,409.45 (31 December 2022: €2,129,748 thousand).

Notes to the Financial Statements

4.28 Tier 1 capital and Tier 2 capital

The following table already takes into account the movements in reserves and the 2023 results, taking into account the planned distribution. Please note that the annual financial statements have not been approved at the time the annual financial statements were prepared by the Supervisory Board or, if applicable, by the annual general meeting.

Capital resources - UniCredit Bank Austria AG

(in €)

Eligible capital pursuant to Part Two of Regulation (EU) No 575 /2013		31.12.2023	7,166,701,802.59
		31.12.2022	7,257,737,844.30
UniCredit Bank Austria AG			
1	**OWN FUNDS**		**7,166,701,802.59**
1.1	**TIER 1 CAPITAL (T1)**		**6,442,688,077.83**
1.1.1	**COMMON EQUITY TIER 1 CAPITAL (CET1)**		**5,842,688,077.83**
1.1.1.1	Capital instruments eligible as CET1 Capital	3,557,387,720.80	
1.1.1.1.1	Fully paid-up capital instruments	1,681,033,521.40	
1.1.1.1.3	Share premium	1,876,354,199.40	
1.1.1.2	Retained earnings	777,128,154.62	
1.1.1.2.1	Previous years retained earnings	776,127,785.57	
1.1.1.2.2	Profit or loss eligible	1,000,369.05	
1.1.1.2.2.1	Profit or loss attributable to the owners of the parent company	833,424,121.05	
1.1.1.2.2.2	(–) Part of interim or year-end profit not eligible	(832,423,752.00)	
1.1.1.4	Other reserves	2,129,748,409.45	
1.1.1.9	Adjustments to CET1 due to prudential filters	(21,995,823.08)	
1.1.1.9.4	Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	(20,242,442.73)	
1.1.1.9.5	(–) Value adjustments due to the requirements for prudent valuation	(1,753,380.35)	
1.1.1.10	(–) Goodwill	(10,022,176.00)	
1.1.1.10.1	(–) Goodwill accounted for as intangible asset	(10,022,176.00)	
1.1.1.13	(–) IRB shortfall of credit risk adjustments to expected losses	(2,451,561.84)	
1.1.1.24	(–) CET1 instruments of financial sector entities where the institution has a significant investment	(323,677,726.29)	
1.1.1.25	(–) Amount exceeding the 17.65 % threshold	(119,164,485.96)	
1.1.1.25.1	(-) Amount exceeding the 17.65% threshold related to CET1 instruments of financial sector entities where the institution has a significant investment	(75,777,220.11)	
1.1.1.25.2	(-) Amount exceeding the 17.65% threshold related to deferred tax assets arising from temporary differences	(43,387,265.85)	
1.1.1.25A	(-) Insufficient coverage for non-performing exposures	(41,384,610.78)	
1.1.1.27	(-) Additional deductions of CET1 Capital due to Article 3 of Regulation (EU) No 575/2013	(102,879,823.09)	
1.1.2	**ADDITIONAL TIER 1 CAPITAL (AT1)**		**600,000,000.00**
1.1.2.1	Capital instruments eligible as AT1 Capital	600,000,000.00	
1.1.2.1.1	Fully paid up, directly issued capital instruments	600,000,000.00	

Notes to the Financial Statements

1.2	**TIER 2 CAPITAL (T2)**		**724,013,724.76**
1.2.1	**Capital instruments and subordinated loans qualifying as Tier 2 capital**		**24,886,877.83**
1.2.1.1	Fully paid-up capital instruments and subordinated loans	24,886,877.83	
1.2.1.2*	Memorandum item: Capital instruments and subordinated loans not eligible	20,082,758.62	
1.2.2	**Transitional adjustments due to grandfathered T2 Capital instruments and subordinated loans**	**-**	**541,624,537.01**
1.2.5	**IRB Excess of provisions over expected losses eligible**	**-**	**157,588,563.49**
1.2.9	**(–) Tier 2 capital instruments of financial sector entities in which the institution has a significant investment**	**-**	**(86,253.57)**

ad 1.1.1.3) includes, in addition to the share premium, the uncommitted capital reserve from shareholder contribution of €1 bn
ad 1.1.1.4) liability reserve
ad 1.1.1.9.4) since 3Q22, the netted debit value adjustment has been included in the deduction after taking tax effects into account (24% Income Tax rate)
ad 1.1.1.27) NPE backstop/calendar provisioning in implementation of SREP letter to UniCredit Group
ad 1.2.2.) from January 1st, 2021, application of the transitional provision for third-country emissions without a contractual bail-in clause

Notes to the Financial Statements

Total risk exposure amount - UniCredit Bank Austria AG

(in €)

Capital requirements pursuant to Article 92 of Regulation (EU) No 575 /2013		31.12.2023	2,550,384,319.79
		31.12.2022	2,819,448,297.83
UniCredit Bank Austria AG			
1	**TOTAL RISK EXPOSURE AMOUNT**		**31,879,803,997.32**
1.1	**RISK-WEIGHTED EXPOSURE AMOUNTS FOR CREDIT RISK, COUNTERPARTY RISK AND DILUTION RISK AND FOR FREE DELIVERIES**		**28,011,778,657.71**
1.1.1	**Standardised approach (SA)**		**1,710,279,071.60**
*1.1.1**	*Of which: Additional stricter prudential requirements based on Article 124 of Regulation (EU) No 575/2013*	-	
1.1.1.1	SA exposure classes excluding securitisation positions	1,710,279,071.60	
1.1.1.1.01	Central governments or central banks	811,898,389.83	
1.1.1.1.02	Regional governments or local authorities	6,446,953.16	
1.1.1.1.03	Public sector entities	99,622,016.92	
1.1.1.1.06	Institutions	33,311,742.14	
1.1.1.1.07	Corporates	697,327,653.10	
1.1.1.1.08	Retail	10,974,358.16	
1.1.1.1.09	Secured by mortgages on immovable property	30,954,086.25	
1.1.1.1.10	Exposures in default	15,303,589.64	
1.1.1.1.11	Items associated with particular high risk	225,225.81	
1.1.1.1.13	Claims on institutions and corporates with a short-term credit assessment	1,286,391.54	
1.1.1.1.14	Collective investment undertakings (CIU)	2,928,665.00	
1.1.2	**Internal ratings-based (IRB) approach**		**26,264,760,581.82**
*1.1.2**	*Of which: Additional stricter prudential requirements based on Article 164 of Regulation (EU) No 575/2013*	-	
*1.1.2***	*Of which: Additional stricter prudential requirements based on Article 124 of Regulation (EU) No 575/2013*	-	
1.1.2.2	IRB approaches when own estimates of LGD and / or Conversion Factors are used	22,742,999,457.82	
1.1.2.2.01	Central governments and central banks	281,934,255.07	
1.1.2.2.02	Institutions	1,115,152,687.25	
1.1.2.2.03	Corporates – SMEs	2,084,544,611.11	
1.1.2.2.04	Corporates - Specialised Lending	524,486,890.46	
1.1.2.2.05	Corporates - Other	11,760,152,081.28	
1.1.2.2.06	Retail – Secured by real estate SME	495,604,923.00	
1.1.2.2.07	Retail – Secured by real estate non-SME	3,653,344,249.86	
1.1.2.2.08	Retail – Qualifying revolving	468,093,458.48	
1.1.2.2.09	Retail – Other SME	289,882,750.30	
1.1.2.2.10	Retail – Other non-SME	2,069,803,551.01	
1.1.2.3	Equity IRB	3,046,979,993.50	
1.1.2.5	Other non credit-obligation assets	474,781,130.49	
1.1.3	**Risk exposure amount for contributions to the default fund of a central counterparty**		**32,998,233.15**
1.1.4	**Securitisation positions**		**3,740,771.14**
1.2	**TOTAL RISK EXPOSURE AMOUNT FOR SETTLEMENT/DELIVERY**		**-**

Notes to the Financial Statements

1.3	**TOTAL RISK EXPOSURE AMOUNT FOR POSITION RISK, FOREIGN EXCHANGE RISK AND COMMODITIES RISK**		**278,570,268.50**
1.3.1	**Risk exposure amount for position risk, foreign exchange risk and commodities risk under the standardised approach**		**-**
1.3.1.4	Foreign Exchange	-	
1.3.2	**Risk exposure amount for position risk, foreign exchange risk and commodities risk under internal models**		**278,570,268.50**
1.4	**TOTAL RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK (OpR)**		**2,563,237,115.88**
1.4.3	**OpR Advanced measurement approaches (AMA)**		**2,563,237,115.88**
1.6	**TOTAL RISK EXPOSURE AMOUNT FOR CREDIT VALUATION ADJUSTMENT**		**14,411,409.88**
1.6.1	**Advanced method**		**14,411,409.88**
1.8	**OTHER RISK EXPOSURE AMOUNTS**		**1,011,806,545.35**
1.8.4	***of which: Additional risk exposure amount due to Article 3 of Regulation (EU) No 575/2013***		***1,011,806,545.35***
	Capital requirements pursuant to Article 92 of Regulation (EU) No 575 /2013		**2,550,384,319.79**
	of which: capital requirements pursuant to Article 92 (1) points (a) to (c) and to the transitional arrangement pursuant to Article 465 of Regulation (EU) No 575 / 2013 in conjunction with Section 1 of the Austrian CRR Supplementary Regulation		
	a) a Common Equity Tier 1 capital ratio of		**18.3%**
	b) a Tier 1 capital ratio of		**20.2%**
	c) a Total capital ratio of		**22.5%**

ad 1.8.4) including RWA add-on of €1.012 million

The own funds requirements shown in the table in accordance with Article 92 of Regulation (EU) No. 575/2013 represent the regulatory minimum requirement (8%) for total risk-weighted assets.

Notes to the Financial Statements

The following table includes the eligible **consolidated result for 2023**. Please note that the financial statements of UniCredit Bank Austria AG and of some single subsidiaries have not been approved at the time the annual financial statements were prepared by the respective Supervisory Boards, nor has there been a decision on the appropriation of profits by the respective annual general meetings.

Consolidated capital resources - Bank Austria Group

(in €)

Eligible capital pursuant to Part Two of Regulation (EU) No 575 /2013		31.12.2023	7,717,712,445.64
		31.12.2022	7,498,594,870.65
UNICREDIT BANK AUSTRIA GROUP			
1	**OWN FUNDS**		**7,717,712,445.64**
1.1	**TIER 1 CAPITAL (T1)**		**7,010,396,902.01**
1.1.1	**COMMON EQUITY TIER 1 CAPITAL (CET1)**		**6,407,989,243.93**
1.1.1.1	Capital instruments eligible as CET1 Capital	5,816,097,000.00	
1.1.1.1.1*	Fully paid-up capital instruments	1,681,034,000.00	
1.1.1.1.3	Share premium	4,135,063,000.00	
1.1.1.2	Retained earnings	3,612,712,248.00	
1.1.1.2.1	Previous years retained earnings	3,325,078,000.00	
1.1.1.2.2	Profit or loss eligible	287,634,248.00	
1.1.1.2.2.1	Profit or loss attributable to the owners of the parent company	1,120,058,000.00	
1.1.1.2.2.2	(–) Part of interim or year-end profit not eligible	(832,423,752.00)	
1.1.1.3	Accumulated other comprehensive income	(1,964,816,000.00)	
1.1.1.4	Other reserves	1,520,508,000.00	
1.1.1.7	Minority interest given recognition in CET1 capital	11,456,214.60	
1.1.1.9	Adjustments to CET1 due to prudential filters	(46,015,206.04)	
1.1.1.9.2	Cash flow hedge reserve	(13,134,000.00)	
1.1.1.9.3	Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	304,258.50	
1.1.1.9.4	Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	(20,242,442.72)	
1.1.1.9.5	(–) Value adjustments due to the requirements for prudent valuation	(12,943,021.82)	
1.1.1.10	(–) Goodwill	(47,349,000.00)	
1.1.1.10.2	(-) Goodwill included in the valuation of significant investments	(47,349,000.00)	
1.1.1.11	(-) Other intangible assets	(1,202,827.21)	
1.1.1.11.1	(-) Other intangible assets before deduction of deferred tax liabilities	(1,847,110.86)	
1.1.1.11.1.1	(-) Of which: software assets accounted for as intangible assets before deduction of deferred tax liabilities	(1,847,110.86)	
1.1.1.11.3	Accounting revaluation of subsidiaries' other intangible assets derived from the consolidation of subsidiaries attributable to third persons	644,283.65	
1.1.1.12	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(127,918,076.14)	
1.1.1.13	(–) IRB shortfall of credit risk adjustments to expected losses	(217,031.45)	
1.1.1.24	(–) CET1 instruments of financial sector entities where the institution has a significant investment	(2,007,302,111.54)	
1.1.1.25	(–) Amount exceeding the 17.65 % threshold	(316,595,240.36)	
1.1.1.25.1	(-) Amount exceeding the 17.65% threshold related to CET1 instruments of financial sector entities where the institution has a significant investment	(217,350,533.32)	
1.1.1.25.2	(-) Amount exceeding the 17.65% threshold related to deferred tax assets arising from temporary differences	(99,244,707.04)	
1.1.1.25A	(-) Insufficient coverage for non-performing exposures	(41,418,849.55)	
1.1.1.26	Other transitional adjustments to CET1 Capital	146,326,342.32	
1.1.1.27	(-) Additional deductions of CET1 Capital due to Article 3 of Regulation (EU) No 575/2013	(146,276,218.70)	
1.1.2	**ADDITIONAL TIER 1 CAPITAL (AT1)**		**602,407,658.08**
1.1.2.1	Capital instruments eligible as AT1 Capital	600,000,000.00	
1.1.2.1.1	Fully paid up, directly issued capital instruments	600,000,000.00	
1.1.2.3	Instruments issued by subsidiaries that are given recognition in AT1 Capital	2,407,658.08	-

Notes to the Financial Statements

1.2	**TIER 2 CAPITAL (T2)**		**707,315,543.63**
1.2.1	**Capital instruments and subordinated loans qualifying as Tier 2 capital**		**24,886,877.83**
1.2.1.1	Fully paid-up capital instruments and subordinated loans	24,886,877.83	
1.2.1.2*	Memorandum item: Capital instruments and subordinated loans not eligible	20,082,758.62	
1.2.2	Transitional adjustments due to grandfathered T2 Capital instruments and subordinated loans	-	541,624,537.01
1.2.3	**Instruments issued by subsidiaries that are given recognition in T2 Capital**	**-**	**593,179.18**
1.2.5	**IRB Excess of provisions over expected losses eligible**	**-**	**140,301,790.65**
1.2.9	**(–) Tier 2 capital instruments of financial sector entities in which the institution has a significant investment**	**-**	**(90,841.04)**

ad 1.1.1.1.3) includes, in addition to the share premium, the uncommitted capital reserve from shareholder contribution of €1bn
ad 1.1.1.9.4) Since 3Q22, the netted debit value adjustment has been included in the deduction after taking tax effects into account (24% Income Tax)
ad 1.1.1.26) contains transitional adjustments to Common Equity Tier 1 capital resulting from the application of the provisions of Regulation (EU)
ad 1.1.1.27) NPE backstop/calendar provisioning in implementation of SREP letter to UniCredit Group
ad 1.2.2.) from January 1st, 2021, application of the transitional provision for third-country emissions without a contractual bail-in clause

Notes to the Financial Statements

Total risk exposure amount - Bank Austria Group

(in €)

Capital requirements pursuant to Article 92 of Regulation (EU) No 575 /2013		**31.12.2023**	**2,653,741,865.52**
		31.12.2022	2,848,531,374.17
UNICREDIT BANK AUSTRIA GROUP			
1	**TOTAL RISK EXPOSURE AMOUNT**		**33,171,773,319.03**
1.1.1	**Standardised approach (SA)**		**5,353,628,820.02**
*1.1.1**	*Of which: Additional stricter prudential requirements based on Article 124 of Regulation (EU) No 575/2013*	-	
1.1.1.1	SA exposure classes excluding securitisation positions	5,353,628,820.02	
1.1.1.1.01	Central governments or central banks	753,380,293.58	
1.1.1.1.02	Regional governments or local authorities	6,427,501.29	
1.1.1.1.03	Public sector entities	102,308,669.65	
1.1.1.1.06	Institutions	81,101,562.25	
1.1.1.1.07	Corporates	1,880,526,809.61	
1.1.1.1.08	Retail	349,895,932.58	
1.1.1.1.09	Secured by mortgages on immovable property	184,718,288.34	
1.1.1.1.10	Exposures in default	187,975,606.50	
1.1.1.1.11	Items associated with particular high risk	225,225.83	
1.1.1.1.12	Covered bonds	191,836.33	
1.1.1.1.13	Claims on institutions and corporates with a short-term credit assessment	8,283,749.04	
1.1.1.1.14	Collective investment undertakings (CIU)	406,040.75	
1.1.1.1.15	Equity	1,270,033,668.98	
1.1.1.1.16	Other items	528,153,634.04	
1.1.1.1.16.1	*Of which: software assets accounted for as intangible assets*	*4,291,219.56*	
1.1.2	**Internal ratings-based (IRB) approach**		**23,383,631,775.12**
*1.1.2**	*Of which: Additional stricter prudential requirements based on Article 164 of Regulation (EU) No 575/2013*	-	
*1.1.2***	*Of which: Additional stricter prudential requirements based on Article 124 of Regulation (EU) No 575/2013*	-	
1.1.2.2	IRB approaches when own estimates of LGD and / or Conversion Factors are used	22,133,271,920.12	
1.1.2.2.01	Central governments and central banks	282,043,697.32	
1.1.2.2.02	Institutions	1,114,127,040.90	
1.1.2.2.03	Corporates – SMEs	2,082,407,637.49	
1.1.2.2.04	Corporates - Specialised Lending	524,488,448.58	
1.1.2.2.05	Corporates - Other	11,148,788,738.54	
1.1.2.2.06	Retail – Secured by real estate SME	495,906,382.30	
1.1.2.2.07	Retail – Secured by real estate non-SME	3,655,467,587.19	
1.1.2.2.08	Retail – Qualifying revolving	468,224,464.40	
1.1.2.2.09	Retail – Other SME	290,705,708.14	
1.1.2.2.10	Retail – Other non-SME	2,071,112,215.26	
1.1.2.3	Equity IRB	563,478,064.71	
1.1.2.5	Other non credit-obligation assets	686,881,790.29	
1.1.3	**Risk exposure amount for contributions to the default fund of a central counterparty**		**32,998,233.14**
1.1.4	**Securitisation positions**		**3,740,771.16**
1.2	**TOTAL RISK EXPOSURE AMOUNT FOR SETTLEMENT/DELIVERY**		**-**

Notes to the Financial Statements

1.3	**TOTAL RISK EXPOSURE AMOUNT FOR POSITION RISK, FOREIGN EXCHANGE RISK AND COMMODITIES RISK**		**275,565,322.25**
1.3.1	**Risk exposure amount for position risk, foreign exchange risk and commodities risk under the standardised approach**		**1,238,913.00**
1.3.1.4	Foreign Exchange	1,238,913.00	
1.3.2	**Risk exposure amount for position risk, foreign exchange risk and commodities risk under internal models**		**274,326,409.25**
1.4	**TOTAL RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK (OpR)**		**3,095,453,723.13**
1.4.2	**OpR Standardised (STA) / Alternative Standardised (ASA) approaches**		**425,726,872.75**
1.4.3	**OpR Advanced measurement approaches (AMA)**		**2,669,726,850.38**
1.6	**TOTAL RISK EXPOSURE AMOUNT FOR CREDIT VALUATION ADJUSTMENT**		**14,411,409.88**
1.6.1	**Advanced method**		**14,411,409.88**
1.8	**OTHER RISK EXPOSURE AMOUNTS**		**1,012,343,264.33**
1.8.4	*of which: Additional risk exposure amount due to Article 3 of Regulation (EU) No 575/2013 **		*1,012,343,264.33*
	Capital requirements pursuant to Article 92 of Regulation (EU) No 575 /2013		**2,653,741,865.52**
	of which: capital requirements pursuant to Article 92 (1) points (a) to (c) and to the transitional arrangement pursuant to Article 465 of Regulation (EU) No 575 / 2013 in conjunction with Section 1 of the Austrian CRR Supplementary Regulation		
	a) a Common Equity Tier 1 capital ratio of		**19.3%**
	b) a Tier 1 capital ratio of		**21.1%**
	c) a Total capital ratio of		**23.3%**

ad 1.8.4) including RWA add-on of €1,012 million

The own funds requirements shown in the table in accordance with Article 92 of Regulation (EU) No. 575/2013 represent the regulatory minimum requirement (8%) for total risk-weighted assets.

4.29. Cross-holdings

There are no cross-holdings within the meaning of Section 241, item 6, of the Austrian Business Code, unchanged compared to the previous year.

Notes to the Financial Statements

4.30. Assets pledged as security

Assets pledged as security for liabilities pursuant to Section 64 (1) 8 of the Austrian Banking Act

ASSETS	31.12.2023 (IN €)	DESCRIPTION OF THE LIABILITIES	BALANCE SHEET ITEM
Cover fund for deposits held in trust for wards:			
Fixed-income securities	266,436,357.21	Deposits held in trust for wards	Liabilities item 2
Cover fund for mortgage bonds and public-sector covered bonds:			
Loans and advances to customers	16,228,977,150.10	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Loans and advances to credit institutions	-	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Fixed-income securities	589,866,922.75	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Total	**16,818,844,072.85**		
Collateral for Wohnbaubank bonds issued on a trust basis:			
Loans and advances to customers	584,752,508.78	Wohnbaubank bonds issued on a trust basis	Liabilities item 3
Collateral pool OeNB (tender):			
Loans and advances to customers	9,685,284,040.95	OeNB/ECB funding	Liabilities item 1
Fixed-income securities	2,510,531,263.37	OeNB/ECB funding	Liabilities item 1
Total	**12,195,815,304.32**		
Collateral EIB and KfW:			
Loans and advances to customers	-	Supranational Funding	Liabilities item 1
Fixed-income securities	27,925,275.67	Supranational Funding	Liabilities item 1
Total	**27,925,275.67**		
Collateral for trading transactions in securities and derivatives:			
Cash Collateral	122,923,477.17	Margin requirements	
Securities collateral	-	Margin requirements	
Total	**122,923,477.17**		
Collateral for clearing systems:			
Fixed-income securities	-	Security provided in favour of OeKB, Euroclear, Clearstream Banking	
Collateral for amounts owed to credit institutions:			
Loans and advances to customers	4,438,051,641.75	Claims assigned in favour of OeKB	Liabilities item 1
Loans and advances to customers	-	Earmarked deposit Wohnbaubank AG	Liabilities item 1
Total	**4,438,051,641.75**		
AGGREGATE TOTAL	**34,454,748,637.75**		

The sub-item “Savings deposits” (liabilities item 2a) includes deposits held in trust forwards in the amount of €182,926,038.99 (31.12.2022: €181,256 thousand).

Notes to the Financial Statements

Assets pledged as security for liabilities pursuant to Section 64 (1) 8 of the Austrian Banking Act

ASSETS	31.12.2022 (IN €)	DESCRIPTION OF THE LIABILITIES	BALANCE SHEET ITEM
Cover fund for deposits held in trust for wards:			
Fixed-income securities	266,196,042.43	Deposits held in trust for wards	Liabilities item 2
Cover fund for mortgage bonds and public-sector covered bonds:			
Loans and advances to customers	11,871,022,366.91	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Loans and advances to credit institutions	-	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Fixed-income securities	582,289,567.40	Mortgage bonds and public-sector covered bonds	Liabilities item 3
Total	**12,453,311,934.31**		
Collateral for Wohnbaubank bonds issued on a trust basis:			
Loans and advances to customers	757,441,873.16	Wohnbaubank bonds issued on a trust basis	Liabilities item 3
Collateral pool OeNB (tender):			
Loans and advances to customers	13,684,788,322.01	OeNB/ECB funding	Liabilities item 1
Fixed-income securities	3,930,607,364.91	OeNB/ECB funding	Liabilities item 1
Total	**17,615,395,686.92**		
Collateral EIB and KfW:			
Loans and advances to customers	-	Supranational Funding	Liabilities item 1
Fixed-income securities	27,918,836.87	Supranational Funding	Liabilities item 1
Total	**27,918,836.87**		
Collateral for trading transactions in securities and derivatives:			
Cash Collateral	785,424,931.77	Margin requirements	
Securities collateral	7,654,153.97	Margin requirements	
Total	**793,079,085.74**		
Collateral for clearing systems:			
Fixed-income securities	-	Security provided in favour of OeKB, Euroclear, Clearstream Banking	
Collateral for amounts owed to credit institutions:			
Loans and advances to customers	4,227,866,828.81	Claims assigned in favour of OeKB	Liabilities item 1
Loans and advances to customers	-	Earmarked deposit Wohnbaubank AG	Liabilities item 1
Total	**4,227,866,828.81**		
AGGREGATE TOTAL	**36,141,210,288.24**		

Notes to the Financial Statements

4.31. Derivatives business

Derivatives shown in the relevant tables are classified as financial derivatives and credit derivatives, according to the underlying financial instrument. In these categories, a distinction is made between trading book and banking book and between different products and remaining maturities. UniCredit Bank Austria AG's business volume in derivatives focuses on interest rate contracts.

Derivatives are mainly used by the bank itself for hedging market risk and credit spread risk arising from new issue activities. In customer business, market participants include banks, securities houses and corporate customers.
Trading in derivatives at UniCredit Bank Austria AG is primarily related to the hedging of positions entered into vis-à-vis customers.

Information pursuant to Section 64 (1) 3 of the Austrian Banking Act may also be derived from the following tables.

Derivatives business - Trading book

	31.12.2023 (IN €)				
	NOTIONAL AMOUNT	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE	BOOK VALUE ASSET	BOOK VALUE LIABILITY
Trading book	**63,694,843,419.71**	**1,558,911,636.70**	**1,536,808,401.15**	**1,558,911,636.70**	**1,536,808,401.15**
Financial derivatives on debt instruments and interest rates	**51,655,370,004.26**	**1,304,560,110.51**	**1,281,876,662.73**	**1,304,560,110.51**	**1,281,876,662.73**
Options	6,869,518,312.64	36,943,828.85	36,831,238.61	36,943,828.85	36,831,238.61
Swaps	44,785,851,691.62	1,267,616,281.66	1,245,045,424.12	1,267,616,281.66	1,245,045,424.12
Forwards	-	-	-	-	-
Futures	-	-	-	-	-
Other	-	-	-	-	-
Financial derivatives on equity instruments and share indices	**73,911,534.70**	**48,058.43**	**3.73**	**48,058.43**	**3.73**
Options	73,911,534.70	48,058.43	3.73	48,058.43	3.73
Swaps	-	-	-	-	-
Forwards	-	-	-	-	-
Futures	-	-	-	-	-
Other	-	-	-	-	-
Financial derivatives on exchange rates and gold	**10,693,532,012.83**	**133,902,836.13**	**133,138,829.43**	**133,902,836.13**	**133,138,829.43**
Options	1,416,478,601.04	26,208,829.79	26,449,383.38	26,208,829.79	26,449,383.38
Swaps	-	-	-	-	-
Forwards	9,277,053,411.79	107,694,006.34	106,689,446.05	107,694,006.34	106,689,446.05
Futures	-	-	-	-	-
Other	-	-	-	-	-
Financial derivatives on other underlying transactions	**1,272,029,867.92**	**120,400,631.63**	**121,792,905.26**	**120,400,631.63**	**121,792,905.26**
Options	-	-	-	-	-
Swaps	1,272,029,867.92	120,400,631.63	121,792,905.26	120,400,631.63	121,792,905.26
Forwards	-	-	-	-	-
Futures	-	-	-	-	-
Other	-	-	-	-	-
Credit derivatives	**-**	**-**	**-**	**-**	**-**
Credit default swaps	-	-	-	-	-
Other	-	-	-	-	-

Notes to the Financial Statements

Derivatives business - Trading book

	31.12.2022 (IN € THOUSAND)				
	NOTIONAL AMOUNT	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE	BOOK VALUE ASSET	BOOK VALUE LIABILITY
Trading book	**64,310,650**	**2,366,366**	**2,343,092**	**2,366,366**	**2,343,092**
Financial derivatives on debt instruments and interest rates	**50,425,560**	**1,856,114**	**1,836,679**	**1,856,114**	**1,836,679**
Options	6,787,146	50,337	49,108	50,337	49,108
Swaps	43,638,415	1,805,777	1,787,571	1,805,777	1,787,571
Forwards	-	-	-	-	-
Futures	-	-	-	-	-
Other	-	-	-	-	-
Financial derivatives on equity instruments and share indices	**111,113**	**168**	**113**	**168**	**113**
Options	111,113	168	113	168	113
Swaps	-	-	-	-	-
Forwards	-	-	-	-	-
Futures	-	-	-	-	-
Other	-	-	-	-	-
Financial derivatives on exchange rates and gold	**11,766,224**	**221,802**	**219,162**	**221,802**	**219,162**
Options	1,739,561	29,891	29,935	29,891	29,935
Swaps	-	-	-	-	-
Forwards	10,026,662	191,911	189,227	191,911	189,227
Futures	-	-	-	-	-
Other	-	-	-	-	-
Financial derivatives on other underlying transactions	**2,007,753**	**288,282**	**287,137**	**288,282**	**287,137**
Options	-	-	-	-	-
Swaps	2,007,753	288,282	287,137	288,282	287,137
Forwards	-	-	-	-	-
Futures	-	-	-	-	-
Other	-	-	-	-	-
Credit derivatives	**-**	**-**	**-**	**-**	**-**
Credit default swaps	-	-	-	-	-
Other	-	-	-	-	-

Notes to the Financial Statements

Derivatives business - Banking book

	31.12.2023 (IN €)				
	NOTIONAL AMOUNT	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE	BOOK VALUE ASSET	BOOK VALUE LIABILITY
Banking book - with hedging relationship	**110,008,557,482.35**	**2,582,747,960.15**	**3,029,475,394.64**	**414,080,924.96**	**622,136,166.00**
Financial derivatives on debt instruments and interest rates	**108,146,484,090.48**	**2,555,616,375.39**	**3,018,882,643.43**	**413,993,216.63**	**617,442,399.07**
Options	1,839,191,271.70	326,117.51	13,393,336.68	875,647.67	818,561.79
Swaps	106,307,292,818.78	2,555,290,257.88	3,005,489,306.75	413,117,568.96	616,623,837.28
Forwards	-	-	-	-	-
Futures	-	-	-	-	-
Other	-	-	-	-	-
Financial derivatives on equity instruments and share indices	**154,955,150.00**	**18,688,523.49**	**1,199,742.25**	**-**	**-**
Options	154,955,150.00	18,688,523.49	1,199,742.25	-	-
Swaps	-	-	-	-	-
Forwards	-	-	-	-	-
Futures	-	-	-	-	-
Other	-	-	-	-	-
Financial derivatives on exchange rates and gold	**1,599,118,241.87**	**4,682,519.49**	**9,393,008.96**	**-**	**4,693,766.93**
Options	-	-	-	-	-
Swaps	-	-	-	-	-
Forwards	1,599,118,241.87	4,682,519.49	9,393,008.96	-	4,693,766.93
Futures	-	-	-	-	-
Other	-	-	-	-	-
Financial derivatives on other underlying transactions	**48,000,000.00**	**3,303,415.54**	**-**	**-**	**-**
Options	48,000,000.00	3,303,415.54	-	-	-
Swaps	-	-	-	-	-
Forwards	-	-	-	-	-
Futures	-	-	-	-	-
Other	-	-	-	-	-
Credit derivatives	**60,000,000.00**	**457,126.24**	**-**	**87,708.33**	**-**
Credit default swaps	60,000,000.00	457,126.24	-	87,708.33	-
Other	-	-	-	-	-
Banking book - without hedging relationship	**9,649,410,288.16**	**370,440,537.05**	**168,600,044.62**	**281,631,734.21**	**258,556,610.28**
Financial derivatives on debt instruments and interest rates	**9,649,410,288.16**	**370,440,537.05**	**168,600,044.62**	**281,631,734.21**	**258,556,610.28**
Options	20,384,000.00	-	80,772.00	-	-
Swaps	9,629,026,288.16	370,440,537.05	168,519,272.62	281,631,734.21	258,556,610.28
Forwards	-	-	-	-	-
Futures	-	-	-	-	-
Other	-	-	-	-	-
TOTAL	**119,657,967,770.51**	**2,953,188,497.20**	**3,198,075,439.26**	**695,712,659.17**	**880,692,776.28**

Notes to the Financial Statements

Derivatives business - Banking book

	31.12.2022 (IN € THOUSAND)				
	NOTIONAL AMOUNT	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE	BOOK VALUE ASSET	BOOK VALUE LIABILITY
Banking book - with hedging relationship	**125,576,997**	**3,611,589**	**3,924,294**	**105,801**	**52,966**
Financial derivatives on debt instruments and interest rates	**121,302,438**	**3,567,817**	**3,911,745**	**101,457**	**53,132**
Options	1,710,477	359	13,672	1,146	1,041
Swaps	119,591,961	3,567,458	3,898,073	100,310	52,091
Forwards	-	-	-	-	-
Futures	-	-	-	-	-
Other	-	-	-	-	-
Financial derivatives on equity instruments and share indices	**511,041**	**29,669**	**6,158**	**-**	**-**
Options	511,041	29,669	6,158	-	-
Swaps	-	-	-	-	-
Forwards	-	-	-	-	-
Futures	-	-	-	-	-
Other	-	-	-	-	-
Financial derivatives on exchange rates and gold	**3,655,518**	**10,498**	**6,246**	**4,317**	**(165)**
Options	-	-	-	-	-
Swaps	-	-	-	-	-
Forwards	3,655,518	10,498	6,246	4,317	(165)
Futures	-	-	-	-	-
Other	-	-	-	-	-
Financial derivatives on other underlying transactions	**48,000**	**3,475**	**-**	**-**	**-**
Options	48,000	3,475	-	-	-
Swaps	-	-	-	-	-
Forwards	-	-	-	-	-
Futures	-	-	-	-	-
Other	-	-	-	-	-
Credit derivatives	**60,000**	**128**	**144**	**26**	**(1)**
Credit default swaps	60,000	128	144	26	(1)
Other	-	-	-	-	-
Banking book - without hedging relationship	**6,670,961**	**503,212**	**39,019**	**158,278**	**41,796**
Financial derivatives on debt instruments and interest rates	**6,670,961**	**503,212**	**39,019**	**158,278**	**41,796**
Options	22,422	-	247	-	-
Swaps	6,648,539	503,212	38,772	158,278	41,796
Forwards	-	-	-	-	-
Futures	-	-	-	-	-
Other	-	-	-	-	-
TOTAL	**132,247,959**	**4,114,801**	**3,963,313**	**264,079**	**94,762**

The above table has been expanded to include separate disclosure with and without defined hedging relationships. The previous year's figures have been adjusted accordingly.
The interest rate swaps item includes cross currency swaps that are used to hedge interest rate positions from a risk management perspective.
Market values of banking book derivatives represent the dirty PV. Carrying amount of banking book derivatives including accrued interest, open upfront and provisions.
The negative values reported under the carrying amounts of liabilities at the end of 2022 is due to different representation approach compared to 2023.
Embedded derivatives from own issues are not included in this table and are shown in the separate table Embedded derivatives.

Notes to the Financial Statements

Notional amounts of derivatives by residual maturity

(in €)

	31.12.2023			
	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
Trading book	**14,315,480,662.32**	**27,714,527,807.36**	**21,664,834,950.03**	**63,694,843,419.71**
Financial derivative contracts on debt instruments and interest rates	4,955,283,903.61	25,149,731,240.33	21,550,354,860.32	51,655,370,004.26
Financial derivative contracts on equity instruments and share indices	9,561,636.00	30,368,319.34	33,981,579.36	73,911,534.70
Financial derivative contracts on exchange rates and gold	8,694,036,940.09	1,936,543,889.79	62,951,182.95	10,693,532,012.83
Financial derivative contracts on other underlying transactions	656,598,182.62	597,884,357.90	17,547,327.40	1,272,029,867.92
Credit derivatives	-	-	-	-
Banking book	**40,107,975,493.70**	**38,755,456,925.05**	**40,558,803,565.82**	**119,422,235,984.57**
Financial derivative contracts on debt instruments and interest rates	38,610,248,287.77	38,654,842,525.05	40,530,803,565.82	117,795,894,378.64
Financial derivative contracts on equity instruments and share indices	84,340,750.00	70,614,400.00	-	154,955,150.00
Financial derivative contracts on exchange rates and gold	1,363,386,455.93	-	-	1,363,386,455.93
Financial derivative contracts on other underlying transactions	-	30,000,000.00	18,000,000.00	48,000,000.00
Credit derivatives	50,000,000.00	-	10,000,000.00	60,000,000.00
TOTAL	**54,423,456,156.02**	**66,469,984,732.41**	**62,223,638,515.85**	**183,117,079,404.28**

The carrying amounts of derivatives as of 31 December 2023 (in €) are included in the following balance sheet items:

- Other assets – trading book €1,558,911,636.70
- Other assets – bank book €524,565,440.60
- Prepaid expenses – bank book €171,147,218.60
- Other liabilities – trading book €1,536,808,401.15
- Other liabilities – bank book €596,525,233.53
- Other provisions – bank book €192,094,449.01
- Deferred income – bank book €92,073,093.73

In 2023 the open upfront fees on derivatives have been reclassified from the position “other assets” to “prepaid expenses” and “other liabilities” to “deferred income”.

Notional amounts of derivatives by residual maturity

(IN € THSD)

	31.12.2022			
	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
Trading book	**16,425,806**	**25,911,160**	**21,973,684**	**64,310,650**
Financial derivative contracts on debt instruments and interest rates	4,898,407	23,691,895	21,835,258	50,425,560
Financial derivative contracts on equity instruments and share indices	14,405	46,694	50,014	111,113
Financial derivative contracts on exchange rates and gold	9,769,190	1,908,621	88,412	11,766,224
Financial derivative contracts on other underlying transactions	1,743,805	263,949	-	2,007,753
Credit derivatives	-	-	-	-
Banking book	**49,496,211**	**44,013,675**	**38,738,073**	**132,247,959**
Financial derivative contracts on debt instruments and interest rates	45,484,607	43,795,125	38,693,668	127,973,400
Financial derivative contracts on equity instruments and share indices	356,086	138,550	16,405	511,041
Financial derivative contracts on exchange rates and gold	3,655,518	-	-	3,655,518
Financial derivative contracts on other underlying transactions	-	30,000	18,000	48,000
Credit derivatives	-	50,000	10,000	60,000
TOTAL	**65,922,017**	**69,924,835**	**60,711,757**	**196,558,608**

Notes to the Financial Statements

Embedded derivatives

(in €)

	31.12.2023		
	NOTIONAL AMOUNT	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE
Financial derivative contracts on debt instruments and interest rates	640,201,905.40	17,867,530.25	22,604,429.74
Financial derivative contracts on equity instruments and share indices	-	-	-
Financial derivative contracts on exchange rates and gold	-	-	-
Financial derivative contracts on other underlying transactions	-	-	-
Credit derivatives	-	-	-
Total	**640,201,905.40**	**17,867,530.25**	**22,604,429.74**

In accordance with AFRAC 15 margin no. 71b, embedded derivatives are not recognized and measured separately because the embedded derivative is hedged with a hedging instrument.

Embedded derivatives

(€ thousand)

	31.12.2022		
	NOTIONAL AMOUNT	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE
Financial derivative contracts on debt instruments and interest rates	1,123,557	37,180	33,839
Financial derivative contracts on equity instruments and share indices	-	-	-
Financial derivative contracts on exchange rates and gold	-	-	-
Financial derivative contracts on other underlying transactions	-	-	-
Credit derivatives	-	-	-
Total	**1,123,557**	**37,180**	**33,839**

4.32. Contingent liabilities

Contingent liabilities shown below the line in item 1 on the liabilities side amounted to €8,811,163,185.26, and decrease of €624,458,198.57 or 6.6% compared with 31 December 2022 (31.12.2022: €9,435,621 thousand).

4.33. Letters of comfort and undertakings

In addition to the contingent liabilities shown below the balance sheet in item 1 on the liabilities side, the following letters of comfort and undertakings exist:

Letters of comfort for a total amount of €282,699,613.57 (31.12.2022: €292,877 thousand) were issued in connection with international leasing transactions; given the nature of collateral for these transactions, it is not expected that claims will be lodged against UniCredit Bank Austria AG because the rights to payment undertaking amounts serving as collateral and held with the leasing companies or with UniCredit Bank Austria AG, or the rights to other security of stable value, have been transferred to the leasing companies.

UniCredit Bank Austria AG is a member of the uniform protection scheme "Einlagensicherung AUSTRIA Ges.m.b.H." on the basis of UniCredit Bank Austria AG's obligation to be a member of a deposit protection scheme pursuant to Sections 93 and 93a of the Austrian Banking Act and the Austrian Deposit Guarantee and Investor Compensation Act (ESAEG).

Notes to the Financial Statements

4.34. Commitments

Commitments

	31.12.2023 (IN €)	31.12.2022 (IN € THOUSAND)
Liabilities arising from sales with an option to repurchase pursuant to Section 50 (3) and (5) of the Austrian Banking Act	-	-
Underwriting commitments in respect of securities	-	-
Call / put options sold (pursuant to Annex 1 to Section 22, item 1 j)	-	-
Irrevocable loan commitments not yet utilised (credit facilities, commitments to lend, obligations to purchase securities, obligations to provide guarantees or acceptance facilities)	12,124,326,559.23	12,229,022
Securities borrowed – own account	-	-
Obligations under rent and lease agreements	-	-
Any other irrevocable transactions that may give rise to credit risk and have not been mentioned above	-	-
TOTAL	**12,124,326,559.23**	**12,229,022**

4.35. Return on assets

The return on assets which is the ratio of profit/loss after tax (“annual surplus/annual deficit”) to total assets as at the balance sheet date, was 0.84% for the reporting year (31.12.2022: 0.65%).

Notes to the Financial Statements

5. Notes to the profit and loss account

5.1. Current interest rate environment

By raising the key interest rate in the eurozone several times, the ECB ended the low interest rate situation from the first half of 2022, which in recent years has resulted in income from financial liabilities and expenses from financial assets, particularly in the interbank business and in business with the European Central Bank. The ECB continued this cycle of interest rate hikes in 2023, albeit at a slower pace. At the end of 2023, the refinancing rate was 4.50% and the deposit rate was 4.00%, with no interest rate hikes since September. The end of the rate hike cycle in both the US and the eurozone is linked to the decline in inflation.

5.1.1. Interest expenses for subordinated liabilities

In the reporting year, the total amount of expenses for subordinated liabilities and supplementary capital was €187,772,536.87 (2022: €38,707 thousand). The published figures for the previous year have been adjusted. The increase in interest expenses for subordinated liabilities and supplementary capital is entirely due to a change in interest rates in the 2023 financial year. In connection with the additional Tier 1 capital issued in December 2021 in the amount of €600,000,000.00, interest expenses of €28,409,723.47 were also incurred (2022: €28,505 thousand).

5.2. Income from shares in group companies

Income from shares in group companies decreased by €7,778,854.41 to €111,879,551.38 in the reporting year 2023. The item “Income from shares in group companies” included income from profit-pooling arrangements in the amount of €46,396,773.80 (2022: €61,411 thousand).

5.3. Net commission income

Net fee and commission income increased slightly to €509,871,216.17 in the 2023 reporting year (2022: €498,091 thousand). While net fee and commission income from asset management decreased compared to the previous year, an increase in net fee and commission income was achieved as a result of payment-related transaction business.

5.4. Income/expenses from financial operations

Income/expenses from financial operations decreased to €34,962,445.14 in the 2023 financial year (2022: €115,635 thousand). The reduction is attributable to the development of XVA and hedges as a result of the change in interest rates and credit spreads.

5.5. Other operating income

In addition to income from group services, the reversal of provisions (including, among others, provisions for procedural risks), income from the sale of fixed assets and rental income from real estates, all of those figures that cannot be directly allocated to banking activities are reported under "Other operating income". The total amount of this item in 2023 is €42,852,342.98 (2022: €667,554 thousand).
In the financial year 2022, the income from the change in the discount rate (from 1.00% in 2021 to 3.80% in 2022) and the adjustment of the underlying parameters for the calculation of defined benefit pension obligations and severance payments was recognized in this item.

5.6. Staff expenses

5.6.1. Wages and salaries

This item includes the restructuring expenses of €141,188,409.30 planned in connection with the update of **"UniCredit Unlocked"** strategic plan initiated by UniCredit. This item also includes expenses for anniversary bonuses of €970,388.99 (2022: €207 thousand).

Notes to the Financial Statements

5.6.2. Allocation to pension provisions

The expense for pension provisions amounted to €71,465,866.86 in the financial year (2022: income of €593,699 thousand). The change in this item is due to the change in the discount rate from 3.80% as at December 31, 2022 to 3.55% as at December 31, 2023, as well as the adjustment of the underlying parameters for the calculation of defined benefit pension obligations. In the 2022 financial year, income from the reversal of provisions for pensions was reported under "Other operating income" (see 5.5).

5.6.3. Expenses for severance payments

The item expenses for severance payments and benefits to company pension funds amounts to €28,103,554.68 (2022: €14,606 thousand). As a result of the above-mentioned changes to the discount rate and adjustment of the underlying parameters, this item also includes the allocation for severance payments from defined benefit plans of €9,600,663.22 (2022: income of €27,439 thousand). In the 2022 financial year, income from the reversal of provisions for severance payments from defined benefit plans was reported under "Other operating income" (see 5.5).

5.6.4. Expenses for retirement benefits

In the 2023 financial year, expenses for current pension fund contributions in the amount of €10,121,692.68 (2022: €9,983 thousand) were recognized in this item. The item also includes costs from defined benefit pension obligations in the amount of €97,359,851.91 (2022: €32,752 thousand), which were booked in the balance sheet as a pension provision.

5.7. Other operating expenses

The increase in other operating expenses is mainly due to the allocation of losses on derivatives in the amount of €189,444,904.07, of which €9,634,748.76 is attributable to macro hedges. Other operating expenses are primarily typical banking expenses that do not relate to the lending business, in particular expenses for provisions for legal risks, as well as benefits relating to the Deposits Guarantee Schemes in the amount of €5,187,642.53 (2022: €16,143 thousand) and the EU Bank Resolution Fund in the amount of €50,802,710.65 (2022: €67,537 thousand). The item also includes one-off expenses forcontracts with expected lower economic benefits in future periods in the amount of €9,519,488.07 (2022: €22,052 thousand).

5.8. Net expense/income from the sale and valuation of financial assets

In the reporting year, write-downs of investments and interests in affiliated companies in the amount of €30,707,475.38 (2022: €16,803 thousand) were recognized. These write-downs also affected affiliated companies among other things, due to distributions at €21,444,749.00 (2022: €13,503 thousand)

In the 2023 financial year, as the reasons for impairment in the past no longer apply, write-back from investments and interests in affiliated companies in the amount of €20,857,001.40 (2022: €39,991 thousand) were recognized.

In the income and expenses from the valuation and disposal of investments, a net expense of €9,695,728.21 (net expense 2022: €4,685 thousand) is attributable to affiliated companies. No income (2022: €0) was realized from the sale of shares in profit-pooling arrangements.

Notes to the Financial Statements

5.9. Taxes on income

Taxes on income

	31.12.2023 (IN €)	31.12.2022 (IN € THOUSAND)
Current tax expenses and income	**(558,261.14)**	**16,924**
of which: Income from cleared tax contributions to Group members	*23,317,162.00*	***18,149***
of which: Expenses arising from current corporation taxes	*(56,600,000.00)*	**-**
of which: Expenses for / income from accrued final compensation payments to Group members	*29,031,566.15*	***(2,779)***
of which: Other	*3,693,010.71*	***1,554***
Deferred taxes (changes)	**33,845,030.14**	**(252,629)**
TOTAL	**33,286,769.00**	**(235,705)**

Current taxes
The current tax income as at 31 December 2023 amounted to €558,261.14 (income 2022: €16,924 thousand). This consists mainly of income in the amount of €23,317,162.00 (income in 2022: €18,149 thousand) on the basis of cleared tax contributions to group members, expenses arising from current corporation taxes totaling €56,600,000.00 (expenses in 2022: €0 thousand), as well as expenses for accrued final compensation payments to group members totaling €1,950,607.60 (expense 2022: €2.779 thousand), as well as income for the release of in previous years accrued final compensation payments to group members totaling €30,982,173.75 (in 2022: 0€), as well as income from corporate taxes of the previous period amounting to €4,150,804.94 (expense 2022: €2,246 thousand) as well as income from foreign withholding taxes refunded in the amount of €19,611.83 (income: €3,979 thousand). Furthermore, a current tax expense for the foreign branches in Poland and Romania was recognized in the amount of €328,688.57 (expense 2022: €174 thousand). The change from the previous year is mainly due to the higher corporate tax expenses and the booked income of the released accrued final compensation payments to group members.

Pursuant to Section 9 of the Austrian Corporation Tax Act (Körperschaftsteuergesetz – KStG), a group of companies existed as at 31 December 2023 which consisted of UniCredit Bank Austria AG as group holding company and 135 companies as group members all of which are Austrian companies (10 companies with profit and loss transfer agreements and 125 companies with tax compensation agreements).

Under the tax compensation agreements, payments are made to UniCredit Bank Austria AG for taxable profits in the amount of corporation tax payable on such profits, after deduction of an interest benefit shared by the group holding company and the group member. There is no obligation to make tax compensation payments to the group holding company to the extent that tax losses from previous years are offset at the group member level. Moreover, UniCredit Bank Austria AG undertakes to make a compensation payment to group members leaving the group for unused tax losses. A provision was made for future tax obligations resulting from this undertaking. Accrued but no longer needed provisions were released.

Deferred taxes
The amount of deferred tax assets as at 31 December 2023 amounts €368,146,538.86 (2022: €334,590 thousand). The change in deferred taxes was recognised in the profit and loss account, totaling €33,845,030.14 (2022 expense: €252,237 thousand).

The movement in deferred tax balances is largely attributable to changes in provisions for social capital, differences in the valuation of receivables, differences in the valuation of securities, changes in provisions for statistically anticipated credit losses, amortisation by one-seventh, changes in other and non-current provisions and changes in non-current liabilities.

The change in deferred tax assets due to the change in the tax rate resulted in a reduction through the profit and loss account in the reporting year amounting to €1,990,470.90 (2022: €28.354.563,86).

No use was made of the option to capitalize tax loss carryforwards.

With the Minimum Taxation Act (Federal Law Gazette I No. 187/2023), which came into force at the end of December 2023, the EU Directive (ABl L 328) on Pillar II was implemented in Austrian law. Since UniCredit Bank Austria AG is part of a Group that generates more than EUR 750 million in annual sales, the Minimum Taxation Act applies. For the first time, a minimum tax report will have to be prepared for the financial year 2024 by June 30, 2026 at the latest. Since the MinBestG was not yet applicable as of December 31, 2023, there will be no impact on the actual tax expenses for 2023. Possible effects of the MinBestG and the risk of additional taxes (top-up tax) are currently evaluated.

Notes to the Financial Statements

In accordance with Section 198 Paragraph 10 Sentence 3 Z 4 UGB, no deferred taxes arising from the application of the MinBestG or a comparable foreign law were recognized.

5.10. Other taxes not shown in "Taxes on income and earnings"

Other taxes in the 2023 financial year resulted in expenses of €20,958,437.37 (expenses in 2022: €20,296 thousand). This includes the bank levy in the amount of €21,818,668.04 (expense in 2022: €21,384 thousand).

5.11. Movements in reserves

Without release from retained earnings in the 2023 financial year as in the previous year.

5.12. Audit costs

Information on the costs of the audit of the financial statements (pursuant to Section 238 (1) 18 of the Austrian Business Code) is provided in the table below.

	2023 (IN €)	2022 (IN € THOUSAND)
Fees for the audit of the financial statements and the consolidated financial statements		
KPMG	1,796,681.60	1,334
Austrian Savings Bank Auditing Association	1,747,337.45	1,880
Other services involving the issuance of a report		
KPMG	956,885.30	914
Austrian Savings Bank Auditing Association	19,582.00	69
Tax consulting services	**-**	**-**
Deloitte Network	-	-
Austrian Savings Bank Auditing Association	-	-
Other services	**-**	**-**
KPMG	-	-
Deloitte Network		6
Austrian Savings Bank Auditing Association	1,039,447.00	1,026
TOTAL	**5,559,934.00**	**5,229**

The amounts include VAT.

5.13. Proposal for the distribution of profits

The Management Board proposes to the Annual General Meeting to distribute a dividend of €3.60 per eligible share from the net profit of UniCredit Bank Austria AG for the financial year 2023 in the amount of €1,417,495,343.51, on the share capital of €1,681,033,521.40. With 231,228,820 shares, the distribution therefore amounts to €832,423,752.00.

6. Information on staff and corporate bodies

6.1. Staff

The average number of employees (full-time equivalent) in the financial year was 3,998 (2022: 3,902). This includes the employees of the branches established in Poland and Romania in July 2022.

6.2. Expenses for severance payments and pensions

Expenses for severance payments and pensions relate to the items “expenses for retirement benefits”, “allocation to the pension provision” and expenses for severance payments and payments to severance-payment funds” in the profit and loss account.

For the members of the Executive Management Board, former members of the Executive Management Board and their surviving dependents an amount of €8,761,363.04 (2022: €8,453 thousand) was spent. This figure includes €317,052.22 (2022: €254 thousand) to pension funds for active members and €0.00 (2022: €362 thousand) to pension funds for former members of the Executive Management Board.

Notes to the Financial Statements

In the financial year 2023, other employees and their surviving dependents for severance payments and pensions in the amount of €215,812,329.17 (2022, income: €544,811) is reported under this item, with the change compared to the previous year being significantly affected by the change in the discount rate.

6.3. Emoluments of members of the Management Board and the Supervisory Board

Emoluments of members of the Management Board and the Supervisory Board

	YEAR 2023 (IN €)			YEAR 2022 (IN € THOUSAND)		
	MANAGEMENT BOARD	SUPERVISORY BOARD	TOTAL	MANAGEMENT BOARD	SUPERVISORY BOARD	TOTAL
a) Short-term employee benefits	2,254,196.11	297,600.00	2,551,796.00	1,499	293	1,792
b) Post-retirement benefits	317,052.22	-	317,052.00	254	-	254
of which: under defined benefit plans	-	-	-	-	-	-
of which: under defined contribution plans	*317,052.22*	-	*317,052.00*	*254*	-	*254*
c) Other long-term benefits	310,000.00	-	310,000.00	534	-	534
d) Termination benefits	-	-	-	798	-	798
e) Share-based payments	1,411,800.17	-	1,411,800.00	582	-	582
TOTAL	**4,293,048.50**	**297,600.00**	**4,590,649.00**	**3,667**	**293**	**3,960**

The emoluments paid by UniCredit Bank Austria AG to the members of the Management Board in the 2023 financial year (excluding payments into pension funds) amounted to €2,254,196.11 (comparable emoluments in the previous year were €1,499 thousand). Of this amount, €1,633,561.06 was fixed remuneration (2022: €1,250 thousand) and €620,635.05 was variable remuneration (2022: €249 thousand).

In addition to the data presented in above table, variable remuneration of €2,400,000.00 (subject to a penalty) was deferred for 2023 (2022: €1,677 thousand (subject to a penalty)), which can only be paid out in subsequent years in accordance with the same statutory compensation provisions. With regard to share-based payments, please refer to section 6.5.

Furthermore, several members of the Executive Board receive their emoluments from companies outside the Bank Austria group of consolidated companies. These emoluments, which were granted to Management Board members for activities at UniCredit Bank Austria AG and affiliated companies in the 2023 financial year, amounted to €2,559,589.69 (2022: €2,710 thousand) and will be partially allocated to UniCredit Bank Austria AG (2023: €2,286,977.87; 2022: €1,649 thousand). The members of the Management Board also received remuneration for activities that are not related to the Bank Austria Group but are in the interests of the UniCredit Group.

Former members of the Management Board and their surviving dependants were paid €7,971,760.82 (excluding payments into pension funds). The comparative figure for the previous year was €7,977 thousand. Emoluments paid to this group of persons for activities in subsidiaries amounted to €48,000.00 (2022: €285 thousand).

Emoluments of members of the Supervisory Board active in the 2023 financial year amounted to €297,600.00 (2022: €293 thousand) for UniCredit Bank Austria AG.

6.4. Loans and advances to Management Board members and Supervisory Board members

Loans to members of the Management Board amounted to €899,662.31 (2022: €1,007 thousand), utilised overdraft facilities were €6,308.96 (2022: €29 thousand). Repayments during the financial year totalled €49,796.61 (2022: €42 thousand).

Loans to members of the Supervisory Board amounted to €280,855.00 (2022: €291 thousand). Overdraft facilities utilised by Supervisory Board members totalled €18,388.54 (2022: €19 thousand). Repayments during the business year totalled €22,617.13 (2022: €34 thousand).

Loans to the Supervisory Board include those made to members of the Employees' Council who are members of the Supervisory Board. The maturities of the loans range from five to thirty years. The rate of interest payable on these loans is the rate charged to employees of UniCredit Bank Austria AG.

6.5. Share-based payments

The Management Board and selected executives of UniCredit Bank Austria AG participate in performance share-based remuneration incentives of the UniCredit Group which relate to the receipt of shares of the parent company UniCredit S.p.A.

Notes to the Financial Statements

The economic value of the remuneration incentive is determined by UniCredit S.p.A, uniformly for the entire Group and is communicated to the Group companies. In UniCredit Bank Austria AG, the total amount recognised in the profit and loss account for the reporting year was €3,518,318.92 (2022: €2,384 thousand).
In 2023, no new share options were issued to members of the Executive Board, management or other employees; no share options were exercised by members of the Executive Board. The term of options from the past has already expired.

Description of share-based remuneration
The Group's medium and long-term incentive programme for selected employees of Group companies include:

- **Equity-Settled Share Based Payments (Equity-Settled SBP),** represented by subscription rights for UniCredit shares**.**

The category, Equity-Settled SBP, includes the following grants of:

- **Group Executive Incentive System (Bonus Pool**) that offer to eligible Group executives and relevant employees identified following regulatory rules, a bonus structure composed by upfront (following the moment of performance evaluation) and deferred payments in cash and in UniCredit ordinary shares, to be paid over a period of ranging from 1 to 7 years. This payment structure will guarantee the alignment to shareholder interest and will be subjected to corporate malus conditions (which applies in case specific profitability, capital and liquidity thresholds are not met at both Group and country/division level), individual malus and claw back conditions (as legally enforceable) according to the plan rules (both non-market vesting conditions);
- **Long Term Incentive 2017-2019** that offers to eligible executives and key players of the Group an incentive 100% based on ordinary UniCredit shares, subject to 3-years deferral and to malus and claw-back conditions, as legally enforceable, according to the plan rules. The plan is structured on 3-years performance period, aligned to the UniCredit strategic plan and provides for the allocation of an award based on gateway conditions on profitability, liquidity, capital and risk position and a set of performance conditions focused on Group targets, aligned with Transform 2019;
- **Long Term Incentive 2020-2023** that provides for the allocation of incentives based on free ordinary shares, subject to the achievement of specific performance conditions to the Strategic Plan Team 23. The Plan is structured over a four-year performance period, consistent with UniCredit's Strategic Plan, and provides for the granting of the possible award in 2024. The award is subject to a 4-year deferral period, after the performance period, and to the respect during the performance period of the minimum conditions of profitability, capital requirements and liquidity as well as positive assessment of Risk Appetite Framework. According to Banca d'Italia and EBA requirements and to further strengthen the governance framework, the Plan includes rules of compliance breaches management, as well as their related impact on remuneration components, through the application of malus and claw-back clauses.

Measurement model

Group Executive Incentive System (Bonus Pool)
The economic value of performance shares, for the category Equity-Settled SBP, is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period. Economic and net equity effects will be accrued on a basis of instruments' vesting period.

Group Executive Incentive System "Bonus Pool 2023" – Share
The new Group Incentive System 2023 is based on a bonus pool approach, aligned with regulatory requirements and market practices, which defines:

- sustainability, through direct link with entity results and alignment with relevant risk categories, using specific indicators linked to risk-appetite framework;
- the definition of a bonus pool at Group level, with cascading at divisional level consistently with segment reporting disclosure, based on the actual divisional performance adjusted considering quality and risk indicators as well as cost of capital;
- bonuses allocated to executives and other relevant employee, identified on a basis of regulatory provisions, embedded in Commission Delegated Regulation (EU) 2019/878 (CRD V) and in Commission Delegated Regulation (EU) 2021/923 and to other specific roles identified according to local regulations;
- payment structure has been defined in accordance with regulatory provisions qualified by Directive 2013/36/EU (CRD IV) and further updates and will be distributed in a period of maximum seven years by using a cmix of shares and cash.

All profit and loss and net equity effects related to the plan will be booked during the vesting period.

The plan is divided into clusters, each of which can have three or six installments of share-based payments spread over a period defined according to plan rules.

Notes to the Financial Statements

Group Executive Incentive System

	SHARES GRANTED - GROUP EXECUTIVE INCENTIVE SYSTEM – BONUS POOL 2023					
	INSTALLMENT 2025	INSTALLMENT 2026	INSTALLMENT 2027	INSTALLMENT 2028	INSTALLMENT 2029	INSTALLMENT 2030
Date of bonus opportunity economic value granting	16.02.2023	16.02.2023	16.02.2023	16.02.2023	16.02.2023	16.02.2023
Date of board resolution (to determine number of shares)	31.03.2023	31.03.2023	31.03.2023	31.03.2023	31.03.2023	31.03.2023
Vesting period start-date	01.01.2023	01.01.2023	01.01.2023	01.01.2023	01.01.2023	01.01.2023
Vesting period end-date	31.12.2023	31.12.2024	31.12.2025	31.12.2026	31.12.2027	31.12.2028
UniCredit share market price (€)	17.675	17.675	17.675	17.675	17.675	17.675
Economic value of vesting conditions (€)	(2.211)	(3.733)	(5.391)	(7.006)	(8.577)	(10.107)
Performance shares' fair value per unit at the grant date (€)	**15.464**	**13.942**	**12.284**	**10.669**	**9.098**	**7.568**

Long Term Incentive Plan 2017-2019

The economic value of performance shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period.
The plan is divided into clusters, based on the beneficiary position, each of which can have from one to four installments of share-based payments spread over a period defined according to plan rules.

Long Term Incentive Plan 2020-2023

The economic value of performance shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period.
The plan is divided into clusters, based on the beneficiary position, each of which can have from one to five installments of share-based payments spread over a period defined according to plan rules.

7. Events after the balance sheet date

There are no major events after the balance sheet date.

Notes to the Financial Statements

8. Names of Supervisory Board members and of Management Board members

Supervisory Board of UniCredit Bank Austria AG

Chairperson:	**Gianfranco BISAGNI**
Deputy Chairperson:	**Aurelio MACCARIO**
Members:	**Livia ALIBERTI AMIDANI**
	Richard BURTON
	Herbert PICHLER
	Eveline STEINBERGER
	Doris TOMANEK

Delegated by theEmployees‘ Council:

Adolf LEHNER
Chairperson of the Employees' Council

Christoph BURES
Member of the Employees' Council

Judith MARO
Member of the Employees' Council

Roman ZELLER
Member of the Employees' Council

Notes to the Financial Statements

Management Board of UniCredit Bank Austria AG

Chairperson/Chief Executive Officer: **Robert ZADRAZIL**

Members:

Daniela BARCO

Hélène BUFFIN (from 1 March 2024)

Philipp GAMAUF (until 29 February 2024)

Dieter HENGL

Georgiana LAZAR (until 31 January 2024)

Emilio MANCA

Marion MORALES ALBIÑANA-ROSNER

Svetlana PANČENKO (from 1 February 2024)

Wolfgang SCHILK

Financial Statements 2023

UniCredit Bank Austria AG
Financial Statements 2023

Vienna, 20 February 2024
The Management Board

Robert Zadrazil
CEO – Chief Executive Officer
(Chairperson)

Daniela Barco
Retail

Philipp Gamauf
CFO – Chief Financial Officer

Dieter Hengl
Corporates

Emilio Manca
COO – Chief Operating Officer

Marion Morales Albiñana-Rosner
Wealth Management & Private Banking

Svetlana Pančenko
People & Culture

Wolfgang Schilk
CRO – Chief Risk Officer

Auditors‘ Report

UniCredit Bank Austria AG

Auditors’ Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements, of UniCredit Bank Austria AG, Vienna, comprising the balance sheet as of 31 December 2023, the income statement for the financial year then ended, and the notes thereto.

In our opinion, the financial statements comply with legal requirements and give a true and fair view of the assets and the financial position of UniCredit Bank Austria AG, Vienna as of 31 December 2023, and its financial performance for the year then ended in accordance with the Austrian Commercial Code and the banking regulations.

Basis for Opinion

We conducted our audit in accordance with the Regulation (EU) No. 537/2014 and the Austrian Generally Accepted Auditing Standards. These standards require the application of the ISAs. Our responsibilities under these standards are further described in the section “Auditors’ Responsibilities for the Audit of the Financial Statements” of our auditors’ report. We are independent of UniCredit Bank Austria AG, Vienna in accordance with the Austrian Commercial Code and banking and professional regulations applicable in Austria, and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained as of the date of this auditors’ report is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements of UniCredit Bank Austria AG (also referred to as “the Bank”) as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- **Recoverability of loans included in loans and advances to customers**

Risk for the Financial Statements

Loans included in loans and advances to customers are disclosed net of allowances for expected credit losses, with a total amount of EUR 63.7 bn. The loan loss allowances amount to EUR 1.5 bn.

In the notes to the financial statements, the management describes the approach for determining loan loss allowances in section "2.2.3 Loans and advances to customers“.

As part of its credit monitoring activities, the Bank determines whether impairment losses need to be recognized for defaulted loans. This also includes an assessment of whether customers are able to meet contractual obligations in full.

For defaults of individually significant loans and advances to customers, the expected credit loss (ECL) is calculated on an individual basis. Expected cash flows are recognized on the basis of probability-weighted-scenarios in order to determine the loan loss allowance.

Auditors‘ Report

For non-performing loans and advances to customers that are not individually significant, the expected credit losses are determined collectively, based on a statistical valuation model. The need for impairment is determined automatically, dependent on the customer segment, the rating, the amount of the loan receivable, the collateral available and the duration of the default.

A portfolio allowance is recognized for the expected credit loss of performing loans and advances to customers, using the 12-month ECL. In the event of a significant increase in credit risk, the ECL is calculated based on the total duration. Estimates and assumptions are required in determining the expected credit loss for these levels. These estimates and assumptions include, among other things, default probabilities, historical data as well as loss rates that consider present and future-oriented information.

So that the ECL model appropriately reflects the current macroeconomic risks (characterized by high inflation as well as increased energy costs and higher interest rates etc.), it was complemented by management overlays. This accounts for associated expected credit defaults that cannot be modeled.

The risk to the financial statements results from the fact that the determination of the loan loss allowances including the management overlays is based to a significant extent on assumptions and estimates, for which there is significant judgement and estimation uncertainty with regard to the amount of the allowances.

Our Audit Response

In auditing the recoverability of loans and advances to customers, we performed the following significant audit procedures:

- We have analyzed the existing documentation relating to the processes for credit monitoring and provisioning of loans and advances to customers. We then assessed whether the procedures described therein are appropriate for identifying defaults and adequately determining impairment losses for loans and advances to customers.
- We identified relevant key controls in the process and assessed their design and implementation. We also tested the effectiveness of these controls on a sample basis.
- For a sample of receivables from customers, we examined whether there were objective indicators of default. The sample selection was both random and risk-oriented, with particular consideration of rating grades and industries with an increased risk of default.
- For defaults of individually significant loans and advances to customers, the Bank’s assumptions regarding the amount of future returns were tested on a sample basis for reasonableness, consistency and the appropriateness of the resulting loan loss allowances.
- For performing as well as individually non-significant non-performing loans included in the loans and advances to customers, with the assistance of specialists, we analyzed the bank's applied method and its compliance with the requirements of the relevant accounting regulations. Furthermore, in considering the Bank’s internal validations, we tested selected models, their mathematical functions as well as the parameters used therein in test cases, to determine whether they are appropriate for calculating credit losses and examined the appropriateness of the resulting loan loss allowances.
- With the involvement of specialists, we specifically assessed the impact of the current volatile economic situation on customer default probabilities. We also reviewed the selection and measurement of forward-looking estimates and scenarios for appropriateness and verified their inclusion in the parameter calculation. Furthermore, we assessed the determination and rational of model adjustments made and the underlaying assumptions for the management overlays with regard to their appropriateness.

Other Information

Management is responsible for the other information. The other information comprises the information in the annual report but does not include the annual financial statement, the management report and our auditors’ report thereon. The annual report supplemented with company information is expected to be made available to us after the date of the auditors’ report. The annual report is expected to be made available to us after the date of the auditors’ report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information as soon as it is available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Auditors‘ Report

Management’s and Audit Committee’s Responsibility for the Financial Statements

UniCredit Bank Austria AG’s management is responsible for the preparation of the financial statements and for them to give a true and fair view of the assets, the financial position and the financial performance of UniCredit Bank Austria AG, Vienna in accordance with the Austrian Commercial Code, the Banking Act and other regulatory requirements. Management is also responsible for internal controls that are determined as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing UniCredit Bank Austria AG’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate UniCredit Bank Austria AG, Vienna or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing UniCredit Bank Austria AG’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the EU regulation and Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Regulation (EU) No. 537/2014 and in accordance with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UniCredit Bank Austria AG’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on UniCredit Bank Austria AG’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause UniCredit Bank Austria AG, Vienna to cease to continue as a going concern.

Auditors‘ Report

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that give a true and fair view.
- We provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- We also communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Statutory and Other Legal Requirements

Report on the Audit of the Management Report
Pursuant to Austrian Commercial Code, the management report is to be audited as to whether it is consistent with the financial statements and whether it has been prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with laws and regulations applicable with respect to the management report.

Opinion

In our opinion, the management report is prepared in accordance with the applicable legal requirements, contains appropriate disclosures pursuant to section 243a UGB, and it is consistent with the financial statements.

Statement

In the light of the knowledge and understanding of UniCredit Bank Austria AG, Vienna and its environment obtained in the course of our audit of the financial statements, we have not identified material misstatements in the management report.

Additional Information in Accordance with Article 10 of the EU Regulation
According to section 24 of the Austrian Savings Banks Act (SpG) and the Auditing Rules for Savings Banks (Anlage zu § 24 SpG), Sparkassen-Prüfungsverband (auditing board) acts as statutory auditor of UniCredit Bank Austria AG, Vienna.

By resolution of the annual general shareholders' meeting on 7 April 2022, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, was appointed as additional auditor for the financial year ending on 31 December 2023. In accordance with the above, the Supervisory Board engaged KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, as additional auditor on 22 April 2022.

On 30 March 2023, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna was appointed as additional auditor for the financial year ending on 31 December 2024. On 27 April 2023, it was engaged by the Supervisory Board as additional auditor.

Auditors‘ Report

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, has been the additional auditor since the financial year ending 31 December 2022.

We confirm that the audit opinion in the section "Report on the Financial Statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 para 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, provided the following services, which were not disclosed in the annual financial statements or the management report, in addition to the audit of the financial statements, for the audited company and for the companies controlled by it:

- **Regulatory confirmations for subsidiaries**

Engagement Partner

The engagement partner responsible for the audit is Gerhard Margetich on behalf of Sparkassen-Prüfungsverband (auditing board) and Bernhard Mechtler on behalf of KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna.

Financial Statements 2023
UniCredit Bank Austria AG, Vienna

Vienna, 20 February 2024

Sparkassen-Prüfungsverband
Auditing Board
(Bank Auditor)

Gerhard Margetich
Certified Public Accountant

Stephan Lugitsch
Certified Public Accountant

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna

Bernhard Mechtler
Certified Public Accountant

This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the financial statements together with our auditors' opinion is only allowed if the financial statements and the management report are identical with the audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 para 2 UGB applies to alternated versions.

Statement by Management

UniCredit Bank Austria AG
Financial Statements for 2023

Statement by Management

We state to the best of our knowledge that the financial statements prepared in accordance with the relevant financial reporting standards provide a true and fair view of the financial position and performance of the issuer, and that in the Management Report the business trends including business results and the position of the issuer have been presented in such a way as to provide a true and fair view of the financial position and performance of the issuer, and that it describes the material risks and uncertainties to which the issuer is exposed.

Vienna, 20 February 2024

The Management Board

Robert Zadrazil
CEO – Chief Executive Officer
(Chairperson)

Daniela Barco
Retail

Philipp Gamauf
CFO – Chief Financial Officer

Dieter Hengl
Corporates

Emilio Manca
COO – Chief Operating Officer

Marion Morales Albiñana-Rosner
Wealth Management & Private Banking

Svetlana Pančenko
People & Culture

Wolfgang Schilk
CRO – Chief Risk Officer

Investor Relations

Investor Relations, Ratings, Imprint, Notes

UniCredit Bank Austria AG / Corporate Relations

Rothschildplatz 1, 1020 Vienna, Austria	
Phone: +43 (0)5 05 05-57232	Fax: +43 (0)5 05 05-8957232
Email: investor.relations@unicreditgroup.at	Internet: https://ir-en.bankaustria.at
Günther Stromenger, phone: +43 (0)5 05 05-57232	
Andreas Petzl, phone: +43 (0)5 05 05-54999	

Ratings

	LONG-TERM / DEPOSITS	LONG-TERM / SENIOR UNSECURED	SUBORDINATED LIABILITIES	SHORT-TERM
Moody's 1)	A2	A3	Baa3	P-1
Standard & Poor's 1)	BBB+	BBB+	BBB-	A-2

Public-sector covered bonds and mortgage bonds of Bank Austria are rated Aaa by Moody's.
1) Securities issued before 31 December 2001 and therefore benefiting from the deficiency guarantee by the City of Vienna ("grandfathered debt" – exclusively subordinated debt), are rated Baa1 by Moody's and BBB- by Standard & Poor's.

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

Publisher and media owner:
UniCredit Bank Austria AG
Rothschildplatz 1, A-1020 Vienna
Phone: + 43 (0)5 05 05-0
Internet: www.bankaustria.at
e-Mail: info@unicreditgroup.at
BIC: BKAUATWW
Austrian bank routing code: 12000
Company register: FN 150714p
LEI: D1HEB8VEU6D9M8ZUXG17
Data Processing Register Number: 0030066
VAT Number: ATU 51507409

This Annual Financial Report was produced by UniCredit Bank Austria AG, Rothschildplatz 1, 1020 Vienna (publisher and media owner).

Editor:
Accounting & Regulatory Reporting

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

Persons (Management Board) authorised to represent the media owner:
Robert Zadrazil (Chairperson), Daniela Barco, Hélène Buffin, Dieter Hengl, Emilio Manca, Marion Morales Albiñana-Rosner, Svetlana Pančenko, Wolfgang Schilk.

Supervisory Board of media owner:
Gianfranco Bisagni (Chairperson of the Supervisory Board), Aurelio Maccario (Deputy Chairperson), Livia Aliberti Amidani, Christoph Bures, Richard Burton, Adolf Lehner, Judith Maro, Herbert Pichler, Eveline Steinberger, Doris Tomanek, Roman Zeller.

Interests held in the media owner pursuant to Section 25 of the Austrian Media Act:
UniCredit S.p.A. holds 99.996 % of the shares in the media owner (information on the shareholder structure of UniCredit S.p.A. is available at https://www.unicreditgroup.eu/en/governance/shareholders/shareholders-structure.html).

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

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

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

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