

Disclosure according to CRR

VOLKSBANK WIEN AG – CREDIT INSTITUTION GROUP

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1 General information on disclosure

This document serves to fulfil the requirements pursuant to Regulation (EU) No. 575/2013 (CRR) and Directive 2013/36/EU (CRD IV) for VOLKSBANK WIEN AG – Credit Institution Group.

1.1. Disclosure obligations and procedures

CRR Art 431

VOLKSBANK WIEN AG fulfils the requirements pursuant to Regulation (EU) No. 575/2013 and Directive (EU) 2013/36 of the European Parliament and of the Council on the basis of the consolidated financial position of the Credit Institution Group as at the reporting date 31 December 2021. All quantitative data are in thousands of euros unless otherwise stated.

A formal procedure exists at VOLKSBANK WIEN AG to ensure the correct fulfilment of disclosure obligations. This procedure is set down in writing in a disclosure framework, which is reviewed at least annually for up-to-dateness and completeness and approved by the Managing Board.

The framework describes the required minimum quantitative and qualitative content for each disclosure requirement, defining the responsibilities for preparing the disclosure content and the required review steps. Before each disclosure date, each responsible person checks whether there is relevance for the disclosure of certain content (e.g. securitisations, internal models, foreign branches). This procedure ensures that the relevant disclosure content is made available to market participants in the disclosure report in a complete and comprehensible manner.

To ensure correct disclosure that is consistent with other reports, three-stage quality assurance is embedded in the disclosure process. The initial topic-specific quality assurance is performed by the organisational unit responsible for the respective disclosure topic. The second stage of quality assurance is carried out as part of the process of compiling the content in the disclosure report. The focus is on completeness and cross-topic consistency. The third and final stage is the final reconciliation between the disclosure report and the Annual Report.

The CFO approves the disclosure report for publication.

1.2. Non-essential information, business secrets or confidential information

CRR Art 432

VOLKSBANK WIEN AG generally publishes all information required under Part 8 CRR. Exceptions to this rule will be considered on a case-by-case basis, taking into account the guidelines published by the EBA.

1.3. Frequency of disclosure

CRR Art 433

The CRR II has clearly defined the principle of proportionality. The scope and reporting frequency of disclosure depend on the size and complexity of institutions and are described in Articles 433, 433a, 433b and 433c of the CRR.

VOLKSBANK WIEN AG is classified as “other institution”; hence, the frequency and scope of disclosure are defined pursuant to CRR Art 433c.

The content to be disclosed annually as at the end of the year is published separately by qualitative content and standardised quantitative content in two separate documents. During the year, the scope is smaller and predominantly quantitative, so disclosure is in the form of Excel spreadsheets.

1.4. Means of disclosure

CRR Art 434

Disclosure in accordance with Chapter 8 of the CRR is made for the Association of Volksbanks on the website of VOLKSBANK WIEN AG.

2 Risk management and governance

2.1 General information on risk management

CRR Art 435(1); EU OVA

Assuming and professionally managing the risks associated with the business activities is a core function of every bank. In its capacity as central organisation (CO) of the association of credit institutions under section 30a of the Austrian Banking Act, consisting of VBW and the affiliated banks of the Volksbank Sector, VOLKSBANK WIEN AG (VBW) performs this central task for the Association of Volksbanks, so that the latter has in place administrative, accounting and control procedures for the recognition, assessment, management and monitoring of the risks associated with banking transactions and banking operations as well as of the remuneration strategy and practices (section 39(2) of the Austrian Banking Act). The implementation of control within the Association of Volksbanks is effected through General, and, if necessary, Individual Instructions and corresponding working practice guidelines in the affiliated banks.

The following risks are classified as material within the Association of Volksbanks in the course of the risk inventory process:

- Credit risks
- Market risks
- Liquidity risks
- Operational risks
- Other risks (e.g. strategic risk, equity risk, earnings risk, model risk)

Risk policy principles

The risk policy principles of VBW comprise the standards for the management of risks that are applicable within the Association of Volksbanks and are defined by the CO Managing Board together with the risk appetite. A common set of rules and understanding of risk management across the Association is the basis for developing risk awareness and a risk culture within the company. The Association of Volksbanks carries on its activities subject to the principle that risks will only be accepted to the extent this is required to achieve strategic business goals. The associated risks are managed under an overall perspective subject to risk management principles by creating an appropriate organisational structure and corresponding business processes.

Organisation of risk management

VBW has taken all required organisational precautions to meet the requirements regarding modern risk management. There is a clear separation between front office and back office. A central, independent risk control has been established. At Managing Board level, the Chief Risk Officer (CRO) is the head of the Risk Control Function. Within the responsibilities of the CRO, there is a separation between risk control and operational credit risk management. Risk assessment, risk measurement and risk control are carried out according to the dual-control principle. For the purpose of avoiding conflicts of interest, these tasks are performed by different organisational units. In 2021, the head of Risk Control changed. Compliance was managed on an interim basis from November 2021 until a new head was appointed in April 2022.

The business model requires risks to be identified, assessed, measured, aggregated and managed effectively. Risks and capital are managed by means of a framework of principles, organisational structures as well as measuring and monitoring processes that are closely aligned with the activities of the departments and divisions. As a prerequisite and basis of solid risk management, the Risk Appetite Framework (RAF) for the Association of Volksbanks is continuously being developed

also within VBW, in order to define the risk appetite and/or the level of risk tolerance that VBW is prepared to accept to achieve its defined goals. The level of risk tolerance is reflected in the definition and validation of appropriate limits and controls. The framework is verified and adjusted to regulatory requirements, changes of the market environment or the business model on an ongoing basis. By way of this framework, VBW aims to develop a disciplined and constructive control environment where all employees understand and live up to their roles and responsibilities.

Within the Association of Volksbanks, risks are managed by three decision-making bodies in VBW: (i) Risk Committee (RICO), (ii) Asset Liability Committee (ALCO), (iii) Credit Committee (CC). The responsibilities of these committees include both subject areas of VBW as a single institution and matters concerning the entire Association of Volksbanks pursuant to Section 30a of the Austrian Banking Act. Risk reporting in the affiliated banks takes place in the respective local bodies.

The RICO serves to control all material risks, with a focus at portfolio level, ensuring that risk policy decisions are in compliance with risk appetite. The aim is to provide the Managing Board of VBW with a comprehensive view of all risks (aggregate bank risk report) and with a summary of regulatory and other topics relevant in terms of risk.

The ALCO is the central body for controlling interest rate, foreign currency and liquidity risks, as well as investment risks through positions in the banking book, with a view to optimising risk and return, and to securing refinancing in the long term.

The CC is the body responsible for credit decisions based on applicable definitions of responsibilities, for approving action plans for customers undergoing restructuring or workout, as well as for approving allocations to individual allowances for impairment, provisions and waivers.

In January 2022, a Sustainability Committee was established as a decision-making body for sustainability-related topics. Details are included in the chapter “Environmental, social and corporate governance risks”.

Risk management across the Association

The Risk Control Function of VBW as CO is responsible for risk governance, methods and models for strategic risk management issues across the Association, as well as the regulations for control at portfolio level. For the purpose of performing its steering function, the CO has issued General Instructions (GI) for the affiliated banks. The GI RAF (Risk Appetite Framework), GI ICAAP, GI ILAAP, GI Principles of Credit Risk Management (GI PCRM) as well as the downstream manuals of the Association and the associated working instructions govern risk management in a binding and uniform manner. The risk strategy for the Association of Volksbanks is also issued in the form of a General Instruction (GI) including a pertinent manual of the Association. The aim is to comprehensively and verifiably document and set down general conditions and principles, consistently throughout the Association, for the assessment and management of risks, and for the creation of processes and organisational structures. Within the scope of their general duty of care, the members of the Managing Board and the managing directors of all affiliated banks must ensure, without exception and restriction, in the interest of the respective companies, that the General Instructions are put into effect formally and de facto. Any deviations and special regulations concerning the General Instructions shall only be permissible in exceptional cases and must be coordinated with VBW as the CO in advance, and approved by the latter.

Within the Association of Volksbanks, comprehensive communication about risks and a direct exchange of information is considered extremely important. In order to allow for professional exchange in a working context, an expert committee was set up for risk control. Each affiliated bank must dispose of its own Risk Management Function (RMF) that is responsible for the independent monitoring and communication of risks within the respective affiliated bank.

Risk governance as well as the methods and models are regularly refined and adjusted to currently prevailing basic conditions by the Risk Control Function of VBW as CO. Apart from regular remodelling, recalibration and validation of the risk models, the methods in the ICAAP & ILAAP are being improved continuously, with new regulatory requirements being monitored and implemented in a timely fashion.

Internal Capital Adequacy Assessment Process

To ensure a sustainable, risk-adequate capital base, VBW, in its capacity as CO of the Association of Volksbanks, has set up an Internal Capital Adequacy Assessment Process (ICAAP) as a revolving control cycle, in line with international best practices, that both VBW and all affiliated banks are subject to. The ICAAP starts by identifying the material risks, followed by a risk quantification and aggregation process, determination of risk bearing capacity, limitation, and concludes with ongoing risk monitoring and the measures derived therefrom. Explanations regarding the ILAAP are presented in the liquidity risk item.

The individual elements of the cycle are performed at varying intervals (e.g. daily for market risk / trading book risk measurement, quarterly for preparing the risk bearing capacity statement, annually for risk inventory and determination of the risk strategy). All the activities described within the cycle are reviewed for up-to-dateness and adequacy at least annually, and adjusted to the respective current general conditions if necessary; they are approved by the Managing Board of the CO. An expansion was carried out in 2021 based on the integration of ESG risks into the internal capital adequacy process by incorporating ESG risks into all elements of the internal capital adequacy assessment process. ESG risks were not included as a separate risk type, but were mapped within the existing risk types. The methods, models and strategies used for ESG risks will be continuously developed over the next years and are meant to contribute to successively measuring inherent ESG risks more accurately.

Risk inventory

The risk inventory aims to define the materiality of existing and newly assumed banking risks. The findings from the risk inventory process are collected, evaluated for VBW and summarised in a risk inventory. The results of the risk inventory process are used to inform the risk strategy and form a starting point for the risk bearing capacity calculation, as material risks are taken into account within the risk bearing capacity calculation. Since 2021, ESG risks have also been analysed and assessed as part of the risk inventory using ESG heat maps. More details regarding the identification and assessment of ESG risks are contained in the chapter “Environmental, social and corporate governance risks”.

Risk strategy

The risk strategy of the Association is based on the business strategy of the Association and provides for consistent general conditions and principles for uniform risk management. VBW's local risk strategy essentially builds on the risk strategy of the Association and defines regional specifications and local specifics. The risk strategy is reviewed for up-to-dateness and adequacy at least annually and adjusted to the respective current general conditions. It provides the rules for the handling of risks and ensures risk bearing capacity at all times. The risk strategy is prepared in the course of business planning. Across the Association, the contents of the risk strategy and of business planning are linked up by incorporating the targets of the Risk Appetite Statement in the GI Controlling – Planning and Reporting.

VBW is committed to a sustainable corporate culture and strives to establish ESG aspects in all areas of the company. For this reason, the risk strategy was expanded to include a sub-risk strategy for ESG risks. It maps the ESG risks inherent in the existing risk types, which can be derived in particular from the ESG heat maps and the internal stress test.

Risk Appetite Statement (RAS) and limit system

The core element of the risk strategy is a Risk Appetite Statement (RAS) and integrated limit system in line with the business strategy. The RAS set of indicators comprising strategic and additional RAS indicators helps the Managing Board to implement central strategic goals of VBW, specifying the same in operational terms.

The risk appetite, i.e. the indicators of the RAS, is derived from the business model, the current risk profile, the risk capacity and the revenue expectations and/or the strategic planning process. The limit system broken down by risk subtypes and the RAS provide the framework for the maximum risk that VBW is ready to accept to achieve its strategic targets. The RAS indicators are provided with a target, a trigger and a limit value and are monitored on a current basis, as are the aggregate bank and sub-risk limits. In this way, it can be ensured that deviations from the risk strategy are identified swiftly and that countermeasures can be initiated in a timely manner. The RAS set of indicators is made up of strategic and more detailed RAS indicators:

- Capital ratios (e.g. CET1 ratio, T1 ratio, TC ratio, RTF)
- Credit risk ratios (e.g. NPL ratio, coverage ratio, net allocation ratio / risk provisions, forbearance ratio, sector concentrations)
- Market/liquidity risk ratios (e.g. LCR, NSFR, EBA and OeNB interest rate risk coefficients)
- Ratios relating to operational risk (e.g. OpRisk losses in proportion to CET1, ICS implementation rate)
- Other risk-relevant ratios (e.g. CIR)

Risk bearing capacity calculation

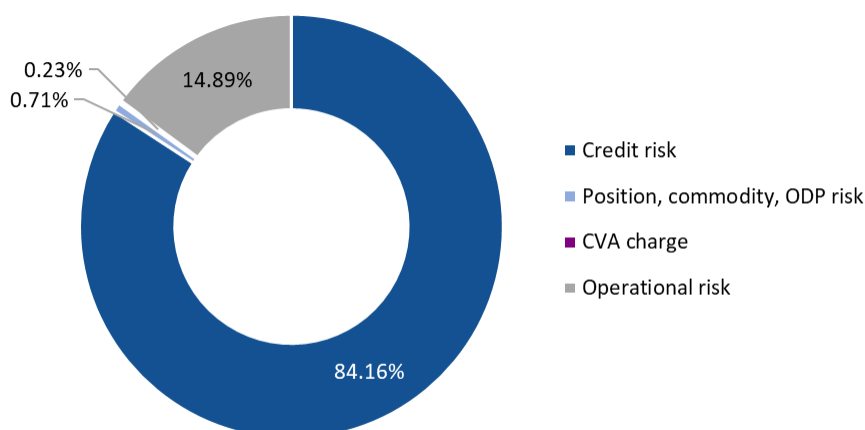
The risk bearing capacity calculation constitutes a central element within the implementation of the ICAAP. It is used to provide evidence of the fact that the risks assumed are sufficiently covered by adequate internal capital at all times and to ensure such cover in the future. For this purpose, all relevant individual risks are aggregated. This total risk is then compared to the existing and previously defined risk covering potentials. Compliance with the limits is monitored and reported on quarterly.

In determining risk bearing capacity, different objectives are pursued that are reflected in three perspectives:

- Regulatory perspective (compliance with regulatory own funds ratios)
- Economic perspective
- Normative perspective

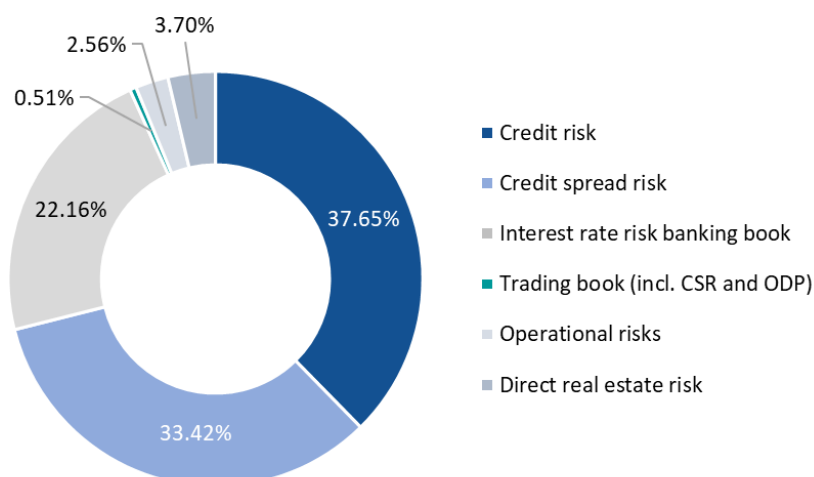
The regulatory Pillar 1 perspective compares the total risk exposure amount calculated in accordance with applicable legal provisions with regulatory own funds. Ensuring regulatory risk bearing capacity is stipulated under the law and constitutes a minimum requirement. The composition of the regulatory total risk position of VBW corresponds to that of any regionally operating retail bank.

The distribution of risks from a regulatory perspective is the following as at 31 December 2021:



The economic perspective contributes to ensuring the continued existence of VBW by foregrounding the economic value during the management of capital resources. The risk bearing capacity under the economic perspective derives from a comparison of economic risks with internal capital (risk covering potential). Economic risks are risks that may impair the economic value of the bank, and hence may negatively affect the adequacy of capital resources under an economic perspective. During quantification of economic risks, internal procedures – normally “value at risk” (VaR) – with a confidence level of 99.9 % and a time horizon of one year are resorted to. In doing so, all quantifiable risks are taken into account that were identified as material within the scope of the risk inventory process. Hidden reserves for securities, the annual result achieved in the current financial year, as well as own funds available for loss absorption upon continuation of the business activity are recognised as risk covering potentials. The aggregate bank risk limit is set at 95 % of available internal capital. A prerequisite for capital adequacy from an economic perspective is for internal capital to be sufficient to cover the risks and to support the strategy on an ongoing basis.

The distribution of risks from an economic perspective is the following as at 31 December 2021:



The normative perspective ensures that the Association of Volksbanks is able, throughout a period of several years, to meet its own funds requirement and to cope with other external financial constraints. It represents the risk bearing capacity

on the basis of strategic planning under normal and adverse conditions, essentially comprising a simulation of income statement and own funds positions over three years. In the process, the strategic planning as well as various crisis scenarios are simulated and the development of regulatory own funds ratios calculated taking into account the effects of the relevant scenario. Therefore, the key parameters of the normative perspective are the regulatory own funds ratios CET1, Tier 1 and total capital. The normative perspective was implemented throughout the Association and hence also includes VBW.

Stress testing

For credit, market and liquidity risks, as well as for operational risk, risk-type-specific stress tests and/or risk analyses are performed regularly, with crisis scenarios being conceived in such a way that the occurrence of operational risk events that are highly unlikely, but not impossible, is simulated or estimated. By way of this approach, huge losses – among others – can be identified and analysed.

Apart from these risk-type-specific stress tests and sensitivity analyses, internal stress tests are regularly carried out across risk types. The semi-annual internal stress test consists of scenario analyses, sensitivity analyses and the reverse stress test. In the scenario analyses, economic crisis scenarios are defined and the changed risk parameters for the individual risk categories and areas of business derived therefrom. Apart from the risk aspect, the effects of crisis scenarios on regulatory own funds and the internal capital under the economic perspective are determined as well. At this point, the requirements of the normative perspective overlap with the requirements regarding scenario analyses for the internal stress test: the development of regulatory own funds ratios is simulated for various crisis scenarios over a period of several years. Based on the findings of the internal stress tests, recommended actions are defined and transposed into measures. For instance, the reporting framework was extended by new aspects, additional limits were defined, higher-risk industries monitored more closely, and planning targets for strategic risk indicators derived.

Since December 2020, ESG-related scenarios (especially with regard to climate and environmental risks) have also been calculated as part of the internal stress test in order to identify and assess the ESG risks inherent in the existing portfolio as early as possible. Details are contained in the chapter “Environmental, social and corporate governance risks”.

At present, EU-wide stress tests across risk types are being carried out by the EBA/ECB every two years, with the Association of Volksbanks participating. An EBA/ECB stress test was carried out again in 2021. The results of the stress tests for the Association of Volksbanks were used by the ECB to assess the capital requirement (Pillar 2 Guidance) within the SREP.

Recovery and resolution planning

As the Association of Volksbanks was classified as a significant institution in Austria, the Association must prepare a recovery & resolution plan and submit the same to the European Central Bank. VBW in its function as the CO of the Association of Volksbanks is responsible for drawing up the Group Recovery & Resolution Plan (GRP) for the Association. No separate recovery & resolution plan is being prepared for VBW and affiliated institutions. The GRP is updated at least once a year and takes into account changes in business activities as well as changes in regulatory requirements.

2.2 Information on risk management objectives and policies by risk category

Credit risk

CRR Art 435(1), EU CRA

Credit risk refers to potential losses that occur because a contract partner fails to meet its payment obligations.

Credit risk management organisation

Within VBW, the responsibilities associated with credit risk are taken care of by the Credit Risk Management Function and certain subdivisions of the Risk Control Function. The departments Credit Risk Management Retail Branches, Credit Risk Management Real Estate & Corporate Financing, Restructuring & Workout are responsible for operational credit risk management functions. Risk Control is responsible, at portfolio level, for risk assessment, risk measurement and risk control as well as for credit risk reporting.

Operational credit risk management

Lending principles

- Loan transactions are necessarily based on decisions involving borrower-specific limits. The determination and monitoring of certain limits is subject to uniform regulations at the level of the Association.
- The rating obligation applies to all borrowers with exposures above the defined minimum amount. The rating process is based on the dual-control principle and is applicable across the Association.
- In selecting collaterals, attention is paid to the cost-benefit ratio, and therefore recoverable collaterals that cause little administrative effort and are not very cost-intensive will preferably be resorted to, as well as actually realisable collaterals. For this reason, physical collaterals, such as real estate collaterals, and financial collaterals, such as cash collaterals or collaterals in the form of securities, are given priority. The recoverability and enforceability of collaterals must basically be assessed prior to any credit decision. Principles for the management of collaterals and uniform rules for the selection, provision, administration and valuation of collaterals apply at the level of the Association.
- Foreign currency and repayment vehicle loans are no longer offered as a matter of principle.
- The principal market for the lending business is the Austrian market.
- Syndicated credits will be concluded together with the CO as a matter of principle.

Decision-making process

In all units of VBW that generate credit risk, there is a strict separation of sales and risk management. All decisions in individual instances are taken strictly observing the dual-control principle; clear processes have been defined for this purpose. Limit systems play an important role in this context, as they provide a framework for the decision-making powers of the individual units.

Monitoring of exposures and collaterals

The processes for the review of exposures and collaterals are governed by uniform regulations across the Association and must be observed by all affiliated banks.

Limits

The monitoring, control and limitation of the risk of individual exposures and of risk clusters is effected according to differentiated limit categories.

Within the Association of Volksbanks, the group of connected customers (GcC) is used as the basis for limits in case of new lending and for current monitoring. As regards the limits, the requirements at the level of the Association of Volksbanks differ from those applicable to the individual banks. A review of the limits on individual transaction level takes place continuously within the credit risk management of the affiliated banks and is monitored by the credit risk management of VBW as CO, using centralised analyses.

In connection with portfolio limits, within the Association of Volksbanks, mainly limits for external financing transactions and limits for the industry sectors of real estate as well as tourism and leisure are being defined at present. These limits are relevant for the lending process and are monitored at monthly intervals by Risk Control.

In addition, materiality limits are defined for industry sectors at the level of the Association and of the affiliated banks, and further control measures are applied if these limits are exceeded.

In order to achieve a sustainably healthy portfolio quality, requirements exist for transactions with new customers and increases of the exposure of existing customers; these depend on the customer's credit rating and are applicable across the Association.

Intensified credit risk management

Within the Association of Volksbanks, and accordingly also within VBW, intensified credit risk management means the special monitoring of customers with payment difficulties and/or customers threatened by default. Among others, intensified credit risk management comprises processes relating to the early detection of customers threatened by default, the dunning procedure, forbearance processes, as well as default identification.

Early identification (EWS)

During the early warning process, customers who might show an increased risk of default within the next few months are systematically identified on the basis of certain indicators. In this way, VBW is put in a position to counteract potential defaults early on. The early identification of customers threatened by default is governed within a uniform early warning system throughout the Association.

Dunning procedure

The dunning procedure applied across the entire Association of Volksbanks and accordingly within VBW is uniform and automatised and based on corresponding predefined processes.

Forbearance

Forbearance refers to concessions made by the bank to the borrower in connection with financial difficulties or imminent financial difficulties of the borrower, but which the bank would not grant otherwise. Borrowers whose transactions were classified as forborne are subject to special (monitoring) regulations within the Association of Volksbanks.

Default identification

The process of default identification serves to recognise defaults in time. A customer is deemed defaulted if there is a default of performance pursuant to the CRR of more than 90 days, and/or if complete settlement of the debt is considered unlikely without realising any collaterals. The Association has defined 15 possible types of default event that are used for the consistent classification of default events across the Association of Volksbanks. Among others, default identification also builds on the early warning and forbearance processes described above. Additionally, there are other (checking) processes, e.g. the analysis of expected cash flows within the regular or event-driven exposure checks, which may trigger classification to a default category.

Problem Loan Management

Within the Problem Loan Management system (PLM) applicable throughout the Association, customers are classified on the basis of clearly defined indicators applied consistently across the Association. Subsequently, a distinction is made between customers

- under intensive supervision (negative change of risk assessment, but not defaulted yet)
- in the process of restructuring (imminent risk of default or defaulted already, but customer is eligible for restructuring), and
- subject to workout (defaulted customers not eligible for restructuring)

and appropriately differentiated processing routines have been put in place consistently throughout the Association of Volksbanks.

Management of the COVID-19 crisis

The economic impact of the COVID-19 crisis in 2020 and 2021 has been mitigated by an extensive government support programme. In Austria, in the course of the fourth wave of infections that began in early November, strict containment measures were put in place again, temporarily reducing economic activity sharply, coupled with a loss of income and sales for employees, the self-employed and businesses, as well as a sharp rise in unemployment, which is partially cushioned by a short-time work programme as earlier in the crisis. The long-term effects on the economy and the labour market are currently difficult to assess, but due to the government's package of measures, no long-term negative effects are expected.

The strong relationship of the Association of Volksbanks with its customers and its close ties within the region have manifested themselves also in times of the COVID-19 crisis. A great number of customers were granted relief measures due to COVID-19 in order to counter liquidity bottlenecks and to cope with existence-threatening circumstances. These measures include various kinds and forms of deferments, term extensions, bridging loans, and increases of overdraft facilities for existing customers. Most of the facilities granted to borrowers in the Association of Volksbanks since March 2020 have already been terminated in the course of 2021; this mainly concerns deferrals to companies or payment deferrals to employees, self-employed persons and microentrepreneurs in the course of the statutory moratorium and the private moratorium of the Austrian banking sector. Currently still active bridge financing and increases of overdraft facilities have even longer maturities due to the terms of the federal guarantees. A potential rebound of the facilities granted in the course of the Austria-wide lockdown from November 2021 is not yet apparent, but is taken into account in the planning of the Association of Volksbanks in the form of a new post-model adjustment.

Accounts with COVID-19-related measures are flagged, and the COVID-19-induced portfolio is monitored on an ongoing basis. A separate monitoring process has been set up in the Association of Volksbanks for borrowers whose accounts show COVID-19 concessions. In addition to reviews within the scope of the early warning system (EWS) or problem loan management (PLM) and the standard annual credit review for the monitoring of large customers in standard servicing, a risk-oriented individual customer review of the coronavirus portfolio was performed. In addition, the processes regarding rating updates for Corporate customers were honed in connection with the management of the coronavirus crisis, and separate requirements were defined for refinancing agreements in industry sectors that are hit especially hard by the COVID-19 crisis.

The EWS/PLM portfolio in VBW, which is high as a result of the COVID-19-related forbearance markings or rating downgrades, shows a slight improvement in the second half of 2021. The NPL (non-performing loan) ratio of VBW also shows a slight improvement; defaults on individual major loan exposures were compensated for by reductions in the portfolio, mainly due to the realisation of collaterals and to debt conversions.

The sectors most affected by the COVID-19 crisis are tourism/leisure and gastronomy.

Quantitative credit risk management

Measurement and control of credit risk

The development of sophisticated models as well as of systems and processes tailored to the bank-specific portfolio is required for the measurement and control of credit risk. In this way, the credit decision is meant to be structured and improved on the one hand; on the other hand, these instruments and/or their results also form the basis of portfolio management.

The results of credit risk measurement are reported to the Managing Board within the scope of the Risk Committee on a monthly basis. The most important objective of the use of the credit risk models and tools is to avoid losses through early identification of risks.

Rating systems

Across the Association, standardised models are applied to determine credit ratings (the VB rating family) and to determine the amount of loss in case of default. The expected probability of default of each customer is assessed via the VB rating family and expressed through the VB master scale, which comprises a total of 25 rating levels. The PD range used not only allows for a comparison of internal ratings with classifications by external rating agencies, but also a comparison of credit ratings across customer segments.

The rating classes in rating category 5 cover the reasons for defaulting on loans as applied across the Association and are also used for reporting non-performing loans (NPL).

Credit Value at Risk

The calculation of the economic capital requirement necessary for the credit risk is effected by means of the Credit Value at Risk (CVaR) method. For this purpose, the Association of Volksbanks has chosen a statistical simulation method. A refined Merton model, adjusted to internal requirements, is used for modelling the credit exposures in the loan portfolio in detail.

Concentrations

The effects of concentrations are quantified and measured monthly, via the risk parameters identified, on the one hand, and in the course of preparing the risk report, on the other hand.

Credit risk mitigation

The consideration of collaterals within the scope of the credit risk models for CVaR and in expected loss calculations is primarily effected through the LGD models applied across the Association. The starting point for taking into account collaterals is the respective current fair value, market value, nominal value or redemption value.

For the purpose of reducing the counterparty risk of derivative transactions, the Association of Volksbanks uses credit risk mitigation methods such as netting and exchange of collaterals. The Association strives to conclude standardised ISDA framework agreements for bilateral netting and a corresponding Credit Support Annex (CSA) with all key market participants. The fair values of derivative transactions with counterparties are reconciled daily. If the fair values exceed certain contractually agreed thresholds, such excess amounts must be covered by collaterals. These collaterals are recognised in regulatory terms and reduce the risk.

Credit risk reporting

Credit risk reporting takes place monthly with the aim to provide a detailed presentation of the credit risk existing at a certain reporting date and to report the same to the entire Managing Board. Relevant reports are prepared for VBW, its major units and their key areas of business. The information is also included in the credit risk portions of the aggregate bank risk report.

The reports comprise a quantitative presentation of credit risk information relevant for risk control, which is supplemented by a brief assessment of the situation and additional qualitative information, if applicable.

The following analyses are part of the monthly report:

- Portfolio distribution
- Development of new business
- Distribution of credit ratings
- Non-performing loans (NPL)
- Forbearance
- Credit risk concentrations
- Country group analysis
- Customer segments
- Distribution across industry sectors

For the COVID-19-induced portfolio, regular monitoring based on up-to-date information was set up in order to continuously track developments and to be able to implement measures promptly.

Counterparty credit risk

For the purpose of reducing the counterparty risk of derivative transactions, the Association of Volksbanks uses credit risk mitigation methods such as netting and exchange of collaterals. The Association has concluded standardised ISDA framework agreements for bilateral netting and a corresponding Credit Support Annex (CSA) with all financial counterparties.

Derivatives according to Regulation (EU) No. 648/2012 must be cleared via a CCP (Central Counterparty). VBW is not directly connected to a CCP, but is connected via a clearing broker. The netted fair values of the derivative transactions are reconciled daily with the relevant counterparties. If the fair values exceed certain contractually agreed thresholds, such excess amounts must be covered by collaterals. These collaterals are recognised in regulatory terms and reduce the risk.

The counterparty risk for fair values from unsecured derivatives is taken into account by way of credit value adjustments (CVA) or debt value adjustments (DVA) – as approximation function of the potential future loss regarding counterparty credit risk. The expected future exposure (EFE) is determined by means of the Monte Carlo method. The probabilities of default for counterparties for which no credit spreads are observable on the market are based on internal ratings of the Association of Volksbanks. The Association does not use any internal model for calculating the counterparty credit risk.

CRR Art 439 (a)

In the treasury business, credit risk should generally be minimised. The basis for this is an independent credit rating and a line system derived from it, as well as the ongoing monitoring process.

The maximum amount of the total bank lines granted per respective economic unit is determined by

- the credit rating (internal rating) and
- own funds.

Offsetting of the counterparty risk of derivatives for credit risk purposes is based on the Standardised Approach for Counterparty Credit Risk (SA-CCR) in accordance with CRR II (Regulation (EU) 2019/876) Part 3 Title II Chapter 6 Section 3.

For limit monitoring purposes, the counterparty risk of derivatives is accounted for on the basis of the Current Exposure Method (CEM; fair value, if positive, + AddOn) in accordance with CRR Article 274. The add-ons depending on the residual term of the transaction represent a premium intended to cover future fluctuations in fair value.

CRR Art 439 (b)

Risk-reducing measures (netting and collaterals received) are based on bilateral agreements (e.g. ISDA Agreement – Credit Support Annex, Rahmenvertrag für Finanztermingeschäfte – Besicherungsanhang, Global Master Repurchase Agreement, Rahmenvertrag für Echte Pensionsgeschäfte, Global Master Securities Lending Agreement, Rahmenvertrag für Wertpapierleihe). If the sum of the fair values of a counterparty's OTC derivatives is positive, there is a replacement risk. A daily valuation of the derivatives is performed. The adjustment of the collaterals to the current fair values is coordinated and performed together with the contractual partners on a daily basis. VBW has only accepted cash collaterals in EUR and USD as collaterals for OTC derivatives. Based on "legal opinions" for the respective legal system of the individual counterparties, the realisability of the deposited collaterals and their further use are ensured in the event of bankruptcy of the contracting party. Cash and government bonds of issuers with high credit ratings are accepted as collaterals for repo and lending transactions. The reciprocal margin call on a daily basis ensures full collateralisation, and therefore no further reserves are created. The counterparty risk for fair values from unsecured derivatives is taken into account by way of credit value adjustments (CVA). The expected future exposure (EFE) is determined by means of the Monte Carlo method.

CRR Art 439 (c)

No correlation risks are calculated with regard to counterparty credit risk.

CRR Art 439 (e)

The existing collateral agreements do not include any rating dependency for the independent amount, threshold or minimum transfer amount. Therefore, in the event of a rating downgrade of VBW, there is no additional call liability.

Market risk

CRR Art 435(1), EU MRA

Market risk is defined as the risk of any loss caused by unfavourable developments of market risk factors, e.g. interest rates, credit spreads, exchange rates, and volatilities. VBW distinguishes the following types of market risk:

- Credit spread risk
- Market risk in the trading book
- Foreign exchange risk (open foreign exchange positions)
- Other valuation risks (IFRS fair value change)

No material market risks or concentration risks exist beyond that. Monitoring of the market risk is carried out in the market and liquidity risk control department of the Risk Control division, which is separate, in organisational terms, from the Treasury division at the level of the Managing Board.

Credit spread risk

The credit spread is defined as premium on the risk-free interest rate. Credit spread risk arises from fluctuations of the values of assets due to changing credit spreads.

The transactions relevant to credit spread risk are own investments on the capital market. These include bonds and bonded loans. This portfolio is primarily held as a liquidity buffer, centrally at VBW, and is therefore mainly invested in public sector bonds of European countries with good credit ratings and in covered bonds. It is eligible for the regulatory liquidity coverage ratio (LCR) for the major part. CDS and fund positions would also have to be included, but currently do not exist within the Association. Loans and receivables to customers are not considered in credit spread risk.

Risk measurement is mainly effected via credit spread VaR and sensitivity to any increase in credit spreads by 100 bps. The calculation of the credit spread VaR is based on a historical simulation for a 99.9 % confidence level. In the process, the portfolio is divided into 20 risk clusters, depending on credit rating, branch of industry, type of product and seniority. The VaR is included in the ICAAP as part of the risk bearing capacity calculation. Reporting takes place monthly within the ALCO and is part of the aggregate bank risk report.

Concentration risk

Concentration risks within credit spread risk can arise at the level of issuers or risk clusters in case of similar issuers. These risk clusters are reported in the ALCO.

Market risk in the trading book

The market risk in the trading book of VBW is of subordinate importance. The trading book of the Association of Volksbanks is kept centrally at the CO. The main function of the trading book is that of a transformer, where smaller batches from retail banking are collected and dynamically hedged in the market. Additionally, Treasury takes market risks within the scope of

the limits approved, in order to produce corresponding income. The trading book volume is permanently below the regulatory threshold of euro 500 million (Art. 325a CRR).

Risk measurement is effected mainly through a VaR of interest rate, volatility and foreign exchange risks (historical simulation), a BPV gross and net (outright), and an indicative P&L for the stop-loss limit. Additionally, limits customary in the industry exist for option-related indicators ("Greeks"). Reporting is effected daily to Treasury and Risk Control and monthly within the ALCO.

The trading book risk is relatively low and mainly arises from euro interest rate positions.

The regulatory capital adequacy requirements of the trading book are calculated by means of the standardised approach – VBW does not use any internal model for market risk in the trading book.

Since extreme situations are not covered by the VaR, comprehensive stress tests are carried out monthly or ad hoc across all portfolios in the trading book.

Foreign exchange risk (open FX positions)

The foreign exchange risk from open FX positions is immaterial at VBW. It arises due to changes of the value of outstanding receivables and liabilities in foreign currencies through exchange rate fluctuations. It is minimised by Treasury as part of liquidity management.

Other valuation risks (IFRS fair value change)

Measurement risks arise through receivables that do not meet the SPPI criteria and must accordingly be classified as fair value through P&L and are subject to measurement. Due to fair value fluctuations of these receivables, this causes an IFRS effect on the income statement. Standard risk costs and liquidity costs are taken into account in the measurement of these receivables. The remaining components are summarised in one factor (epsilon factor) upon conclusion of the deal, and frozen for subsequent measurement. This measurement risk is considered within the scope of the ICAAP in the internal stress test. Reporting takes place monthly within the ALCO.

The portfolio concerned is a maturing portfolio, as any SPPI-non-compliant new business is only concluded in exceptional cases.

Interest rate risk from positions not included in the trading book

CRR Art 435 (1) a)-d) and CRR Art 448 (1) and (2)

The interest rate risk in the banking book at Volksbank Wien mainly results from retail business. It comprises all interest-bearing transactions reported and not reported in the balance sheet, except for transactions in the trading book. In addition, other interest rate-sensitive items are taken into account, such as pension provisions. The interest rate risk position associated with the retail business of Volksbank Wien mainly arises from index-linked loans and loans with fixed interest rates, and from non-maturing deposits in the form of sight and savings deposits, as well as from implicit floors, in both the assets side and the liabilities side retail business. Other decisive factors are bond positions of the bank's own portfolio, own issues and the interest-rate swaps used to control the interest rate position.

Supervisory shock scenarios		a	b	c	d
		Changes of the economic value of equity (MEUR)		Changes of the net interest income (MEUR)	
		Current period	Last period	Current period	Last period
1	Parallel up	-45.9	-32.7	10.0	13.4
2	Parallel down	15.1	-9.0	-8.9	-4.4
3	Steepener	-55.4	-58.1		
4	Flattener	30.6	17.4		
5	Short rates up	14.7	24.5		
6	Short rates down	-13.0	-14.3		

Figure: supervisory interest rate shock scenarios under Article 98(5) of Directive 2013/36/EU

Retail business without fixed interest rates is included in interest rate risk modelling by way of replication assumptions, in order to show price sensitivity to interest rate changes (e.g. for sight/savings deposits, current account overdrafts, loans “until further notice” etc.). Modelling aims to describe the development of customer interest rates depending on market interest rates. The position is divided into a “core” and a “non-core” portion, with an overnight fixed interest rate being assigned to the non-core portion. The core portion is divided into a money market-linked portion and a capital market-linked portion. The capital market portion is modelled by a rolling portfolio of up to ten-year investments. In addition, an interest rate floor is modelled for the core portion of savings deposits and sight deposits using an option price model, as these cannot bear negative interest rates in Austria. The entire model is based on minimising the volatility of the margin, i.e. the difference between the observed customer interest rate and the replicate interest rate, and is statistically calibrated. For loans, a prepayment rate is modelled. This describes the average annual additional repayment made over and above the contractual repayment. It is statistically calibrated on the basis of sub-portfolios. Embedded interest rate floors for loans are also included in the interest rate risk position using the option price model. Interest rate floors in retail banking constitute material risk drivers and contribute to net interest income, considering the currently low interest rate level. Replication assumptions and prepayment rates are used consistently in both present value modelling and interest income simulation.

Volksbank Wien consistently shows a positive interest term transformation in 2021 in line with the strategy. In 2021, the present-value interest rate risk, measured using the OeNB interest rate risk coefficient (according to VERA reporting), ranged between 2 % and 4 % of own funds in 2021, and hence was clearly below the regulatory outlier definition of 20 %. Accordingly, the EBA interest rate risk coefficient (according to the EBA GL on interest rate risk) was between 5 % and 8 %, hence equally well below the reportable threshold of 15 %, in 2021. The EBA coefficient represents the bottleneck factor in the control system and is therefore the strategic RAS indicator. The EBA coefficient showed a sideways movement in 2021. Volatility arose mainly from the usual payment and fixing effects and from fluctuations in interest rates. The additional present value exposure from continued fixed-rate loan growth was offset primarily by an increase in deposits, a shortened fixed interest rate period, an increase in interest rates, and higher Tier 1 capital. The interest income risk still consists in falling interest rates, especially short-term interest rates. It is relatively low due to the already low interest rate level, as the EBA scenarios used are limited in the event of further interest rate cuts, and showed a sideways movement in 2021. The volatility resulted mainly from fluctuations in interest rates, which have a direct impact on net interest income due to the interest rate floors in retail banking. The interest income risk amounted to euro 9 million as at 31 December 2021 (as at 31 December 2020: euro 23 million).

The Asset Liability Committee (ALCO) is responsible for controlling the interest rate position of Volksbank Wien based on the Treasury's interest rate management strategy within the scope of risk limits defined by Risk Control and approved by the Managing Board via the risk strategy. As the central organisation of the Association of Volksbanks, Volksbank Wien is also responsible for managing the interest rate position of the Association of Volksbanks. The ALCO meets on a monthly

basis. Asset Liability Management (ALM), which belongs to Treasury in organisational terms, is responsible for the management of the ALCO. Proposed measures to control the interest rate position are worked out by ALM in co-operation with Risk Control and the local ALCOs of the affiliated banks. Interest rate risk reporting within the ALCO is taken care of by the Market and Liquidity Risk department.

Interest rate risk is controlled both under a present-value perspective and under a periodic/income statement perspective. Present-value risk measurement and limitation are mainly effected on the basis of regulatory interest rate scenarios (6 EBA scenarios) by means of the EBA coefficient, the “open” fixed interest volume within the scope of balance sheet structure management, the interest rate gap (net position of the fixed interest rates per maturity band), and an interest rate book VaR based on historical simulations. Period-based interest income risk measurement is implemented in the form of a net interest income simulation. In the process, the effects on net interest income of the next 12 months are calculated for the scenarios defined under applicable regulatory provisions (6 EBA scenarios). The results of the net interest income simulation and the interest rate book VaR are taken into account in the ICAAP also quarterly within the scope of the risk bearing capacity calculation. Moreover, additional scenarios are calculated as part of the semi-annual stress testing in order to calculate even more extreme interest rate movements. Furthermore, the models for replication assumptions and prepayments are stressed to simulate the impact of changing customer behaviour. Changing option volatilities are also calculated as part of the stress test. Limiting is mainly carried out at the level of the Association. However, limits also exist at the level of the affiliated banks.

In addition to the 6 EBA scenarios (200 bp parallel up, 200 bp parallel down, steepener, flattener, short rates up, short rates down), further interest rate scenarios are calculated as part of the stress test to simulate the impact of extreme interest rate changes. These include – with a view to the resulting changes in present value – an extreme parallel shift of the yield curve by +500 basis points and a very sharp rise in interest rates between +200 and +400 basis points, and – with a view to negative NII changes – a parallel shift of the yield curve downward by -200 basis points (without scenario floor).

Hedging transactions are carried out for bond positions, issues and retail business and can be taken into account in hedge accounting. Layer hedges for fixed-interest loan portfolios and cash flow hedges for index-linked loan portfolios may be used. Micro hedges for securities positions, issues and individual loans can also be used.

Apart from the monthly reporting in ALCO, the quarterly risk bearing capacity calculation and the half-yearly stress testing, an abbreviated operational reporting is prepared for Treasury in the middle of the month. It only contains the EBA coefficient and is used for early detection of possible changes in the risk level.

In line with the Association of Volksbanks, Volksbank Wien pursues a strategy of positive term transformation, which represents a source of income in the form of the structural contribution within net interest income, as the fixed interest period of the assets is longer on average and hence the interest rate is higher than that of the liabilities. The fixed interest position is built up mainly by means of retail business in the form of fixed interest loans. The strategy is aimed at gradually developing a rolling fixed-interest position over several years. In the event that the build-up of the fixed-interest position leads to the violation of limits, layer hedges can be used for fixed-interest loan portfolios.

Liquidity risk

CRR Art 435(1) and CRR Art 451a(4), EU LIQA

One of the main sources of funding for the Association of Volksbanks consists of customer deposits, which have proven to be stable funding in the past and represent approximately half of the funding. Obviously, this is responsible for the major part of liquidity risk. The capital market provides VBW with additional opportunities for refinancing through securities issues, mainly covered bonds, but also senior issues. The stability of customer deposits has become apparent again during the coronavirus crisis in 2020/2021, with the portfolio actually growing during that period. The coronavirus crisis had no negative impact on the liquidity position of VBW. Since VBW, as the central organisation of the Association of Volksbanks, is responsible for raising funding by means of issues and is the only bank with access to the ECB tender, the share of capital market funding and ECB tender is comparatively high. It represents the second half of the funding.

As a result of the retail business model of the Association of Volksbanks with many small-volume checking/savings deposits from private customers and SMEs, the funding is broadly diversified and the concentration risk on the liabilities side is not material. The diversification of funding sources is taken into account annually in the liquidity and funding strategy in the course of business planning, taking capital market transactions into account. Risk clusters might occur at customer level. Accordingly, the largest deposits at customer level are monitored both in Risk Control and within operational liquidity management. Generally, they amount to less than 1 % of total assets. There are only a few temporary exceptions with a few major accounts for implementing payment transactions or balancing liquidity peaks. These deposits are regularly monitored and reported on in the ALCO.

On the capital market side, there are hardly any dependencies on institutional customers or professional market participants. The Association of Volksbanks does not participate in the unsecured interbank market and only participates in the secured interbank market on an ad hoc basis. Treasury's issuance planning aims to spread the maturities of the few large-volume capital market issues.

At VBW, the Market and Liquidity Risk Control department is responsible for liquidity risk control throughout the Association. In organisational terms, the department is assigned to the Risk Control division with a direct reporting line to the responsible divisional board member (CRO). The responsibilities of the department are defined in General Instructions and working instructions for liquidity risk and are demarcated from the responsibilities of Treasury in VBW and the affiliated banks. The tasks of liquidity risk control are largely bundled in the department, thus taking account of the high degree of centralisation within the Association. The focus of the department is on risk control of the Association's exposure.

The department is responsible for identifying, modelling, measuring, limiting, and monitoring as well as reporting of all material liquidity risks as well as the related data management throughout the Association. In this function, Liquidity Risk Control is responsible for defining, reconciling, implementing, monitoring and reporting the RAS indicators relevant to liquidity risk. Liquidity Risk Control is also responsible for the design, parameterisation, calculation and reporting of liquidity stress test requirements. Another key function is the ongoing preparation of liquidity reports (e.g. LCR, NSFR, ALMM, SREP data collection) for the Association and for VBW to meet regulatory reporting requirements. The department regularly prepares liquidity risk reports for the affiliated banks and makes them available to the local banks.

A local Risk Management function has been set up at the level of the affiliated banks which, among other things, performs liquidity risk control tasks and acts as the local contact for the Market and Liquidity Risk Control department. It performs limited liquidity risk control tasks on the basis of uniform requirements throughout the Association. This includes, among

other things, the analysis of the local liquidity risk position and risk reporting in the local ALCO. The affiliated banks are not obliged to calculate, report and comply with regulatory liquidity risk indicators such as LCR, NSFR and AER.

The Liquidity Management department in the Treasury division is responsible for operational liquidity management. The department is the central unit within the Association of Volksbanks for the management of liquidity, the pricing of liquidity (transfer pricing), the central management of collaterals throughout the Association, for funding planning, the disposition of available liquid funds, and compliance with the refinancing strategy.

Liquidity management in the Association of Volksbanks is highly centralised. VBW, as CO of the Association of Volksbanks, has far-reaching management and control rights for the entire Association of Volksbanks. These include central funding/liquidity management and liquidity risk management, including the right to issue both general and individual instructions to the affiliated credit institutions. Consequently, VBW is responsible for liquidity management throughout the Association and for liquidity balancing within the Association. The affiliated banks cover their refinancing needs via VBW, investing their surplus liquidity. The affiliated banks are required to maintain liquidity reserves at VBW to the extent defined by law. There is no horizontal liquidity equalisation between the affiliated banks. VBW is the only institution within the Association that has access to the money and capital markets as well as to central bank funds.

At VBW, both short-term operational liquidity management and medium- to long-term liquidity management, liquidity reporting and the management of central bank-eligible assets are performed by the department Liquidity Management/Association in a centralised manner for the Association. The monitoring and limitation of liquidity risk across the Association, as well as the methodological requirements regarding risk measurement are the responsibility of the Market and Liquidity Risk Control department at VBW.

In order to take account of the high degree of centralisation in liquidity risk, VBW has defined a centralised ILAAP (Internal Liquidity Adequacy Assessment Process) at Association level. The ILAAP is defined as the totality of all internal procedures, methods and processes to ensure adequate liquidity within the Association of Volksbanks at present and in the future – even under stress conditions – and to meet all supervisory and regulatory requirements for liquidity risk. In particular, the ILAAP comprises the definition of strategies (liquidity and funding strategy as well as liquidity risk strategy), liquidity/funding planning, liquidity cost allocation, operational liquidity management, liquidity buffer management, emergency liquidity management and liquidity risk control. In accordance with the central nature of the ILAAP, these activities are performed centrally at VBW and affect the entire Association.

The risk reporting and measurement system takes into account the high degree of centralisation of the Association of Volksbanks and focuses primarily on the liquidity risk position of the Association and secondarily on that of VBW. The focus is on the indicators defined in the Risk Appetite Statement (RAS). These include the LCR, the NSFR, the survival period and (from 2022) asset encumbrance. In addition to the LCR, the survival period aims to quantify illiquidity risk, defined as the risk of not being able to service payment obligations when they fall due. To derive the survival period, selected liquidity risk stress scenarios defined for the entire Association are calculated on a monthly basis.

The Market and Liquidity Risk Control department prepares a monthly liquidity risk report for the Managing Board, which is presented and discussed in the monthly ALCO of the Association. Key contents are liquidity balance sheet, the RAS indicators mentioned above, liquidity buffer presentation, liquidity and LCR forecast over a 12-month time horizon, the top 15 depositors. The RAS indicators are additionally reported to the Managing Board as part of the aggregate bank risk report. In addition, a limit monitoring report (e.g. LCR, FX liquidity risk) and a liquidity buffer presentation are prepared for the weekly Li-JF with Treasury.

The funding risk across the Association, defined as the risk of an unexpected increase in refinancing costs, is quantified on a scenario basis, taking into account general planning uncertainties and adverse general conditions. The calculation is performed quarterly as part of the ICAAP risk bearing capacity calculation and semi-annually as part of the internal overall bank stress testing. The results are reported to the Risk Committee.

The LCR, NSFR and AMM are reported externally to the supervisory authority on a monthly basis, and the asset encumbrance is reported on a quarterly basis, in each case for the Association and for VBW (solo and Group). In addition, extensive information is regularly provided to the competent supervisory authority (ECB) as part of the annual Li-SREP and ad hoc upon request.

A liquidity risk report is prepared monthly for each affiliated bank and made available to the affiliated banks for local risk analysis and for risk reporting in the local ALCO. The report includes the local liquidity balance, the contribution to the LCR of the Association, and the top 15 local depositors.

The management of liquidity risk within the Association of Volksbanks is based on Section 30a of the Austrian Banking Act and Article 10 of the CRR, the Association Agreement and the cooperation agreement. The Association of Volksbanks is characterised by a strong cohesion of closely linked members. The central organisation (CO) of the Association of Volksbanks forms a joint liability system with the other members of the Association. This obliges the affiliated banks to jointly support distressed members.

The general conditions for managing the liquidity position of the Association of Volksbanks and of VBW are specified by the Asset Liability Committee (ALCO). The ALCO is conducted on a monthly basis and is the central body for liquidity risk management. Reporting within ALCO is taken care of by the Market and Liquidity Risk Control department in the sphere of risk, and by the department Liquidity Management/Association in the Treasury sphere. In addition to the ALCO, the monthly Risk Committee, the weekly liquidity jour fixe and (restricted to liquidity emergencies) the liquidity emergency committee of the Association are also relevant for liquidity risk management.

The Liquidity Management department controls refinancing transactions and investments as well as the permissible extent of liquidity term transformation within the Association of Volksbanks by means of the principles of liquidity management, which are binding throughout the Association, and other guidelines. The annual funding plan makes the future liquidity requirements resulting from the multi-year plan transparent and is actively managed by the Liquidity Management department.

The liquidity position for the Association of Volksbanks is managed within the framework of limits that are approved by the Managing Board of VBW and defined and monitored by Liquidity Risk Control. The addressee of the limits is the department Liquidity Management/Association. In the case of limits for illiquidity risk, a distinction is made between RAS indicators (LCR, NSFR and survival period) and other operational limits. The operational limits are aimed in particular at avoiding funding-side concentrations in euro and material foreign currencies (CHF). Limit utilisation is monitored and reported by Liquidity Risk Control on a weekly or monthly basis. The funding risk is limited and monitored as part of the risk bearing capacity calculation for the ICAAP. The liquidity position of the individual affiliated banks is managed as required by Liquidity Management/Association based on maturity-dependent GAP targets.

Another key management measure is the liquidity transfer pricing system, which is used to allocate liquidity costs and liquidity risk costs to the units that consume and provide liquidity. The liquidity contingency plan defines the processes and responsibilities in the event of a liquidity emergency and defines the measures that can be implemented in a liquidity emergency to overcome the liquidity crisis. In addition, a set of emergency early warning indicators has been defined both

for VBW and for the individual affiliated banks that is monitored and reported on daily for each bank by the liquidity management function of VBW.

The liquidity early warning and emergency measures are differentiated into measures with liquidity gains and measures designed to prevent further outflows. The measures are regularly evaluated by VBW and the affiliated banks in terms of potential and likelihood of implementation. In addition, a liquidity emergency test is carried out annually at each Volksbank and at Association level, assuming a stress scenario, which is also part of the annual ILAAP process.

Liquidity risk stress testing is part of the RAS set of indicators in the form of the survival period. The survival period is the period during which, under a defined stress scenario, the liquidity buffer held is sufficient to cover cumulated net liquidity outflows. Currently, stress scenarios of varying degrees of severity are calculated. The scenario assumptions include an idiosyncratic crisis of the Volksbank sector, a national banking crisis as well as pan-European stressed market conditions. The least favourable of the scenarios calculated is applied to limiting the survival period. For the Association of Volksbanks, consisting of individual retail banks, this is typically the idiosyncratic Volksbank crisis assuming a “bank run”. This occurs when, due to a loss of confidence, customers withdraw large deposit volumes within a short period of time and at the same time alternative funding sources are not accessible to the Association (any more). Conversely, the Association is less affected by market stress scenarios due to its comparatively low capital market orientation.

The survival period is defined as a RAS indicator and limited accordingly, with a trigger value of 60 days and a limit of 45 days. Compliance with the survival period limit is monitored on an ongoing basis by Liquidity Risk Control and reported to the Managing Board on a monthly basis in the ALCO and the Risk Committee. Adverse changes in the survival period will trigger internal risk analysis processes and, if necessary, risk management measures by Treasury. For survival period trigger/limit violations, the RAS escalation process is applied. The number of stress scenarios calculated and the underlying scenario assumptions are reviewed annually for appropriateness by Liquidity Risk Control in conjunction with Treasury and the validation unit and adjusted if necessary. Findings from the liquidity risk early warning/emergency system are taken into account on an ongoing basis. In addition, the validation unit regularly reviews the liquidity risk stress testing in the context of model risk, performs independent analyses and defines further optimisation measures as required, which are summarised in validation reports.

As part of the annual Li-SREP (Supervisory Review and Evaluation Process), the Managing Board of Volksbank Wien AG submits the “Liquidity Adequacy Statement” (LAS) to the supervisory authority, which contains statements on the adequacy of liquidity risk management and the implementation of the ILAAP within the Association of Volksbanks. The LAS assesses liquidity risk management as solid and robust.

As part of the annual Li-SREP (Supervisory Review and Evaluation Process), the Managing Board of Volksbank Wien AG submits the “Liquidity Adequacy Statement” (LAS) to the supervisory authority, which contains statements on the adequacy of the liquidity situation of the Association of Volksbanks. The LAS assesses the liquidity position of the Association of Volksbanks as adequate. The comfortable liquidity situation is reflected in the corresponding indicators. The liquidity buffer as at 31 December 2021 was euro 9.2 billion and leads to a comfortable survival horizon of 12 months in the most serious stress scenario. The liquidity buffer eligible for the LCR (high quality liquid assets) amounted to around euro 7.3 billion. The LCR within the Association was 224 % (250 % at VBW), the NSFR was 138 % (190 % at VBW), and thus well above both the regulatory and internal limits.

Operational risk

CRR Art 435(1) and Art 446, EU ORA

VBW defines operational risk as the risk of losses due to the inadequacy or failure of internal procedures (processes), people, systems or to external operational risk events, and the associated legal risks. The reputational, conduct, model, IT and security risks are closely associated with operational risk and are actively taken into account. The calculation of regulatory capital adequacy requirements is effected using the standardised approach. An internal method based on loss data and scenarios is used for the economic perspective.

Organisation

Within VBW, line management is responsible for the management of operational risks (OpRisk Management). It is supported in this function by central and decentral experts in the fields of operational risk and internal control system. The aim is to optimise processes in order to reduce the probability of the occurrence of operational risks and/or to reduce the effect of operational losses. Co-operation across departments (in particular with Compliance, Internal Audit, as well as Security & Outsourcing Governance) allows for optimal and comprehensive control of operational risks.

Methods for the management of operational risks

Within the scope of operational risk management, both quantitative and qualitative methods are used. Quantitative elements are – for instance – the execution of risk analyses, the performance of stress tests, the determination and monitoring of risk appetite and of the risk indicators, the preparation of the operational risk event database, as well as risk reporting. Qualitative control measures comprise the implementation of training events, awareness building measures, risk analyses, root cause analysis as part of the operational risk event database, the implementation of uniform ICS checks, as well as risk reporting.

If the key indicators defined for operational risk are exceeded, the defined escalation process is applied. This process provides for a detailed analysis of causes and subsequently initiation of adequate measures.

The following principles, derived from the risk strategy of the Association of Volksbanks, apply in OpRisk Management at VBW:

- The primary aim of the entire OpRisk Management system is to optimise processes to decrease the likelihood of operational risk events occurring and/or the impact of operational losses.
- Operational risk events are documented fully and in a sufficiently transparent manner via an electronic platform to enable third-party experts to benefit from the documentation. Operational risk events are recorded in a uniform manner across the Association. The resulting transparency with respect to the occurrence of operational risk events allows for risk assessment to be derived from historical facts.
- The methods, systems and processes in OpRisk Management are defined by the CO and must be complied with by the respective banks.
- The appropriateness of the risk control and monitoring measures and other risk-minimising measures is assessed on an on-going basis, but at least once a year, and reported to the Managing Board. Measures for risk control comprise, for instance, awareness-building measures/training events, the monitoring of the OpRisk indicators, maintaining the confidentiality, availability and integrity of customer and company data, as well as business continuity planning, but also – in particular – the adequate separation of responsibilities, as well as observance of the dual-control principle. (Residual) operational risks that cannot be avoided, reduced or transferred must be accepted formally and demonstrably by the management.
- The efficiency of OpRisk Management is confirmed through periodic and independent internal audits.

Internal control system

Within VBW, an internal control system (ICS) has been put in place according to the principles of the internationally recognised standards of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Detailed descriptions of ICS processes and control measures are available. The responsibilities and roles relating to the ICS are clearly defined. Regular reporting takes place for the ICS. Control activities are documented and reviewed, ICS-relevant risks are regularly evaluated and adjusted. Accordingly, a continuous optimisation process is ensured. Internal Audit, in its capacity as independent supervisory body, audits the ICS. Both the effectiveness and adequacy of the ICS, as well as compliance with instructions are audited. The OpRisk and ICS framework describes the inter-related components implemented within the Association of Volksbanks with a view to identifying, measuring, monitoring and controlling operational risk. The close interlocking of OpRisk Management with the internal control system ensures appropriate consideration of operational risks within the Association of Volksbanks.

Environmental, social and governance (ESG) risks

CRR Art 449a

Environmental, social and governance risks (ESG risks) refer to operational risk events or conditions affecting the climate, the environment, social affairs or corporate governance, the occurrence of which could have an actual or potential negative impact on the value of assets or on the net assets, financial position and earnings situation, as well as the reputation of VBW. ESG risks arise because climate, environmental, social and governance concerns (ESG factors) may affect counterparties, customers and other contractual partners of the Association of Volksbanks. ESG risks comprise the following sub-risk categories:

- **Climate and environmental risks** are the risks arising from VBW's exposure to counterparties, customers and other contractual partners that may contribute to or be affected by climate change or other forms of environmental degradation. Climate and environmental risks can manifest themselves in physical risks or transition risks. Physical risks arise as a result of changing climatic and/or environmental conditions. Transition risks arise as a result of the adjustment process toward a lower-carbon and more environmentally sustainable economy.
- **Social risks** are risks arising from VBW's exposure to counterparties, customers and other contractual partners that are negatively impacted by the neglect of social aspects.
- **Risks in the area of corporate governance** are risks arising from VBW's exposure to counterparties, customers and other contractual partners that are negatively impacted by the neglect of appropriate corporate governance.

At VBW, ESG risks are not considered as a separate risk type, but are mapped within the existing risk types.

The Association of Volksbanks has established ESG aspects in all divisions and formulated a sustainability strategy in this context. The sustainability strategy was defined for the entire Association and therefore also applies to VBW. By defining sustainability principles, the sustainability strategy creates consistent framework conditions for a uniform approach to environmental, social and corporate governance issues. It is part of the business strategy and describes, among other things, how the Association of Volksbanks integrates ESG criteria into the organisation and the core business, how it takes ESG risks into account and exploits development potential in connection with sustainability. The sustainability strategy formulates concrete measures and targets for the areas of the environment, of social affairs and corporate governance. The sustainability strategy is constantly being developed and adapted to the evolving regulatory environment, new findings and innovations. The entire Managing Board is fully involved in the strategy process and is responsible for approving the sustainability strategy. Based on the sustainability strategy, the entire Managing Board has overall responsibility, within the scope of its management function, for implementing sustainability aspects in internal governance structures, in the risk

management framework and in relevant guidelines. Roles and responsibilities for managing ESG risks have been defined within the three lines of defence of the business organisation. As part of its monitoring of the entire Managing Board, the Supervisory Board checks whether the latter takes comprehensive account of the principles of sustainability (ESG criteria) in managing the company. The consideration of sustainability aspects was anchored in the rules of procedure of the Managing Board and the rules of procedure of the Supervisory Board.

The steering, coordination and monitoring of key sustainability issues is carried out by the bi-monthly Sustainability Committee (NAKO), which was established in January 2022. The NAKO is a decision-making body of the Managing Board and serves to advise on all sustainability-related issues and ensures that decisions are in line with the sustainability strategy and sustainability goals. The NAKO provides the Managing Board with a holistic view of sustainability-related issues for the Association of Volksbanks. The responsibilities include both subject areas of VBW as a single institution and matters concerning the entire Association of Volksbanks. As ESG risks are mapped in existing risk types, reporting in connection with ESG risks takes place in the Risk Committee. For details in connection with risk reporting, please refer to the section “Information flow to the management body”.

VBW has comprehensively integrated ESG risks into its risk framework and created corresponding framework conditions. For example, the Risk Appetite Framework (RAF) has been further developed and explicitly takes ESG risks into account in its specifications. On the one hand, the risk strategy maps ESG risks via a specially formulated sub-risk strategy; on the other hand, important findings from the risk identification and assessment process are described in the sub-risk strategies for existing risk types. The sub-risk strategy for ESG risks was defined at the level of the Association and is applied to VBW as part of the local risk strategy. Details on the RAF and the risk strategy can be found in the Risk Management and Governance chapter.

VBW is committed to conducting lending operations in a sustainable and responsible manner. For this reason, we do not enter into business relationships in sensitive areas that conflict with this claim. Business relationships or financing transactions are not possible for traders in ethically questionable sectors and business areas, or are only possible in accordance with the rules of conduct specified by Compliance. Furthermore, in the context of lending, attention is paid to the protection of the environment and the sustainability of social concerns. Financed transactions must comply with environmental regulations. For this reason, no business is conducted in environmentally or socially harmful sectors.

The assessment of the borrower's ability to service the debt is made taking into account the borrower's current and future financial circumstances, whereby risks to the borrower's future financial and liquidity position are included in the consideration. Both physical and transitory risks are taken into account with regard to the environment.

Climate and environmental risks are examined as part of the valuation of commercial and residential properties. This is done by examining environmental impacts (noise, flooding, hazard zones), energy efficiency, and use of fossil fuels.

The new product process ensures that new products, markets, services and service providers are in line with the understanding of sustainability of the Association of Volksbanks and thus that of VBW, and that ESG risks can be identified and mitigated at an early stage.

In addition to the new product process, risk identification and assessment for ESG risks is carried out via ESG heat maps and the internal stress test. As part of the internal stress test, ESG-related scenarios are simulated that reflect both physical and transition risks as well as risk events from the social and/or governance categories. For example, the effects of extreme weather events as well as the rapid implementation of stricter requirements in connection with climate and environmental standards on the portfolio of the Association of Volksbanks are simulated. The scenarios are designed with respect to the

portfolio composition of the Association of Volksbanks and also take into account the key assumptions of the NGFS (Network for Greening the Financial System). The time horizon of the internal stress test is up to 3.5 years. In addition to the internal stress test, adverse scenarios for a long-term horizon of up to 10 years are being analysed for selected portfolios as of 2022. The analyses show that the Association of Volksbanks can maintain all regulatory capital ratios and adequate liquidity levels even if potential ESG risks materialise, and that the resilience of the business model is not jeopardised over the simulated period due to ESG risks.

ESG risks are regularly analysed and reassessed as part of the risk inventory using ESG heat maps at the level of the Association of Volksbanks. ESG heat maps are a tool to identify, analyse and assess the materiality of ESG risks and/or their risk drivers. In the ESG heat maps, various risk events (e.g. increased costs due to CO₂ taxes, extreme weather events, biodiversity loss, water stress and land use, etc.) are described and evaluated for all relevant risk types of the Association of Volksbanks. The 17 risk events included in the ESG heat map are derived from the United Nations Sustainable Development Goals (SDGs). The assessment of the impact of risk events is based on a medium- to long-term horizon of 5 to 10 years. The underlying economic conditions in the assessment are those of an orderly transition to a lower-carbon economy. The application of ESG heatmaps enables ESG risks to be systematically recorded across risk factors and risk drivers and allows a detailed analysis of individual industries and portfolios as well as the identification of those risk events that have the strongest influence from the perspective of the Association of Volksbanks.

In assessing the impact of ESG risks, consideration was given to key transmission channels. Transmission channels explain how ESG factors can affect the Association of Volksbanks via counterparties, customers, contractual partners as well as invested assets. These transmission channels are mapped on the one hand via the scenarios of the internal stress test or via the risk events of the ESG heat maps. The following transmission channels were considered, for example:

- Profitability
- Real estate values
- Household incomes
- Performance of investments
- Cost of implementation of and compliance with regulatory requirements
- Legal costs

The qualitative assessment based on the ESG heat maps for 2022 has shown that existing risks due to ESG risks will not materially increase overall. The quantitative results of the internal stress test confirm this finding.

ESG risks are mapped in existing risk types (e.g. credit, market and operational risk). The management of ESG risks is therefore carried out using existing risk types and is being driven forward by successively expanding the quantification methods and the related data basis and enriching them with new findings. The long-term integration of ESG aspects into VBW's business model is managed via the sustainability strategy, which is part of the business strategy. Building on existing initiatives such as the United Nations SDGs, the Paris Agreement on Climate Change and the United Nations Global Compact, it sets out concrete plans and corresponding framework conditions in connection with products and services. The application of the GRI standards ensures continuous and standardised reporting.

2.3 Information on corporate governance arrangements

CRR Art 435(2), EU OVB

The members of the Managing Board and of the Supervisory Board of VOLKSBANK WIEN AG and of the banks affiliated to the Association of Volksbanks held the following number of management and supervisory positions as at 31 December 2021.

Activities in a management function or as a member of a supervisory board in organisations which do not predominantly pursue commercial objectives within the meaning of Sections 5(1)(9a) and 28(5)(5) of the Austrian Banking Act are not taken into account.

CRR Art 435(2) a) -> *1 applying the group/participation privilege/privilege for representatives of the Republic of Austria

Number of management and supervisory functions held by members of the management body

CRR Art 435(2) a)

As at 31 December 2021, the Managing Board of VOLKSBANK WIEN AG consisted of three members. The members of the Managing Board held the following number of management and supervisory positions as at 31 December 2021.

Managing Board members	Effective number of mandates	Number of mandates when applying the group/participation privilege / privilege for representatives of the Republic of Austria
Gerald Fleischmann		
Management functions	3	1
Supervisory functions	5	2
Rainer Borns		
Management functions	3	1
Supervisory functions	7	1
Thomas Uher		
Management functions	3	1
Supervisory functions	4	1

As at 31 December 2021, the Supervisory Board of VOLKSBANK WIEN AG consisted of ten capital representatives. The members of the Supervisory Board held the following number of management and supervisory positions as at 31 December 2021.

Members of the Supervisory Board	Effective number of mandates	Number of mandates when applying the group/participation privilege / privilege for representatives of the Republic of Austria
Susanne Althaler *)		
Management functions	0	0
Supervisory functions	3	2
Heribert Donnerbauer *)		
Management functions	4	1
Supervisory functions	3	0
Anton Fuchs		
Management functions	1	0
Supervisory functions	1	1
Franz Gartner		
Management functions	8	0
Supervisory functions	2	2
Helmut Hegen		
Management functions	2	1
Supervisory functions	1	1
Christian Lind		
Management functions	1	1
Supervisory functions	3	1
Harald Nograsek*)		
Management functions	1	0
Supervisory functions	2	1
Robert Oelinger		
Management functions	0	0
Supervisory functions	3	1
Eva Schütz*)		
Management functions	5	2
Supervisory functions	2	1
Monika Wildner *)		
Management functions	1	0
Supervisory functions	3	2
*) Representative of the Federal Government		

As at 31 December 2021 five members were delegated by the works council to the Supervisory Board of VOLKSBANK WIEN AG. These members – except for one person who holds another supervisory function in a company that does not predominantly pursue commercial objectives – do not exercise any other supervisory or management functions in the company in addition to this supervisory function.

Furthermore, as at 31 December 2021, the following persons in the VOLKSBANK WIEN AG – Credit Institution Group exercised management and/or supervisory functions.

	Effective number of mandates	Number of mandates when applying the group/participation privilege / privilege for representatives of the Republic of Austria
Günter Alland		
Management functions	7	1
Supervisory functions	0	0
Tanja Bamberger		
Management functions	1	1
Supervisory functions	0	0
Gerald Fischbacher		
Management functions	0	0
Supervisory functions	1	0
Hans-Peter Hirtl		
Management functions	2	1
Supervisory functions	0	0
Monika Nadizar-Fritz		
Management functions	1	1
Supervisory functions	0	0
Friedrich Noszek		
Management functions	3	0
Supervisory functions	1	0
Clara Öfferlbauer		
Management functions	2	0
Supervisory functions	2	0
Christian Reitgruber		
Management functions	4	1
Supervisory functions	0	0
Martin Ribisch		
Management functions	1	1
Supervisory functions	0	0
Martina Rittmann-Müller		
Management functions	5	2
Supervisory functions	0	0

Kurt Rossmüller		
Management functions	1	1
Supervisory functions	0	0

Christan Ulreich		
Management functions	0	0
Supervisory functions	1	0

Michael Umfahrer		
Management functions	3	0
Supervisory functions	1	1

Harald Waibel		
Management functions	1	0
Supervisory functions	1	1

Horst Weichselbaumer-Lenck		
Management functions	1	0
Supervisory functions	1	1

Strategy for the selection of members of the management body and their actual knowledge and skills

CRR Art 435(2) b)

The principles and processes for selecting members of the management body and the knowledge and skills required for this are defined by the Supervisory Board (here Nomination Committee) (search and selection process for Supervisory Board and Managing Board members) – taking account of Fit & Proper criteria. The agreed Fit & Proper Policy and the definition of the tasks of the Nomination Committee form the basis of the strategy for the selection and the process for the suitability assessment of the members of the management bodies and are in line with the professional values and long-term interests within the Association of Volksbanks.

In addition to Fit & Proper criteria, the decisive selection criterion is an understanding of how to take into account the interests and strategy of Volksbank Wien Group and the Association of Volksbanks, simultaneously ensuring the highest possible efficiency in the performance of management duties. In addition to professional competence, the selection of persons is also based on the fulfilment of the personal qualifications required.

With the “Guidelines on the assessment of the suitability of members of the management body and key function holders” (EBA/GL/2021/06, “Fit & Proper Guidelines”) – published for the first time on 22 November 2012 and updated on 2 July 2021 – uniform minimum requirements for the assessment of the personal reliability, professional suitability and experience of persons in management and control functions, including their collective suitability, in credit institutions were defined throughout Europe. Pursuant to Section 69(5) of the Austrian Banking Act and Article 16(3) of the EBA Regulation, every Austrian credit institution must comply with the guidelines issued by the EBA, taking into account the type, scope and complexity of the transactions as well as the risk structure, hence also taking account of the Fit & Proper guidelines as of 22 May 2013. This obligation is met by the widely coordinated “Fit & Proper Policies”, in particular the obligation to implement internal guidelines for the selection, assessment and safeguarding of the suitability of managing directors/board members, supervisory board members and key function holders.

In these policies, criteria for the assessment of suitability were defined and the required documents and the process to ensure individual and collective suitability as well as ad hoc re-evaluation were documented.

Members of the management body are subject to specific requirements in relation to their professional and personal competences by virtue of their responsibility for the management and supervision of the institution. The required knowledge, skills and experience of each individual in relation to the collective requirements for the composition of the relevant boards ensure that well-informed competent decisions are made based on a good understanding of the business, the risks and governance structure of the Association and Volksbank Wien Group [and on] the relevant persons' knowledge of the regulatory framework.

The respective requirements with regard to the selection depend on the type, structure, size and complexity of the business activity of the institution as well as on the respective functions to be filled. In addition to professional competence, the persons concerned must also meet the required personal qualifications. All members must be personally reliable and in good standing.

In this regard, it should be clarified that these requirements have already been complied with in the past and that the current written records and definitions are provided for better documentation within the framework of guideline requirements.

The positive evaluation of the suitability assessment must be carried out as part of the initial appointment and must be evaluated regularly. Ongoing suitability is ensured through regular training and continuing education measures. Therefore, measures (in particular (on-the-job) training or organisational measures) must be taken, in particular in the event of changes in external circumstances (e.g. changes in business activities or in the organisational structure, new regulatory requirements) which would be likely to influence the suitability of individual or several members of the Managing Board or Supervisory Board. The Managing Board and the Supervisory Board must ensure this kind of suitability.

Diversity strategy for the selection of members of the management body, objectives and relevant targets of the strategy, degree of achievement of objectives

CRR Art 435(2) c)

The requirements of the act on equal opportunities for women and men on supervisory boards (GFMA-G) are met. The female proportion on the Managing Board remained unchanged (100 % male).

HR processes that support the implementation of this target quota, such as the objectification of search and selection procedures, Gender Pay Gap Programme, Talent and Diversity Programme, as well as personnel development, have been honed to ensure that special attention is paid to the advancement of women. Since 2019, special attention has been paid to the strategic project "Women and Leadership".

With regard to management staff, VOLKSBANK WIEN AG is also committed to further increasing the proportion of women, especially in more highly qualified positions, in order to ensure succession planning in line with the target quota. In a 2-year comparison, the share of female executives in the VOLKSBANK WIEN AG Group increased by 8.5 % (from 25.8 % in 2019 to 28.0 % in 2021). In 2021, 41 % of 27 newly filled management positions were filled by female managers.

The other diversity criteria are equally taken into account in the selection and appointment of Supervisory Board and Managing Board members: this is ensured by the required knowledge, skills and experience of each individual in relation to the collective requirements for the composition of the relevant boards.

Equal opportunities and diversity with regard to gender, age, origin, etc. is a major concern of VOLKSBANK WIEN AG. VOLKSBANK WIEN AG has been participating in the “berufundfamilie” (work and family) audit since the end of 2015 and was awarded the title of “family-friendly company” (basic state certificate). This certificate is only awarded to those companies who can demonstrate specific measures to promote work and family, or are willing to promote the compatibility of family and work. Flexibility of working hours, health promotion, employee orientation and the development of executives are key points that have been and will be focused on in order to achieve the targets defined for the underrepresented gender on the Managing Board and Supervisory Board in the future.

Information on the risk committee

CRR Art 435(2) d)

VOLKSBANK WIEN AG has formed a risk committee in accordance with Section 39d of the Austrian Banking Act, which is referred to as the Working and Risk Committee. In the 2021 financial year, four meetings of the Working and Risk Committee were held.

Information flow to the management body

CRR Art 435(2) e)

The reporting framework implemented at VBW is meant to ensure that all significant risks are fully identified, monitored and efficiently managed promptly. The reporting framework offers a holistic and detailed presentation of the risks and a specific analysis of the individual risk types.

Prompt, regular and comprehensive risk reporting is implemented at VBW in the form of the aggregate bank risk report, among other things. The aggregate bank risk report provides a summary of the situation and development of the RAS indicators, the utilisation of risk bearing capacity, addressing all material risks (credit, interest rate, liquidity, counterparty credit, operational and credit spread risks as well as market risk in the trading book) and containing extensive qualitative and quantitative information (e.g. rating coverage, data quality). The aggregate bank risk report provides the Managing Board with management-related information on a monthly basis and is reported to the Supervisory Board of VBW quarterly. Complementing the aggregate bank risk report, various risk-specific reports (e.g. analyses within credit risk regarding the development of individual sub-portfolios) are provided in addition to the reporting framework.

Compliance with BaSAG indicators is reported in the Risk Committee to the CO Managing Board.

Risk reporting takes place in the appropriate committees: (i) Risk Committee, (ii) Asset Liability Committee, (iii) Credit Committee. For details, please refer to the section entitled “General information on risk management”.

3 Remuneration

3.1 Determination of the remuneration policy

CRR Art 450(1) (a), EU REMA

The Supervisory Board of VOLKSBANK WIEN AG has formed a Remuneration Committee which, among other things, is responsible for the remuneration agendas under Section 39c of the Austrian Banking Act.

Due to group consolidation, the following subsidiaries were included in the total remuneration:

- Volksbank Wien AG
- VB Services für Banken GmbH
- VB Infrastruktur und Immobilien GmbH
- 3V-Immobilien Errichtungs-GmbH
- Gärtnerbank Immobilien GmbH
- GB IMMOBILIEN Verwaltungs- und Verwertungs-GmbH
- VOBA Vermietungs- und Verpachtungsgesellschaft mbH
- VB Rückzahlungsgesellschaft mbH
- VVG Vermietung von Wirtschaftsgütern Gesellschaft mbH
- VB Verbund Beteiligung Region Wien.

The Remuneration Committee comprises members of the Supervisory Board, delegated state commissioners and representatives of the works council. Mr. Helmut Hegen acts as remuneration expert. The tasks of the Remuneration Committee include the approval, monitoring and implementation of the remuneration policy, remuneration practices and remuneration-related incentive structures, in each case in connection with the management, monitoring and limitation of risks in accordance with Section 39(2b)(1)–(10) of the Austrian Banking Act, available own funds and liquidity, whereby the long-term interests of shareholders, investors and employees of the entire association of credit institutions must also be taken into account. The Remuneration Committee has decision-making authority within its assigned area of competence. The Remuneration Committee met three times in 2021.

All companies covered by the scope of the GI RP must be explicitly listed in the Association-ARL (working instruction) Remuneration Policy.

The remuneration policy of the association of credit institutions is based on a gender-neutral remuneration policy. This is to be ensured throughout the association of credit institutions.

- Identification process of risk takers:

The identification of risk takers follows a structured and formalised assessment process on a consolidated, partially consolidated and individual basis of the guidelines set by the CO's HR Management, involving the CO's Risk Control and Compliance units to ensure a common standardised approach at the Association level.

For the recognition of identified employees with a significant impact on the risk profile of the respective affiliated credit institution, the role, decision-making authority with regard to management responsibility, and the total remuneration are taken into account.

3.2 The link between remuneration and success

CRR Art 450(1) (b) to (f), EU REMA

Features of the remuneration system

A guiding principle of the VOLKSBANK WIEN AG remuneration system is that the fixed remuneration is in line with the market with reference to the external market (competitors in the banking and financial services sector on the Austrian labour market). Criteria for assessing market conformity are the function, professional and personal qualifications, (relevant) experience and also the results of internal comparisons in salary studies. In these comparisons, the fixed remuneration of employees must be aligned with the market median including the variable salary components of the salary studies.

Actual application of this approach is verified by the remuneration benchmarks which are carried out on a regular basis.

Compensation system Managing Board VOLKSBANK WIEN AG

The total remuneration of the members of the Managing Board consists of a fixed basic salary and other remuneration components (e.g. remuneration in kind). The Managing Board members do not receive any success- or performance-based remuneration.

External comparisons are equally used to assess the appropriateness and marketability of the remuneration of Managing Board members.

Category of employees with significant influence on the risk profile

The categories of employees whose professional activities have a significant impact on the risk profile of VOLKSBANK WIEN AG (risk takers) comply with the requirements of EBA/RTS/2020/05. The identification of risk takers follows a structured and formalised assessment process at both Association and credit institution level on the basis of the guidelines laid down by the central organisation, involving the Risk Control and Compliance function, in order to guarantee a common standardised approach at Association level.

For the recognition of identified employees with a significant impact on the risk profile of VOLKSBANK WIEN AG, the role, decision-making authority with regard to management responsibility, and the total remuneration are taken into account.

VOLKSBANK WIEN AG is required to conduct an annual self-assessment in the first quarter of each calendar year for the previous year in order to identify all employees whose professional activities have or may have a significant impact on the risk profile of the institution. The self-assessment is based on the qualitative and quantitative criteria set out in EBA/RTS/2020/05. VOLKSBANK WIEN AG must also update the risk analysis during the year at least with regard to the qualitative criteria of EBA/RTS/2020/05 to ensure that all employees

to whom any of the qualitative criteria may apply for at least three months of the financial year are identified as risk takers. This is particularly the case with new hires or transfers involving the assumption of new functions or responsibilities, or changes in business strategy.

Variable remuneration for the 2021 financial year

Variable remuneration is not envisaged, particularly in view of the federal profit participation right in the association of credit institutions. For this reason, no variable remuneration is permissible within the association of credit institutions and/or at VOLKSBANK WIEN AG until the General Instruction on remuneration policy has been expressly amended in this respect. Consequently, only remuneration that meets the requirements for classification as fixed remuneration may be paid to employees.

The same applies mutatis mutandis to the following special remuneration components:

- Allowances that do not meet the criteria for fixed remuneration (e.g. performance-related allowances);
- Variable remuneration based on future performance;
- Guaranteed variable remuneration (“welcome bonus”, “sign on bonus”, “minimum bonus”, etc.);
- Voluntary performance-based retirement benefits;
- Compensation or severance payments for prior employment.
- Retention bonuses

An exception to this principle are those payments or benefits which are made or granted in connection with the restructuring of the association of credit institutions or of VOLKSBANK WIEN AG, such as agreements of a kind similar to social plans which do not reward failure. Such payments must be transparently justified and documented.

Another exception to the principle is the payment of a COVID premium. Our employees did extraordinary things during the COVID-19 crisis, especially in the lockdown situations. The stress in the professional and the private sphere was very high. In this environment, the employees ensured the stable operation of immediate day-to-day business at all times through their great personal commitment.

In recognition of this commitment, a one-time COVID premium was granted for coping with the COVID-19 crisis situation.

3.3 Summarised quantitative information on remuneration

CRR Art 450(1) (g) to (i), EU REM1, EU REM2, EU REM3, EU REM4, EU REM5

This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2021-12-31.xlsx”.

4 Group structure and scope

4.1 Scope

CRR Art 436 (a), (f) to (h)

VOLKSBANK WIEN AG (VBW), with its registered office at Dietrichgasse 25, 1030 Vienna, is the parent company of subsidiaries operating in Austria and the central organisation (CO) of the Austrian Volksbank Sector. In addition to sector business with the Volksbanks, the focus is on private and corporate customer business in Austria.

VBW, as CO pursuant to Section 30a of the Austrian Banking Act, is part of the association of credit institutions (liability and liquidity association). The regulatory provisions of Parts 2 to 8 of Regulation (EU) no. 575/2013 as well as Section 39a of the Austrian Banking Act must be met by the Association of Volksbanks on the basis of the consolidated financial situation (Section 30a(7) of the Austrian Banking Act). VBW must continue to meet all regulatory provisions on single-entity level and at the group level. The members of the Association of Volksbanks have unlimited liability among themselves, the pro-rata assumption of the costs and risks of the CO was contractually agreed. By letter dated 29 June 2016, the ECB granted unlimited approval of the Association of Volksbanks without further requirements.

In the 2021 financial year, there were no substantive, practical or legal impediments to the transfer of own funds or the redemption of liabilities between the superordinate institution and its subordinate institutions.

4.2 Differences between accounting and supervisory purposes

CRR Art 436 (b) – (d), EU LI1 – EU LI3

This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2021-12-31.xlsx”.

4.3 Risk from equity exposures not included in the trading book

CRR Art 436 (e)

This includes subsidiaries and participations that were entered into for strategic reasons. Strategic participations are companies that cover the areas of business of the Group, as well as companies that support those areas of business. Subsidiaries are fully consolidated if they are material for the presentation of a true and fair view of the net assets, financial position and earnings situation of the Group.

Companies on which a material influence is exerted are measured according to the equity method. All other participations are reported at fair value, except if their acquisition costs are less than euro 50 thousand or if the related equity share does not exceed the carrying amount by more than euro 100 thousand. As these participations are not listed at a stock exchange and no market prices are available on an active market, the participations are measured by means of valuation methods and input factors some of which are not observable. Valuations are effected according to the discounted cash flow method and the peer group approach. Various calculation models are applied. The income approach is used if VBW controls the company or exercises any management function, and budgets are available accordingly. If the company is not controlled, the fair value calculation is performed on the basis of the dividend paid as well as the annual results of the last five years. In case of companies whose object does not permit any regular income or the result of which is controlled by the parent company through settlements, the net assets are used as valuation criterion. In case of participations in co-operatives, the share capital is used as the fair value, provided the subscription of new shares and the cancellation of existing shares are possible at any time. If valuation reports are prepared by external valuers, they will be used for current valuation.

To the extent that the discounted cash flow method is applied, the discount rates used are based on the respective current recommendations of the professional committee of the Austrian Chamber of Public Accountants and Tax Advisors (Fachsenat der österreichischen Kammer der Wirtschaftstreuhänder) as well as of international financial data service providers and, in the 2021 financial year, range between 7.0 and 10.1 % (2020: 7.0 to 9.8 %). The market risk premium used for the calculation is 8.3 % (2020: 8.6 %), the beta values used range between 0.8 and 1.2 (2020: 0.8 to 1.1). Additional country risks did not have to be considered. Discounts due to fungibility and exercise of control in the amount of 10 % in each case are effected for two participations.

Changes in value are reflected in the fair value reserve. If the ground for impairment lapses, the reversal is made without any effect on profit or loss directly in equity, taking into account any deferred taxes.

For calculating the sensitivities for the fair value, the interest rate is basically set at +/- 0.5 percentage points. The income components used for the calculation are taken into account at +/- 10 % for the sensitivity calculation in each case. In case of participations where the fair value corresponds to net assets, this is taken into account at +/- 10 % for information regarding sensitivity. For fair values derived from valuation reports, a lower and an upper range for sensitivity are recognised, respectively. If the fair value corresponds to the share capital, no sensitivity will be calculated.

Shares and participations

Euro thousand	31 Dec. 2021	31 Dec. 2020
Shares in affiliated, unconsolidated companies	2,377	2,859
Shares in participations	3,177	4,020
Other participations	56,343	42,281
Participations	61,897	49,160

In the financial year, participations with a carrying amount of euro 1,047 thousand were sold (2020: euro 54 thousand). The most significant participations in the item Other participations are Volksbanken Holding eGen with a carrying amount of euro 18,892 thousand (2020: euro 18,892 thousand), Volksbank Oberösterreich AG with a carrying amount of euro 9,984 thousand (2020: euro 2,685 thousand), and Volksbank Steiermark AG with a carrying amount of euro 6,306 thousand (2020: euro 5,263 thousand). Income from participations is included in the income statement in the item Result from financial instruments and investment properties. Income from participations includes dividends of euro 2,926 thousand from participations measured at fair value through OCI (2020: euro 1,123 thousand). Dividends from participations measured at fair value through OCI that were derecognised in the 2021 financial year amounted to euro 545 thousand (2020: euro 0 thousand). Due to immateriality, participations with a carrying amount of euro 24 thousand (2020: euro 24 thousand) were measured at amortised cost.

Sensitivity analysis

Participations valued using the DCF method

Proportionate fair value

Euro thousand

31 Dec. 2021

		-0.50 %	Interest rate ACTUAL	0.50 %
	-10.00 %	11,578	10,944	10,376
Income component	ACTUAL	12,864	12,160	11,529
	10.00 %	14,150	13,376	12,682

31 Dec. 2020

	-10.00 %	10,823	10,297	9,825
Income component	ACTUAL	11,914	11,135	10,805
	10.00 %	13,005	12,362	11,785

Participations valued at net assets

Euro thousand

31 Dec. 2021

	Decrease of as- sumption	Proportionate fair value ACTUAL	Increase of assumption
Net assets (10 % change)	4,911	5,457	6,002

31 Dec. 2020

Net assets (10 % change)	4,223	4,649	5,162
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Participations valued on the basis of external appraisals

Euro thousand

31 Dec. 2021

	Lower range	ACTUAL	Upper range
Proportionate fair value	35,856	39,839	43,824

31 Dec. 2020

Proportionate fair value	26,081	29,087	32,094
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5 Own funds

5.1 Adjustment of own funds, deductions and adjustment items, and limitation on application

CRR Art 437 (a), (d), (e), EU CC1, EU CC2

This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2021-12-31.xlsx”.

5.2 Main features and conditions of Common Equity Tier 1, additional Tier 1 and supplementary capital instruments

CRR Art 437 (b) and (c), EU CCA

This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2021-12-31.xlsx”.

5.3 Consideration of own funds components determined on a different basis

CRR Art 437 (f)

The relevant regulation is not applicable to VOLKSBANK WIEN AG as at 31 December 2021.

6 Own funds requirements

6.1 Approach used to assess the adequacy of internal capital

CRR Art 438 (a) and (c), EU OVC

The implementation of regulatory requirements at VBW is as follows:

Pillar 1: Minimum own funds requirements

Within the scope of Pillar 1, compliance with the minimum regulatory requirements is ensured. With respect to both credit risk and market risk, and also operational risk, the respective regulatory standard approaches for determining the minimum own funds requirements apply.

Pillar 2: Internal Capital & Liquidity Adequacy Assessment

By way of the Internal Capital & Liquidity Adequacy Assessment process, VBW as CO of the Association of Volksbanks takes all measures required to ensure that all risks arising from current and proposed business activities are counterbalanced by an adequate liquidity and capital base at all times. The detailed design of the Internal Capital & Liquidity Adequacy Assessment process depends on the regulatory requirements and supervisory expectations of the ECB as well as on internal guidelines.

Pillar 3: Disclosure

The requirements of Pillar 3 are met by publishing the qualitative and quantitative disclosure rules pursuant to Regulation (EU) no. 575/2013 (CRR) and Directive 2013/36/EU (CRD IV), as well as the applicable Regulation (EU) no. 2019/876 (CRR II) and Directive no. 2019/878 (CRD V) on the bank's own website under www.volksbankwien.at/investoren/offenlegung.

The ICAAP implemented is based on the business strategy, the strategic planning, risk profile and risk strategy of the Association of Volksbanks. The individual elements of the cycle are performed at varying intervals (e.g. daily for market risk / trading book risk measurement, quarterly for preparing the risk bearing capacity statement, annually for risk inventory and determination of the risk strategy). All the activities described within the cycle are reviewed for up-to-dateness and adequacy at least annually, and adjusted to the respective current general conditions if necessary; they are approved by the Managing Board of the CO.

By identifying the main risks in the risk inventory process, by quantifying and aggregating risks, by determining the risk bearing capacity, by setting limits and carrying out stress tests, it is possible to demonstrate that the risks assumed are sufficiently covered by adequate internal capital at all times, and to ensure such cover also in future. Thus, all measures are taken to meet the regulatory requirements for comprehensive risk management.

The respective risk management procedures are up to date and are continuously improved and developed. They are appropriate to VBW's risk profile and strategy and consistent with those of the Association of Volksbanks.

As part of the annual SREP (Supervisory Review and Evaluation Process), the Managing Board of VBW submits the "Capital Adequacy Statement" (CAS) to the supervisory authority, which contains statements on the capital adequacy of the Association of Volksbanks. In the Capital Adequacy Statement, the capital resources of the Association of Volksbanks

are assessed as adequate and the risk management as solid and robust. The adequacy of capital resources is determined in particular by the level of the CET1 ratio. The CET1 ratio of the Association of Volksbanks as at 31 December 2021 was 14.37 %. The total capital ratio as at 31 December 2021 was 19.31 %. After full application of all regulatory requirements, the CET1 ratio of the Association of Volksbanks is 14.11 % and the total capital ratio is 18.91 %.

Based on the SREP decision from December 2019, which remains valid for 2021, and taking into account the ECB decision (regarding the change in the composition of the additional own funds requirement (Pillar 2) from April 2020), the following capital ratios apply to the Association of Volksbanks as at 31 December 2021 and have not changed against 31 December 2020:

- CET 1 capital requirement: 9.41 % (10.41 % incl. Pillar 2 Guidance)
- Tier 1 capital requirement: 11.38 % (12.38 % incl. Pillar 2 Guidance)
- Total capital requirement: 14.00 % (15.00 % incl. Pillar 2 Guidance)

In 2021, the Association of Volksbanks again submitted to the annual SREP (Supervisory Review and Evaluation Process) within the scope of the Single Supervisory Mechanism (SSM) of the ECB. This year's SREP also considered the EBA/ECB stress test performed in 2021.

By preliminary resolution of the ECB adopted in November 2021, the result of the SREP was forwarded to VBW as the central organisation (CO) of the Association of Volksbanks and confirmed in the final SREP decision dated 2 February 2022. This results in the following capital ratios for the Association of Volksbanks **as of 1 March 2022**:

The **CET1 demand**, as determined for the Association of Volksbanks, amounts to 10.66 % and comprises the following: Pillar 1 CET1 requirement of 4.5 %, Pillar 2 requirement of 1.41 %, capital conservation buffer of 2.5 %, systemic risk buffer of 0.50 %, buffer for systemically important institutions of 0.50 %, and Pillar 2 Guidance of 1.25 %. Any AT1/Tier 2 shortfall will increase the CET1 requirement accordingly. This means that the CET 1 demand has increased by 0.25 percentage points compared with the previous year (increase in Pillar 2 Guidance from 1.00 % to 1.25 %). The supervisory authority used a new methodology based on the EBA/ECB stress test results to derive the Pillar 2 Guidance (P2G).

The **Tier 1 capital requirement** amounts to 11.38 % (Pillar 1 requirement of 6.0 %, Pillar 2 requirement of 1.88 %, capital conservation buffer of 2.5 %, systemic risk buffer of 0.50 %, buffer for systemically important institutions of 0.50 %) and accordingly has remained unchanged.

The **total capital requirement** amounts to 14.00 % (Pillar 1 requirement of 8.0 %, Pillar 2 requirement of 2.50 %, capital conservation buffer of 2.5 %, systemic risk buffer of 0.50 %, buffer for systemically important institutions of 0.50 %) and accordingly has remained unchanged.

The entry into force in 2021 of the amendment to the Austrian Banking Act, which requires the systemic risk buffer and the buffer for systemically important institutions to be held in aggregate, led to a reduction of each of these ratios from 1.00 % to 0.50 % in 2021.

As at 31 December 2021, 45.54 % of VBW's available risk covering potentials in the economic perspective were utilised.

The capital situation was stable throughout 2021. The rating agency Fitch has given a rating of BBB to both Volksbank Wien and the Association of Volksbanks. Fitch rates the outlook for the rating as positive in each case.

6.2 Own funds requirement

CRR Art 438 (d), (e), (h), EU OV1 This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2021-12-31.xlsx”.

6.3 Participations of insurance undertakings that were not deducted

CRR Art 438 (f), EU INS1

The relevant regulation is not applicable to VOLKSBANK WIEN AG as at 31 December 2021.

6.4 IFRS transitional provisions

EBA GL 2020/12

The adjustment amount of the IFRS transitional provisions is calculated from the sum of the increase in risk provisions upon first-time application of IFRS 9 and the increases in risk provisions in Stage 1 and Stage 2 between first-time application and 31 December 2019 as well as the increase from 31 December 2019 and the current balance sheet date. In the event of a negative increase, the corresponding summand is limited by 0. Post-model adjustments are included in the respective levels of risk provisions. Deferred taxes are deducted from these totals, and the values calculated in this way are scaled using time-dependent factors specified in the CRR. The adjustment amount thus calculated is added to the Tier 1 capital and, on the other hand, added to the total exposure in accordance with paragraph 7a multiplied by the adjustment amount with a uniform risk weight.

7 Macprudential supervision

7.1 Countercyclical capital buffer

CRR Art 440, EU CCyB1, CCyB2

This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2021-12-31.xlsx”.

7.2 Indicators of global systemic relevance

CRR Art 441

VOLKSBANK WIEN AG is classified as a non-global systemically important group.

8 Information on credit risk and credit risk mitigation

8.1 General qualitative information on credit risks

EU CRB

Definition of “overdue” and “non-performing”

CRR Art 442 a)

Loans are considered overdue if payments on interest and/or principal have been outstanding for at least one day or if the committed credit limits have been exceeded for at least one day. All loans classified in credit rating class 5 are considered to be defaulted (non-performing).

Methods for determining specific and general credit risk adjustments

CRR Art 442 b)

Impairment is calculated and recognised for the following financial instruments:

- For financial assets at amortised cost (AC), lease receivables in accordance with IAS 17 and active contract items in accordance with IFRS 15, impairment is recognised by way of a risk provision.
- In case of purchased or originated credit-impaired financial assets (POCI), the impairment is taken into account in the credit risk-adjusted effective interest rate¹. If the amount of estimated loss has changed since the time of addition, this is reported as a risk provision.
- Impairments of irrevocable loan commitments and financial guarantees are reported as provisions in liabilities.
- For debt instruments classified as fair value through other comprehensive income (FVTOCI) in accordance with IFRS 9, the impairment is recognised through other comprehensive income (OCI).

The impairment does not have to be calculated and reported separately for the following financial instruments:

- The impairment rules do not apply to financial instruments carried at fair value through profit or loss (FVTPL), as the fair value already takes impairment into account.
- As equity instruments must always be accounted for at fair value under IFRS 9, the impairment rules generally do not apply to them.

¹ Within the Association, POCI is defined as all financial instruments that were already included in rating class 5 at the time of addition

Under IFRS 9, the amount of the impairment is determined by a dual approach, which results in an impairment of either the 12-month expected credit loss or the lifetime expected credit loss. The loss estimates differ primarily in terms of the time horizon for which the probability of default is considered.

12-month expected credit loss (Stage 1) if:

- the credit risk has not increased significantly since addition, or
- the credit risk of the financial instrument is low on the reporting date (low credit risk exemption)

Lifetime expected credit loss (Stage 2 and 3) if:

- the credit risk has increased significantly since addition, or
- the financial instrument is “credit impaired” at the reporting date, or
- the financial instrument was “credit impaired” at the time of acquisition (Purchased/Originated Credit Impaired Assets)

Impairment or risk provisions are subsequently determined either at individual transaction level or at portfolio level. To determine the impairment at individual transaction level, the expected cash flows are compared with the contractual cash flows of the respective transactions (ECF method). When determining impairment at portfolio level, the calculation is also carried out individually for each transaction, but the parameters used for this purpose (PD, LGD, transfer thresholds) are derived from portfolios/groups with the same risk characteristics.

Portfolio loan loss provision: For positions classified in Stage 1 or Stage 2, the calculation of the expected loss is generally performed at portfolio level (portfolio analysis in Stage 1 and Stage 2).

For loan exposures in rating class 5 (Stage 3), the impairment is determined on the basis of the significance of the customer of the Association:

- Individual analysis in Stage 3: Exposure amount of the customer of the Association at least euro 750 thousand
- Portfolio analysis in Stage 3: Exposure amount of the customer of the Association less than euro 750 thousand

If unexpected (redemption) payments are received, the risk provision in the balance sheet will be reduced accordingly.

Changes in the estimate of the amount or timing of the expected cash flows (e.g. by accepting additional collaterals) lead to a recalculation of the impairment; the original effective interest rate continues to be decisive for discounting. The impairment is adjusted to the recalculated requirement through profit or loss. If the reason for the impairment no longer applies, the impairment is reversed in full through profit or loss. The upper limit is the notional amortised cost of the receivable as it would have been without any impairment at the current reporting date.

Risk provisions relating to COVID-19

Under IFRS 9, expected credit losses are determined using future-oriented information, models and data. The model-based calculation alone (via SAP-RBD) does not currently lead to an appropriate result, as certain developments due to the COVID-19 crisis are not yet reflected in the available data. Therefore, the result of the model-based determination is adjusted to take account of these developments (post-model adjustment). Various sources of risk and uncertainty are identified for the Association of Volksbanks, quantified at individual customer level using a predefined methodology, and reported as a post-model adjustment as at the reporting date of 31 December 2021.

Use of ECAI

CRR Art 444 (a) to (d)

(lit a)

VBW has appointed the rating agencies Standard & Poor's and Moody's irrespective of the class of exposures.

(lit b)

The credit ratings of the designated rating agencies Standard & Poor's and Moody's are not restricted to any classes of exposures.

(lit c)

VBW applies external ratings in accordance with section Article 139 CRR.

(lit d)

VBW adheres to the standard classification published by the EBA.

Foreign currency loans and loans with repayment vehicles

FMA-FXTT-MS

The following indicators were used and reviewed at VBW in accordance with margin no. 50 of the FMA Minimum Standards for the Risk Management and Granting of Foreign Currency Loans and Loans with Repayment Vehicles:

- a. The foreign currency loan volume to borrowers not hedged as defined in margin no. 14 represents at least 10 % of an institution's total loan portfolio (total loan portfolio means total lending to non-banks pursuant to Section 2 no. 22 of the Austrian Banking Act excluding the government sector), or
- b. significant legal or operational risks are to be expected due to foreign currency and repayment vehicle loans, or
- c. the expected funding gap for repayment vehicle loans of the institution at aggregate level is at least 20 %.

The review of the indicators has shown that items a. and b. were not fulfilled at VBW as at 31 December 2021 and that no disclosure is required as a result; however, item c. is fulfilled for VBW, and therefore disclosure of loans with repayment vehicles is made pursuant to margin no. (Rz) 51 of the FMA Minimum Standards on Risk Management and the Granting of Foreign Currency Loans and Loans with Repayment Vehicles:

31 December 2021				
Volumes in thousand Euro	Total exposure RV loans	Funding gap Repayment vehicles, cumulative	RV gap in %	Share RV loans of total exposure
Total	156,414.73	31,378.27	20.1%	2.4%
of which in CHF	103,538.13	24,502.25	23.7%	1.6%
of which in EUR	48,165.59	6,286.25	13.1%	0.7%
of which in JPY	4,711.01	589.77	12.5%	0.1%
of which in USD	-	-	0.0%	0.0%
of which others	-	-	0.0%	0.0%

* The total exposure is presented under the internal risk perspective and exclusively refers to loans and receivables to customers as well as credit risks and contingent liabilities towards customers excluding internal transactions within the Association and the portion of the Association's guarantee that is not allocated to VBW.

The projection of the repayment vehicles is made on the basis of the current redemption value, the periodic payments, the assumed return, the index adjustment (only for life insurance policies) and the residual term. The calculated final value(s) or benefit(s) at maturity is/are compared to the loan(s) at customer level, resulting in a gap or excess cover.

The parameters used (assumed interest rate and index development) are determined uniformly throughout the Association and revised annually in Q3. As of January 2021, the following annual net yields were used: traditional life insurance 2.31 %; unit-linked life insurance 2.15 %; unlinked repayment vehicles 1.99 %; and index adjustment for relevant life insurance policies 1.9 %.

8.2 Quantitative information on credit risks

CRR Art 442 c) – g)

The quantitative information presented in this chapter is based on the definitions and measures applicable to regulatory reporting under the CRR and the regulatory scope of consolidation of the Association of Volksbanks and may therefore differ from financial reporting under IFRS.

This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2021-12-31.xlsx”.

Content	Reference	Template
Disclosure on amount and credit quality of exposures including risk provisions, impairments and collateralisation	CRR Art 442 c)	EU CQ1, EU CR1
Maturity structure of overdue exposures	CRR Art 442 d)	EU CQ3
Collaterals obtained by means of seizure and realisation	CRR 442 c)	EU CQ7
Presentation of exposures by geographical distribution, economic sectors and type of receivables	CRR 442 e)	EU CQ5
Changes in the portfolio of defaulted on-balance-sheet and off-balance-sheet exposures	CRR 442 f)	EU CR2
Breakdown of loans and bonds by residual term	CRR 442 g)	EU CR1-A

8.3 Information on credit risk mitigation

CRR Art 453 a) – e), EU CRC

Rules and procedures for on-balance sheet and off-balance sheet netting

Netting refers to the offsetting (of a total) of receivables and liabilities of the bank to a specific counterparty (borrower) to form a net receivable/net liability.

On-balance sheet netting:

According to the CRR, on-balance sheet netting is the netting of reciprocal receivables (loans and deposits) between the bank and a counterparty (borrower), which are subject to a netting agreement, to form a “net receivable” or net liability.

The net receivable remaining after netting is used to determine the minimum own funds requirement. Any mismatches in terms of currency and maturity between receivables and liabilities are accounted for by applying haircuts.

Qualitative requirements for on-balance sheet netting under the CRR:

The credit institution must have a sound legal basis for netting that is legally enforceable under applicable law even in the event of the customer's insolvency.

The credit institution must be able at all times to determine the receivables and liabilities covered by the netting agreement.

The credit institution must monitor and manage the risks associated with the termination of collateralisation.

The credit institution must monitor and manage the exposures concerned on a net basis.

Netting is only permitted for reciprocal cash receivables in the same currency between the credit institution and the counterparty (loans and deposits); cross-group netting on both the customer and the bank side is not admissible.

Receivables that may be subject to netting:

In accordance with the CRR, netting of receivables is only recognised as permissible to the extent that the receivables or liabilities subject to a netting agreement:

- are not subject to any restriction on disposal or earmarking that would prevent offsetting at any time
- are legally valid and enforceable in all relevant jurisdictions, even in the event of the borrower's insolvency
- are denominated in the same currency.

This requirement is met by sight deposits and current account facilities without a period of notice or by reciprocal receivables and liabilities relating to current accounts (debit and credit balances).

Where the bank and the borrower are not subject to the same jurisdiction, the above conditions must be met in each of the jurisdictions concerned.

Only the netting of existing balances is permissible, but not the offsetting of any credit lines granted.

If it is not possible to offset receivables and liabilities (mutual cash balances) at any time and in particular directly in the event of the insolvency of the borrower, any netting of the related transactions is not permitted. In such a case, corresponding deposits with the credit institution could be taken into account as financial collaterals (cash collaterals) when determining the minimum own funds requirement, provided the other requirements are met.

Netting within the meaning of the CRR is therefore generally limited at VBW to the mutual offsetting of receivables and liabilities without earmarking and restrictions on disposal in the interbank and commercial lending business.

Rules and procedures for the valuation and management of collaterals

The rules and procedures for the valuation of collaterals are set out uniformly in collateral manuals, which classify the collaterals admissible across the Association, determining their loan-to-value ratios and regulating regulatory eligibility. Essentially, a distinction is made between the following types of collaterals:

- Financial collaterals
- Personal collaterals
- Physical collaterals: real estate
- Life insurance policies
- Netting

The regulatory eligibility of collaterals is determined by the right (title) to the collateral, the type of the relevant object, and the fair value. Discounts resulting from applicable statutory regulations on credit risk mitigation techniques are applied to the fair value.

The most important types of collaterals and guarantors

The most important types of collaterals at VBW are real estate collaterals, followed by guarantee collaterals and financial collaterals (cash deposits). The most important types of guarantors are sovereigns or states and municipalities as well as banks, the eligibility of the guarantors results from the segment or the external minimum rating of the guarantors, the guarantees meet the requirements pursuant to CRR Articles 213, 214 and 215.

At present, VBW does not have any credit derivatives that are used as collateral for loans.

Market and credit risk concentrations within credit risk mitigation

A major concentration in terms of credit risk mitigation exists in the mortgage collateralisation of Austrian residential real estate. There are no significant concentrations in foreign currencies and individual addresses.

8.4 Quantitative information on credit risk mitigation

CRR Art 453 f) to i) and Art 444 e)

This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2021-12-31.xlsx”.

Content	Reference	Template
Overview credit risk mitigation	CRR Art 453 f)	EU CR3
Credit risk mitigation by exposure class under the standardised approach	CRR Art 453 g) to i)	EU CR4
Credit risk mitigation by credit rating	CRR 444 e)	EU CR5

9 Counterparty credit risk

This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2021-12-31.xlsx”.

Content	Reference	Template
Exposures by approach	439 f,g	EU CCR1
Exposures subject to capital requirements for credit risk-related valuation adjustments	439 h	EU CCR2
Exposures by exposure classes and risk weighting	439 l	EU CCR3
Composition of collaterals	439 e	EU CCR5
Exposures to CCPs	439 i	EU CCR8
Credit derivative exposures (not relevant at VOLKSBANK WIEN AG)	439 j	
α -estimate (not relevant at VOLKSBANK WIEN AG)	439 k	

10 Market risk

CRR Art 445, EU MR1

Own funds requirements for market risk under the standardised approach

This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2021-12-31.xlsx”.

11 Risk from securitisation exposures

CRR Art 449

VOLKSBANK WIEN AG has no securitisation exposures.

12 Unencumbered assets

12.1 Quantitative information

CRR Art 443, EU AE1, EU AE2, EU AE3

This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2021-12-31.xlsx”.

12.2 Qualitative information

CRR Art 443, EU AE4

The values in Tables A/B/C were calculated in accordance with the guidelines published by the EBA. The values calculated show the median of 4 reporting dates for asset encumbrance.

Of the encumbered assets shown in line 040 Chart A, of the repo transactions in the portfolio within the meaning of Delegated Regulation 2015/61 Article 8(4), approximately euro 21 million are longer-term positions for collateralised borrowing in the 2021 period under review. Compared with the previous period, no short-term repo transactions (maturities of up to 2 months) with securities eligible for central bank borrowing were concluded or allocated to the cover pool for covered bonds in the past financial year. Within the Group, approximately 98 % of the reported values of the securities shown in Chart A are encumbered to cover deposits subject to collateralisation. The increase in encumbered assets in line 040 Chart A, in particular debt instruments eligible as HQLA, is due to the participation by VB Wien, for the Association, in the ECB's TLTRO III programme. As a result of this structural liquidity-securing measure of TLTRO III, the share of unencumbered debt instruments in HQLA has been reduced to approximately 9 % as at the reporting date.

VB Wien AG, as the central organisation of the Association, provides a share of approximately 98 % of the encumbered debt securities eligible as HQLA. For details on HQLA development and the LCR, please refer to the Liquidity Risk section of the report. The values shown in the quantitative information on the LCR are the market values of the assets less the corresponding haircuts for the respective asset classes. The values shown in the median of the (E)HQLA in Chart A are determined from an accounting point of view, which is why a derivation is not possible due to the different valuation methods. The same scopes of consolidation are applied in both disclosure reports.

As at the reporting date, no securities were encumbered by repo transactions or collateralised securities lending transactions and cover pool dedications for covered bonds, with the exception of approximately euro 21 million of long-term repo transactions. Compared to the previous period, the portfolio of long-term repo transactions remains unchanged.

As the central organisation of the Association of Volksbanks, VOLKSBANK WIEN AG is the central business partner for hedging transactions (interest rate and foreign currency). Cash collaterals (including initial margin) for the hedging of fair values for foreign currency refinancing and interest rate derivatives (for the hedging of issues and long-term lending business) account for approximately 5 % of the volume of encumbered assets in the item Other assets Line 120 Chart A. Promotional loans are also included to a minor extent.

The requirements for hedging fair value fluctuations for foreign currency refinancing have decreased compared to the previous period due to the further reduction of foreign currency loans in Volksbank Wien Group and in the Association of Volksbanks.

The Swiss franc (CHF) was classified as a significant currency within the meaning of Article 415 of the CRR; its refinancing is mainly represented by cross currency swaps and FX swaps. In its function as the central organisation, VOLKSBANK

WIEN AG is also responsible for foreign currency refinancing for the Association, which amounted to approx. 60 % of the refinancing volume on the reporting date.

VOLKSBANK WIEN AG, as the central organisation of the association of credit institutions, is an issuer of covered bank bonds within the meaning of the act governing covered bank bonds (FBSchVG). The underlying stock for covered bank bonds of VBW entirely consists of mortgage-backed loans of the association of credit institutions, including of Volksbank Wien AG. The share of loans designated for the underlying stock and of cover assets of VOLKSBANK WIEN AG amounted to approx. 28 % as at the reporting date. During the reporting period, a face value of euro 250 million was issued and euro 140 million were redeemed. The surplus cover of the cover pool decreased slightly due to the net issue volume. The quality of the cover pool was maintained during the period under review. The surplus cover amounted to approx. 23 % with cover assets of approx. euro 3.2 billion as at the reporting date.

Of the covered bank bonds outstanding on the reporting date with a face value of euro 2.663 billion, euro 2.616 billion have an Aaa rating from Moody's. The share of covered bank bonds placed was approx. 50 % of the total issue volume on the reporting date. The remaining portfolio was deposited with the central bank as liquidity covering potential.

In the case of the selected liabilities in Table C, apart from derivatives positions, around 1.5 % of the volume is attributable to deposits generated via repos and around 26 % to covered bank bonds placed on the market. A share of approx. 67 % of the liabilities relates to deposits subject to collateralisation, e.g. charge money, trustee deposits or liabilities to central banks. The most significant change in the volume of deposits subject to collateralisation compared to the previous year resulted from VB Wien AG's participation in another tranche of the TLTRO III programme on behalf of the association of credit institutions.

Of the unencumbered assets shown in Chart A, approximately 53 % of the volume is accounted for by credit balances with banks, credit balances with clearing partners, and short-term refinancing to members of the association of credit institutions. The majority of these assets are used to service the operating business and payment transactions as well as to hold minimum reserves and secure liquidity for VB Wien AG and the association of credit institutions. Physical assets are unsuitable to be encumbered during "business as usual", not only because of the fluctuations in volume. The increase in this segment is due, among other things, to participation in the TLTRO III programme to improve the liquidity structure within the Association of Volksbanks.

Of the unencumbered assets shown in Chart A, line 120, approximately 26 % are mortgage backed loans, of which approximately 54 % qualify directly for the underlying stock based on internal criteria.

13 Debt

13.1 Quantitative information

CRR Art 451, EU LR1 (LR Sum), EU LR2 (LR Com), EU LR3 (LR Spl)

This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2021-12-31.xlsx”.

13.2 Qualitative information

CRR Art. 451 d) and e)

Procedures for monitoring the risk of excessive indebtedness

The leverage ratio is a simple, transparent and non-risk-based ratio. The Tier 1 capital (T1 capital) is compared with the (unweighted) on- and off-balance sheet asset items. The leverage ratio requirements are intended to limit the excessive build-up of debt in the banking system. The leverage ratio is currently introduced as a Pillar 2 ratio. Thus, it is taken into account in internal risk management and assessed as part of the supervisory review process.

The ratios contained in the Risk Appetite Statement (RAS) represent the most important guidelines for the operational implementation of the strategic objectives defined in the business strategy of the Association. At the level of the Association, the leverage ratio is part of the RAS set of ratios. Target, limit and trigger values have currently been set at the level of the Association.

In the EU, the leverage ratio is a binding minimum requirement from June 2021 as a result of applicable CRR II provisions.

Current reporting

The leverage ratio is reported monthly to the Managing Board of the CO in the aggregate bank risk report. The leverage ratio is updated quarterly.

Procedures for responding to changes in the leverage ratio

A limit/trigger violation for the leverage ratio at the level of the Association will be reported directly to the Managing Board of the CO within the framework of the Risk Committee. The Managing Board of the CO will define appropriate measures as required and monitor their implementation on an ongoing basis.

Introduction of measures

If the relevant figure falls below the limit, a plan will be worked out to return to the green zone. Measures to strengthen capital include, for example, an increase in share capital by third parties or the use of hidden reserves. Reductions in lending and the sale of assets, for example, may be used to optimise the balance sheet structure.

Factors that had an impact on the leverage ratio during the reporting period

As at 31 December 2021, the **leverage ratio** of VOLKSBANK WIEN AG has increased by 0.13 percentage points to 5.79 % compared to 2020.

The change in equity is mainly due to payments to the federal government of euro -124 million and to the net income for 2021 of euro 105 million.

The decrease in total exposure is mainly due to the deduction of intergroup relationships (regulatory change as of Q2/2021) of euro -3.3 billion (of which off-balance euro -1.4 billion and on-balance euro -1.9 billion); in contrast, increase

from higher deposit with OeNB/TLTRO of euro 2.0 billion; the issuance of a senior non-preferred bond of euro 0.5 billion and from higher customer deposits of euro 0.3 billion.

14 Liquidity requirements

14.1 Quantitative information

CRR Art 451a (2)+(3), EU LIQ1, EU LIQ2

This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2021-12-31.xlsx”.

14.2 Qualitative information

CRR Art. 451a (2), EU LIQB

Explanations of the main drivers of LCR results and development of the contribution of inputs to the calculation of the LCR over time

The outflows in the LCR calculation are mainly due to the high share of retail deposits in the balance sheet, which, however, receive low LCR outflow factors, predominantly 5 % and 10 %. The increase in deposits during the period under review (30 April 2020 until 31 December 2021) led to a corresponding increase in outflows in the LCR calculation. The weighted cash inflows in the LCR calculation also arise predominantly from retail business. They are comparatively low and stable, amounting to around 9 % of the weighted outflows.

The liquidity buffer is composed of OeNB credit balances and HQLA securities. The weighted liquidity buffer increased significantly during the period under review – for the reasons, see point b. This increase was the main driver behind the sharp rise in the LCR of more than 40 percentage points.

Explanations of changes in the LCR over time

The main drivers of the change in the LCR in the period under review (30 April 2020 until 31 December 2021) were participation in two ECB tender transactions, a capital market issue, and the inflow of deposits.

Through participation in two TLTRO III tranches, a total volume of euro 3.5 billion was raised from the ECB. The first participation took place in the 2nd quarter of 2020, with a volume of euro 1.5 billion, the second tranche was taken in the 2nd quarter of 2021 with a volume of euro 2 billion.

The first tranche caused a sharp increase in the LCR of more than 40 percentage points because central bank-eligible non-HQLA were used to collateralise the tranche, and the transaction converted these into an HQLA-eligible OeNB credit balance. This effect was much smaller for the second tranche because HQLA securities were mainly used as collateral and therefore only the elimination of haircuts for these securities had an LCR-increasing effect.

At the end of the 1st quarter of 2021, a senior non-preferred bond was issued on the capital market. The inflow of euro 500 million increased the HQLA in this amount at the time of issue. As a result, the LCR rose above 200 % for the first time within the Association as at 30 June 2020.

The liabilities are strongly characterised by the deposit business, a stable and highly diversified source of funding with relatively constant and low LCR outflows. The inflow of retail deposits, which is reflected in a corresponding increase in OeNB credit balances, has continuously increased the liquidity position and thus the LCR over the period under review (30 April 2020 until 31 December 2021). Large-volume corporate deposits at VBW at the end of each calendar year temporarily increased the LCR – these volumes flowed out again as planned in the course of the following calendar year.

Explanations on the actual concentration of funding sources

Due to diversified funding for customer deposits, concentration risk is not material within the VBW Group.

In line with the business model, the most important source of funding is small-volume retail deposits (giro and savings, including SME deposits) with a volume of around euro 4.6 billion, which corresponds to approximately 30 % of total assets.

Of this amount, around euro 3.8 billion is classified as stable deposits. By their very nature, small-volume customer deposits are highly diversified.

With an unweighted LCR of around euro 4 billion, unsecured deposits from large customers are of greater significance compared with the entire Association of Volksbanks, as VBW holds many large-volume deposits from corporate customers and development banks. In the VBW Group, the top 15 depositors account for a total of around 6 % of total assets as at the reporting date of 31 December 2021. Individual depositors are usually less than 1 %. There are only a few temporary exceptions with a few major accounts for implementing payment transactions or balancing liquidity peaks.

At around 20 % of total assets, the VBW Group's dependence on capital market financing remains relatively low, especially in view of the fact that VBW, as the central organisation, is responsible for the capital market refinancing of the entire Association of Volksbanks. VBW is the only institution in the Association that has access to a central bank and can therefore refinance itself via central bank funds. Participation in TLTRO III raised a total of euro 3.5 billion – this corresponds to around 20 % of total assets.

As the central organisation of the Association of Volksbanks, VBW is also responsible for its liquidity management. At VBW, therefore, the liquidity reserves to be provided by the individual Volksbanks with a total volume of around euro 2 billion are also relevant in terms of liabilities.

Overarching description of the composition of the institution's liquidity buffer

As at 31 December 2021, more than 90 % of the Association's LCR liquidity buffer consists of credit balances with the OeNB, with the remaining approximately 10 % being free Level 1 HQLA securities. In the course of participation in TLTRO III, around euro 2.7 billion in central bank-eligible securities were blocked, of which around euro 1.3 billion were HQLA. This volume is released again when the tender is repaid and can be added back to the liquidity buffer from that point on.

Derivative exposures and potential collateral requirements

The derivative exposure for which collateral must be provided mainly consists of interest rate swaps and EUR-CHF FX derivatives in the VBW Group. For this exposure, euro 225 million in net cash collateral are currently being provided. In accordance with regulatory requirements, these are not to be backed in the LCR.

Potential future collateral requirements, derived from the maximum monthly change in collateral margin requirements over a historical 2-year period, are relevant to the LCR. It averages about euro 22 million for the current quarter, and thus only about 1 % of the weighted net outflows.

Currency mismatch in the LCR

The LCR currency mismatch in the VBW Group is immaterial. Relevant foreign currency positions exist only in CHF. Other currencies are present in the portfolio, but are of minor importance.

Within the VBW Group, the loan portfolio in CHF has been steadily maturing for years and currently accounts for less 1 % of total assets. The inflows from this loan portfolio are offset by outflows from largely maturity-matched FX derivatives that refinance this portfolio. The collateral for the FX derivatives is issued exclusively in euros. The volume of CHF deposits is immaterial. Securities denominated in CHF are not held.

Other positions in the LCR calculation that are not captured in the LCR disclosure reporting form but that the institution considers relevant to its liquidity profile

There are no other positions relevant to the liquidity profile.

15 Key Metrics

This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2021-12-31.xlsx”.

16 Return on equity

CRD IV Art 90

The return on total capital employed for the 2021 financial year is 0.62 % (2020: 0.22 %) and is calculated as the ratio between result after taxes and total assets at the balance sheet date.

The increase is mainly due to the decrease in risk provisions for potential risks in subsequent years in the wake of the COVID-19 pandemic.

17 List of abbreviations

Abs/para	paragraph
ABS	Asset Backed Security
afs	available for sale
AMA	Advanced Measurement Approach
ASA	Alternative Standardised Approach
A-SRI	other systemically important institutions
AT1	Additional Tier 1
BB	banking book
BIA	Basic Indicator Approach
BP	basis point(s), 0.01 per cent
BWG	Bankwesengesetz, Austrian Banking Act
bzw.	and/or, respectively
CCF	Credit Conversion Factor
CDS	Credit Default Swap, derivative swap instrument on a loan loss
CEM	Current Exposure Method
CET1	Common Equity Tier 1
CQS	Credit Quality Step
CRD IV	Capital Requirements Directive IV, Directive 2013/36/EU of the European Parliament and of the Council
CRE	Commercial Real Estate
CRR	Capital Requirements Regulation, Regulation (EU) No 575/2013 of the European Parliament and of the Council
CSR	Corporate Social Responsibility
CVA	Credit Value Adjustment
i.e.	that is
Dr.	Doctor
EAD	Exposure at Default, outstanding exposure in the event of default
EBA	European Banking Authority
ECAI	External Credit Assessment Institution
incl.	including
EM	own funds
EU	European Union
EUR	euro
EWB	individual loan loss provisions
ECA	European Currency Area
et seqq	and following (plural)
FH	financial holding
FMA	Austrian Financial Market Authority
FRA	Forward Rate Agreement, over-the-counter forward rate transaction
FX	foreign exchange, foreign currency
DOB	born
acc. to	according to
G-SRI	global systemically important institutions
P&L	income statement, profit & loss account
GI	General Instruction
HB	trading book

hft	held for trading
HR	Human Resources
htm	held to maturity
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
IFRS	International Financial Reporting Standards
incl.	included/including
IRB	Internal Rating Based, based on internal ratings
IRS	Interest Rate Swap, derivative swap instrument on variable interest rates
iVm	in connection with
JRAD	Joint Risk Assessment Decision
KI	credit institution
SME	small and medium-sized enterprises
KP-V	Capital Buffer Regulation
KRL	capital reserve(s)
LCR	Liquidity Coverage Ratio
lit	littera, letter
LFZ	maturity, term
LGD	Loss Given Default
l&r	loans and receivables
LK	countries and municipalities
Mag.	Magister
MEUR	million euros
m	million(s)
MUM	Monetary Union Member, country of the euro zone
NPL	non-performing loans
no.	number
ODP	open foreign exchange position
OEM	Original Exposure Method
OeNB	Austrian National Bank
UCI	undertakings for collective investment
OpR	operational risk
OTC	over the counter (derivatives)
p.a.	per annum, annually
PSE	Public Sector Entity
p&l	profit and loss
RAS	Risk Appetite Statement
RCF	Risk Control Function
RL	Directive
RRE	Residential Real Estate
RST	provision
RTFR	risk bearing capacity calculation
SPPI	Solely Payments of Principal and Interest
SREP	Supervisory Review and Evaluation Process
STA	standardised approach
T1	Tier 1

T2	Tier 2
TC	Total Capital
KEUR	thousand euro
th	thousand
UGB	Unternehmensgesetzbuch, Austrian Business Code
VBW	VOLKSBANK WIEN AG
VO	Regulation
FTE	full-time equivalent
Z	digit
e.g.	for example
CO	central organisation