HALF-YEAR MANAGEMENT REPORT

ASSOCIATION OF VOLKSBANKS

AS AT 30 JUNE 2021

KEY FIGURES OF THE ASSOCIATION OF VOLKSBANKS

Euro million	30 Jun 2021	31 Dec 2020	31 Dec 2019
Balance sheet			
Total assets	**31,822**	**29,370**	**27,496**
Loans and receivables customers	**21,161**	**21,287**	**21,251**
Amounts owed to customers	**22,196**	**22,153**	**21,729**
Debts evidenced by certificates	**1,912**	**1,470**	**1,482**
Subordinated liabilities	**497**	**577**	**598**
Own funds according to Basel III for the association of Volksbanks			
Common equity tier 1 capital (CET1)	1,976	2,002	1,908
Additional tier 1 capital (AT1)	220	220	224
Tier 1 capital (T1)	**2,196**	**2,222**	**2,131**
Tier 2 capital (T2)	480	494	506
Own funds	**2,676**	**2,716**	**2,638**
Risk weighted exposure amount credit risk	12,450	12,903	13,450
Total risk exposure amount market risk	30	38	85
Total risk exposure amount operational risk	1,183	1,184	1,231
Total risk for credit valuation adjustment	11	50	44
Total risk exposure amount	**13,674**	**14,175**	**14,810**
Common equity tier 1 capital ratio	**14.5 %**	**14.1 %**	**12.9 %**
Tier 1 capital ratio	**16.1 %**	**15.7 %**	**14.4 %**
Equity ratio	**19.6 %**	**19.2 %**	**17.8 %**
Income statement	**1-6/2021**	**1-6/2020**	**1-6/2019**
Net interest income	198.4	210.9	210.7
Risk provision	31.7	-48.7	4.3
Net fee and commission income	127.9	117.4	115.1
Net trading income	-2.1	2.2	-1.6
Result from financial instruments and investment properties	13.7	-16.2	24.6
Other operating result	0.7	29.9	51.3
General administrative expenses	-253.8	-259.9	-275.6
Result from companies measured at equity	-1.2	0.1	0.1
Result for the period before taxes	**115.3**	**35.7**	**128.9**
Income taxes	-22.7	-5.4	-7.2
Result for the period after taxes	**92.6**	**30.3**	**121.7**
Result attributable to non-controlling interest	0.0	0.0	0.0
Result of the group for the period	**92.6**	**30.3**	**121.7**
Key ratios	**1-6/2021**	**1-6/2020**	**1-6/2019**
Operating cost-income-ratio	**77.6 %**	**71.6 %**	**82.6 %**
ROE before taxes	**10.0 %**	**3.2 %**	**12.5 %**
ROE after taxes	**8.0 %**	**2.7 %**	**11.8 %**
ROE consolidated net income	**8.1 %**	**2.7 %**	**11.8 %**
Net interest margin	**1.2 %**	**1.5 %**	**1.6 %**
NPL ratio	**1.8 %**	**2.1 %**	**2.5 %**
Leverage ratio	**6.6 %**	**7.1 %**	**7.6 %**
Liquidity coverage ratio	**238.7 %**	**184.9 %**	**125.5 %**
Net stable funding ratio	**148.5 %**	**137.9 %**	**127.2 %**
Loan deposit ratio	**91.5 %**	**94.7 %**	**95.6 %**
Coverage ratio I	**37.8 %**	**37.0 %**	**37.1 %**
Coverage ratio III	**107.8 %**	**104.1 %**	**103.8 %**
Resources	**1-6/2021**	**1-6/2020**	**1-6/2019**
Staff average	**3,232**	**3,412**	**3,672**
Thereof domestic	3,232	3,412	3,659
Thereof abroad	0	0	13
	30 Jun 2021	**31 Dec 2020**	**31 Dec 2019**
Staff at end of period	**3,204**	**3,268**	**3,496**
Thereof domestic	3,204	3,268	3,496
Number of branches	**242**	**249**	**267**
Thereof domestic	242	249	267
Number of customers	**1,032,338**	**1,046,303**	**1,072,639**

Equity ratios are displayed in relation to total risk. The operating cost-income-ratio is the ratio between operating income and operating expenses. Operating income includes net interest income, net fee and commission income, net trading income and if positive other operating result and result from discontinued operation. Operating expenses include general administrative expenses and if negative other operating result and result from discontinued operation. Other operating result and result from discontinued operation is displayed net of other taxes, deconsolidation result and valuation result according to IFRS 5. The ROE before taxes indicates the result before taxes in relation to average equity including non-controlling interest. The ROE after taxes indicates the result after taxes in relation to average equity including non-controlling interest. The ROE consolidated net income indicates the consolidated net income in relation to average equity without non-controlling interest. The net interest margin shows the net interest income in relation to total assets. The NPL ratio indicates the portfolio of non-performing loans in relation to the total exposure of all loans to and receivables from customers. The leverage ratio indicates the business volume (CCF-weighted off-balance positions plus derivatives add-on, replacement value of derivatives, disallowance of derivative claims and financial volume) in relation to the tier 1 capital (CET1 + AT1). The net stable funding ratio indicates the available stable funding in relation to the necessary stable funding. The liquidity coverage ratio (LCR) describes the ratio of highly liquid assets to net outflows over the next 30 days assuming a stress scenario, and thus the ability to cover short-term liquidity outflows. The loan deposit ratio indicates the total amount of loan accounts, overdraft facilities less syndicated loans in relation to the total amount of savings deposits, demand deposits, fixed term deposits and debts evidenced by certificates. The coverage ratio I indicates the coverage ratio of non-performing loans by risk provisions. The coverage ratio III indicates the coverage ratio of non-performing loans by risk provisions and collaterals. Staff figures are calculated based on full-time equivalent.

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HALF-YEAR MANAGEMENT REPORT FOR THE FIRST HALF OF 2021

Report on the business development and economic situation

Business development

The Association of Volksbanks looks back on a first half of 2021 that was marked by the coronavirus pandemic, but which was economically successful overall.

In the meantime, some trends are intensifying that will influence our actions in the future in a different way than before the pandemic. These include topics such as remote work, digitisation, sustainability, as well as regulatory and economic effects.

Digitisation has made a huge leap forward in internal collaboration and in retail banking; even previously "impossible" things have suddenly lent themselves to quick and flexible implementation.

In addition, sustainability has become very important in all areas of the economy in recent months. Sustainability is a significant asset for the Association of Volksbanks due to its regional and cooperative origins. The Association of Volksbanks has committed itself to the Paris Agreement on climate protection and has set up a comprehensive project on the topic of "sustainability". The aim is to manage ESG risks appropriately and to enhance the positive impact of its business activities on the environment and on people.

Volksbank Wien AG (VBW) participated in the June 2021 tranche of the TLTRO III programme with euro 2 billion on behalf of the Association of Volksbanks. As a result, a total of euro 3.5 billion was raised through the TLTRO III programme. The funds raised serve to refinance lending business and, on the other hand, enable an improvement in the liquidity structure within the Association.

On 23 March 2021, VBW, as central organisation for the Association of Volksbanks, issued a senior non-preferred bond with a volume of euro 500 million and a term of 5 years with a fixed interest rate of 0.875 %.

Economic environment

At the beginning of 2021, strict restrictive measures were in force in Austria, which, among other things, led to an almost complete shutdown of the winter season in tourism. However, according to the GDP weekly indicator of the Oesterreichische Nationalbank (OeNB), industry, especially export-oriented industry, had already returned to pre-crisis levels by the end of 2020 and benefited from a favourable external environment as well as domestic demand, which was also supported by the investment premium. However, leading and sentiment indicators showed an increasing burden of problems in global supply chains, resulting in material shortages and higher prices. Economic activity in close contact sectors resumed for the most part only in the course of the wide-ranging opening steps in the course of May due to declining infection figures and progress in vaccinations, with hygiene concepts and a restriction of access to tested, vaccinated or recovered persons ('3G' rule) still being applied in many places.

After economic output fell by 1.1 % Q/Q and 4.5 % Y/Y in the first quarter, the opening steps in the second quarter enabled a significant recovery. According to a flash estimate of the Austrian Institute of Economic Research (WIFO), the GDP grew by 4.3 % Q/Q or 11.4 % Y/Y. Growth was particularly strong in those sectors that had previously been hit hardest by the restrictive measures and now benefited from the recovery in consumer demand. For example, the trade, transport, accommodation and gastronomy sectors expanded by 20.5 % Q/Q, following a decline in economic activity (-9.5 %) in the first quarter. The other services industries, including arts, culture as well as recreation and close contact services, which also showed negative growth in the first quarter (-6.3 % Q/Q), also expanded by 7.1 %. Industry (incl. mining and utilities, excl. construction), which already posted positive quarterly rates in the second half of 2020 and also grew by an impressive 2.7 % in the first quarter of the year, largely maintained its growth momentum in the second quarter at 2.3 %. The construction sector showed dynamic growth of 4.8 % in the first quarter but stagnated in the second quarter (-0.6 %). On the expenditure side, this contributes to the dynamism of gross capital investments, which, after positive growth in the second half of 2020, already increased by 3.3 % in the first quarter and grew by a further 2.1 % in the second quarter of the year. The GDP in the euro zone grew 2.0 % Q/Q, up 13.7 % from the second quarter of 2020, according to a preliminary flash estimate from Eurostat. In the first three months of this year, the quarterly rate was still just negative at -0.3 %.

Austrian residential real estate prices showed dynamic development throughout the crisis. For the whole sector, the OeNB reports higher prices by 12.3 % Y/Y in the first quarter of 2021. Annual rates were in double digits in all segments, with stronger inflation than in Vienna in the regions outside Vienna, where the prices of new freehold flats rose by 16.7 % and those of used freehold flats and single-family houses by 12.9 %, respectively. In Vienna itself, price increases in the individual sectors ranged between 10 % and 11.4 %; for the entire residential real estate sector in the capital, the OeNB estimates price increases of 10.9 % in the first quarter. Data for the second quarter were not yet available as at the editorial deadline for this section on 30 July 2021.

The withdrawal of restrictive measures in the course of the first half of the year also led to falling unemployment figures. While the unemployment rate was still 7.3 % in January 2021 according to the Eurostat definition, it fell to 6.4 % by June. While it is well above the multi-year low of 4.4 % in November 2019, according to a WIFO analysis, the number of dependent employees has already surpassed the pre-crisis level of May 2019 in May 2021. Employment growth was very heterogeneous across sectors. The number of workers in health care and social welfare services, which were particularly active during the pandemic, was significantly above the May 2019 level; the same applies to information and communication technology, as well as freelance, scientific, and technical services. Employment figures in construction, trade and other economic services also matched the pre-COVID-19-pandemic levels. The sectors that were particularly affected by the restrictive measures, such as accommodation and gastronomy, arts, entertainment and recreation, and transport, in particular air and water transport, are clearly far removed from this. By province (Austrian 'Länder'), employment was 0.3 % lower in tourism-intensive Tyrol than in May 2019 and higher in the other provinces, most significantly in Burgenland and Lower Austria at 1.9 % and 1.3 %, respectively. Even towards the end of the first half of the year, in the month of June, the number of unemployed persons and training participants was still higher than in 2019. In addition, there are almost 300,000 employees who are still on short-time work. According to the ministry, this figure will rise once the lost hours have been accounted for.

Inflation in the euro zone accelerated in the course of the first half of the year from 0.9 % in January and February to 2.0 % in May; in June it eased slightly to 1.9 %. According to Eurostat, the base effect in the sphere of energy prices was mainly responsible for the rates of increase of Harmonised Consumer Prices, contributing more than one percentage point to the inflation rate in May and June, while in January and February they still made a negative contribution to the inflation calculation. In Austria, Harmonised Consumer Prices rose even more strongly than in the whole euro zone, with inflation rising from 1.1 % in January to 3.0 % in May and then falling back somewhat to 2.8 % in June.

The European Central Bank (ECB) maintained its expansionary monetary policy stance in the first half of 2021, with key interest rates remaining stable (main refinancing rate 0.0 %, prime refinancing facility 0.25 %, deposit rate -0.5 %) and monthly bond purchases of euro 20 billion from the asset purchase programme also being maintained. The ECB continued with the Pandemic Emergency Purchase Programme, which was expanded in December 2020 to euro 1.85 trillion and a maturity of at least March 2022, and accelerated purchases in the second quarter. The central bank emphasises the flexibility of the programme, including its scope – it can be expanded or not fully utilised. Banks were also able to obtain liquidity in the first half of 2021 under the targeted long-term refinancing operations (TLTRO III).

The three-month Euribor moved within a range of a few basis points in the first half of the year. It reached its lowest level right at the beginning of the year on 6 January at -0.556 % and its highest on 7 May at -0.529 %, which was followed by a rapid, short countermovement below -0.55 %. The yield of Austrian government bonds in the ten-year maturity range developed similarly. Again, the yield on the first trading days of the year was lowest at -0.464 % on 4 January and highest at 0.154 % on 18 May. German government bonds fluctuated between -0.606 % and -0.104 %.

EU member states agreed on a euro 1.8 trillion (at 2018 prices) recovery plan in 2020, of which euro 1.074 trillion is attributable to the multi-annual financial framework and euro 750 billion is financed by the reconstruction fund, for which the Commission issues bonds. At the beginning of June, the first Funding Plan was presented; it envisages the issuance of euro 80 billion of long-term bonds by year end, as well as short-dated papers in the range of tens of billions of euros. Around 30 % of the bonds are to be issued as green bonds. The first bond to finance the NextGenerationEU programme in June was issued in syndication, and later auctions will also be held, which will be used exclusively for short-dated papers.

Result of the Association for the first half of 2021

Net interest income for the first half of 2021 amounts to euro 198.4 million, a decrease of euro 12.5 million compared to the same period of the previous year (1-6/2020: euro 210.9 million). The main reason for this is the decline in interest income from customer exposure in the amount of euro 16.7 million. In contrast, the higher liquid funds resulted in higher net interest income in the amount of euro +5.7 million, which was mainly due to participation in the TLTRO programme.

Due to the low default intensity of loans in the first half of 2021, income of euro 31.7 million now results for the risk provision, after an expense of euro -48.7 million as at 30 June 2020. On the development of the risk provision, please also see the information contained in the Notes.

The net fee and commission income in the reporting period amounts to euro 127.9 million, an increase by euro 10.5 million compared to the previous period (1-6/2020: euro 117.4 million). The increase essentially results from higher fee and commission income from securities business. This contrasts with lower income from payment transactions due to the pandemic.

Net trading income amounts to euro -2.1 million in the first half of 2021 and decreased by euro 4.3 million compared to the previous period (euro 2.2 million). The decrease is mainly due to interest rate related transactions.

The net result from financial instruments and investment properties rose by euro 29.9 million to euro +13.7 million compared to the previous period in the amount of euro -16.2 million. The main reasons for this were the higher valuation (by euro 9.2 million) of receivables at fair value as well as the improvement of the result from other derivative instruments by euro 21.4 million.

General administrative expenses, at euro 253.8 million (1-6/2020: EUR 259.9 million), is euro 6.1 million lower than in the comparative period. By comparison with the end of 2020, the headcount decreased by 64 employees from a staff of 3,268, and now amounts to 3,204 employees. This decrease coincided with a reduction of staff costs by euro 6.9 million from euro 152.4 million in the comparative period to euro 145.5 million in the reporting period. On the other hand, the increase in the contribution to the deposit guarantee by euro 1.7 million and to the resolution fund by euro 0.9 million had an impact on administrative expenses.

Financial position

As at 30 June 2021, total assets amount to euro 31.8 billion, an increase compared to the end of 2020 (euro 29.4 billion), essentially due to the increase in liquid funds. The main reason for this is the participation in the TLTRO III programme with euro 2 billion, on the one hand, and the higher liquidity portfolio from the issue of a senior non-preferred bond with a volume of euro 500 million in the first half of the year, on the other hand.

Compared to the end of the previous period (euro 0.4 billion), loans and receivables to credit institutions have decreased to euro 0.3 billion.

As at 30 June 2021, loans and receivables to customers, less risk provisions, amount to euro 21.2 billion and have decreased slightly compared to the end of the previous year (euro 21.3 billion).

Financial investments of euro 2.4 billion decreased compared to the end of 2020 (euro 2.6 billion) mainly due to the higher volume of investments measured at amortised cost.

Amounts owed to credit institutions have increased by euro 2 billion to euro 4.0 billion compared to the end of 2020 (euro 1.9 billion), essentially due to participation in the TLTRO III programme of the European Central Bank.

Amounts owed to customers in the amount of euro 22.2 billion have remained constant compared to the end of 2020 (euro 22.2 billion).

Debts evidenced by certificates amount to euro 1.9 billion as at 30 June 2021 and have increased by euro 0.4 billion compared to 31 December 2020 (euro 1.5 billion). The main reason for this was the issue of a senior non-preferred bond with a volume of euro 500 million.

As at 30 June 2021, equity amounts to euro 2.3 billion and has remained constant by comparison with the end of 2020 (euro 2.3 billion).

Financial performance indicators

As at 30 June 2021, the regulatory own funds of the Association's group of credit institutions amount to euro 2.7 billion (31 December 2020: euro 2.7 billion). The total risk exposure amount as at 30 June 2021 was euro 13.7 billion (31 December 2020: euro 14.2 billion). The CET1 capital ratio in relation to total risk amounts to 14.5 % (31 December 2020: 14.1 %), the own funds ratio in relation to total risk is 19.6 % (31 December 2020: 19.2 %). Regulatory own funds, total risk exposure amount and the key indicators calculated therefrom were determined in accordance with the CRR (EU Regulation No. 575/2013). For further details, please refer to the information in the Notes.

Performance indicators	1-6/2021	1-6/2020	1-6/2019
Return on Equity before taxes	10.0 %	3.2 %	12.5 %
Return on Equity after taxes	8.0 %	2.7 %	11.8 %
Cost-income ratio	77.6 %	71.6 %	82.6 %

The ROE before taxes is determined as the quotient of result before taxes projected over a period of one year and the mean value of equity at the balance sheet date and the balance sheet date of the previous year.

The ROE after taxes is determined as the quotient of result after taxes projected over a period of one year and the mean value of equity at the balance sheet date and the balance sheet date of the previous year.

The operating cost-income ratio is calculated from operating income in relation to operating expenses. The operating income consists of net interest income, net fee and commission income, net trading income, as well as the other operating result, and result of a disposal group, if positive. Operating expenses include the general administrative expenses, as well as the other operating result, and result of a disposal group, if negative. The other operating result and the result of a disposal group are adjusted for other taxes, deconsolidation result and IFRS 5 measurement.

The performance indicators shown are considered as customary within the industry and are essential factors for the credit rating of banks. Additionally, within the Association of Volksbanks, the cost-income ratio was defined as early warning indicator for the Bankensanierungs- und Abwicklungsgesetz (BaSAG, Act on the Recovery and Resolution of Banks).

Related party transactions

For details on related party transactions, please refer to the information contained in the Notes.

Report on the company's future development and risks

Future development of the company

Economic environment

In its June forecast, the Austrian Institute of Economic Research (WIFO) predicts a strong recovery of the domestic economy; after a slump of -6.3 %, the GDP is expected to grow by 4.0 % this year and by 5.0 % in 2022. According to the WIFO, the upturn is being driven by all components of demand, with particularly strong momentum seen in the industrial economy this year, which is benefiting from the investment premium and is also being supported by the rapid recovery of export markets. The IHS Markit/UniCredit Bank Austria Purchasing Managers' Index, which reached a new record level in June for the third time in succession, also points to a marked expansion in the industrial sector. However, companies in the survey also reported noticeable problems in supply chains, leading to delays and price increases. In its forecast, the WIFO assumes that supply problems will no longer be a burden on the industrial and construction sectors from the fourth quarter onwards. In 2022, the industrial economy is expected to continue to grow, but at a slower pace than this year. Next year's upswing will then be driven primarily by tourism and the related industries. The unemployment rate is still expected to be above pre-crisis levels at the end of the forecast horizon in the fourth quarter of 2022. The WIFO sees inflation (HICP) at 2.3 % this year and at 2.1 % next year.

According to the ECB's macroeconomic projections published in June and the OeNB's forecast for Austria, Austrian GDP will grow by 3.9 % this year and 4.2 % next year. Growth is then expected to level off in 2023, with the OeNB forecasting a growth rate of 1.9 %. Economic output in the euro zone is expected to grow somewhat faster, by 4.6 % and 4.7 % this year and the following year, with growth normalising towards 2.1 % in 2023.

The inflation rate in the euro zone is seen at 1.9 % this year in the ECB's projections, but will fall to 1.5 % and 1.4 % in subsequent years. The decline in inflation does not suggest that key interest rates are likely to rise over the forecast horizon. The factors causing inflation to rise this year, such as base effects in the sphere of energy prices or the return of value added tax in Germany to its previous level, are considered to be temporary. In addition, the review of the monetary policy strategy, the results of which were presented at the beginning of the third quarter, included an increase in the ECB's inflation target from "close to, but below 2 %" to 2 %.

The list of uncertainties is long, and the public remains focused on the pandemic. Most economic forecasts assume that restrictive measures will be eased continuously and that there will be no setbacks. The spread of new variants of the Sars-CoV-2 virus, which may be more contagious or may circumvent vaccine protection, poses a clear downside risk. Due to the integration into global supply chains, negative effects on the Austrian economy can also be expected if restrictive measures are introduced in import or export markets. Trade policy remains a clear focus on the geopolitical level; the new US administration of President Joe Biden has not yet settled the trade conflict with China, and little improvement can be seen in relations with Russia. A serious increase in poverty is expected worldwide, exacerbated by the pandemic as much as by climate change, and already leading to social unrest in less developed economies, partly because of high food prices. In Europe, the UK's completed exit has removed a factor of uncertainty, but some important issues were left out of the treaty or are regularly renegotiated. In addition, the high level of borrowing during the pandemic brings its own risks.

Business development

The regionally operating Volksbanks look after their customers locally and are the voice of their interests within the Association of Volksbanks. In order to be able to respond even better to the needs of Austrians, the Volksbanks, as their relationship bank, are consistently implementing the "relationship bank of the future" service concept within the Association. The focus is on the customers in the regions. The aim is to become the most successful decentralised association of credit institutions in Austria.

The Volksbanks have decided to implement the "Adler" programme in order to position the Association as the "relationship bank of the future". The comprehensive measures from "Adler" have been consistently implemented, reported and controlled within the Association of Volksbanks since 2019. The project is expected to be fully completed by the end of 2022.

The consistent orientation as the relationship bank of the future is based on two pillars. On a high level of processing quality for regional customer service and on the central pillar of "control and service" with the bundling of central functions of the Association of Volksbanks within VBW.

Thanks to the consistent development of our "hausbanking" (relationship banking), the Volksbanks have their finger on the pulse of the times, and customers have given us excellent marks for this in the latest customer satisfaction surveys.

Furthermore, the Volksbanks are working together more efficiently according to uniform rules and in uniform structures. The cooperative division of labour has been implemented for the most part. Since mid-2020, the Volksbanks have had uniform organisational charts, and three quarters of the new job descriptions and service catalogues have been implemented. The implementation plans in the areas of Accounting and Balancing, Reporting, Controlling, Risk Control, Legal, Auditing and Compliance are now in live operation throughout the Association. The final steps have already been taken for Facility Management tasks and the outsourcing of ORG/IT.

The introduction of MSC Passiv, MSC Aktiv and loan processing in the banks of the Association, as well as the ongoing support by and cooperation with VBW as central organisation are paying off. The new leaner and more efficient cooperation is reflected favourably in the cost structure.

Apart from customers, the focus for 2021 will continue to be on cooperation across the Association, on improving processes and driving forward digitisation.

All in all, these structural and cultural changes will help to establish Volksbank as a modern association of credit institutions in Austria.

The focus of the Association of Volksbanks on retail banking is meant to be continued in these challenging times, supported in particular by increasing digitisation of the sales process, which constitutes one of the major opportunities of the COVID-19 crisis. Not least because of the change in customer behaviour and its impact on sales, this is a key focus within the Association of Volksbanks. This provides an opportunity to offer faster services to our customers, thus strengthening the customer relationship. It is gratifying to note that the Association of Volksbanks now has a very competitive product on the market in the form of the "hausbanking" app.

By forming risk provisions in 2020, the Association of Volksbanks has provided for a potential deterioration in credit quality due to the pandemic. Some of these risk provisions were reversed, as the expected deterioration in credit quality did not materialise to the extent anticipated. In addition to various one-off effects, the reversal of risk provisions is a key driver of the clearly positive result in the first half of 2021. According to current estimates, this result should consolidate further towards the end of the year.

The low interest rate environment expected to continue in subsequent years calls for a continuous streamlining of the cost structure and an increase of productivity. To this end, further synergies within the Association were evaluated, among other things.

Please also refer to section 11) Subsequent events in the Notes.

Significant risks and uncertainties

As regards the legally required disclosures on the use of financial instruments, the risk management targets and methods as well as the risk of price changes, default, liquidity and cash flow risks, please refer to the information contained in the Notes to the 2020 annual report of the Association.

CONSOLIDATED FINANCIAL STATEMENTS

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Condensed statement of comprehensive income

INCOME STATEMENT	1-6/2021 Euro thousand	1-6/2020 Euro thousand	Changes Euro thousand	%
Interest and similar income	245,042	254,337	-9,295	-3.65 %
thereof using the effective interest method	227,929	246,008	-18,079	-7.35 %
Interest and similar expenses	-46,682	-43,444	-3,238	7.45 %
Net interest income	198,361	210,893	-12,533	-5.94 %
Risk provision	31,711	-48,744	80,455	-165.06 %
Fee and commission income	140,919	131,874	9,045	6.86 %
Fee and commission expenses	-13,038	-14,487	1,449	-10.00 %
Net fee and commission income	127,880	117,387	10,494	8.94 %
Net trading income	-2,066	2,227	-4,292	-192.77 %
Result from financial instruments and investment properties	13,712	-16,207	29,918	-184.60 %
Other operating result	728	29,893	-29,165	-97.56 %
General administrative expenses	-253,811	-259,853	6,042	-2.33 %
Result from companies measured at equity	-1,231	143	-1,374	< -200.00 %
Result for the period before taxes	**115,284**	**35,740**	**79,544**	**> 200.00 %**
Income taxes	-22,656	-5,409	-17,246	> 200.00 %
Result for the period after taxes	**92,628**	**30,331**	**62,298**	**> 200.00 %**
Result attributable to shareholders of the parent company (Consolidated net result)	**92,630**	**30,325**	**62,306**	**> 200.00 %**
thereof from continued operation	92,630	30,325	62,306	> 200.00 %
Result attributable to non-controlling interest	-2	6	-8	-136.53 %
thereof from continued operation	-2	6	-8	-136.53 %

Other comprehensive income

	1-6/2021 Euro thousand	1-6/2020 Euro thousand	Changes Euro thousand	%
Result for the period after taxes	**92,628**	**30,331**	**62,298**	**> 200.00 %**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Fair value reserve - equity instruments (including deferred taxes)	-90	-1,964	1,874	-95.41 %
Revaluation of own credit risk (including deferred taxes)	-209	-13	-196	> 200.00 %
Total items that will not be reclassified to profit or loss	**-299**	**-1,978**	**1,679**	**-84.88 %**
Items that may be reclassified to profit or loss				
Fair value reserve - debt instruments (including deferred taxes)				
Change in fair value	-607	175	-782	< -200.00 %
Net amount transferred to profit or loss	-13	-9	-4	45.41 %
Change in deferred taxes arising from untaxed reserve	0	4	-4	-100.00 %
Change from companies measured at equity	1,404	-1,128	2,532	< -200.00 %
Total items that may be reclassified to profit or loss	**784**	**-958**	**1,742**	**-181.84 %**
Other comprehensive income total	**485**	**-2,936**	**3,421**	**-116.52 %**
Comprehensive income	**93,113**	**27,395**	**65,718**	**> 200.00 %**
Comprehensive income attributable to shareholders of the parent company	**93,123**	**27,389**	**65,734**	**> 200.00 %**
thereof from continued operation	93,123	27,389	65,734	> 200.00 %
Comprehensive income attributable to non-controlling interest	-10	6	-15	< -200.00 %
thereof from continued operation	-10	6	-15	< -200.00 %

Condensed statement of financial position as at 30 June 2021

	30 Jun 2021	31 Dec 2020	Changes	
	Euro thousand	Euro thousand	Euro thousand	%
ASSETS				
Liquid funds	6,982,458	3,943,760	3,038,698	77.05 %
Loans and receivables credit institutions	276,745	438,106	-161,361	-36.83 %
Loans and receivables customers	21,160,799	21,287,322	-126,523	-0.59 %
Assets held for trading	42,407	55,970	-13,563	-24.23 %
Financial investments	2,424,084	2,635,829	-211,745	-8.03 %
Investment property	39,166	40,977	-1,811	-4.42 %
Companies measured at equity	91,043	90,870	173	0.19 %
Participations	126,954	128,139	-1,185	-0.93 %
Intangible assets	2,156	2,591	-435	-16.78 %
Tangible assets	435,951	443,625	-7,675	-1.73 %
Tax assets	101,383	116,549	-15,167	-13.01 %
Current taxes	7,116	7,265	-149	-2.05 %
Deferred taxes	94,266	109,284	-15,018	-13.74 %
Other assets	137,231	178,481	-41,251	-23.11 %
Assets held for sale	2,084	8,044	-5,960	-74.09 %
TOTAL ASSETS	**31,822,459**	**29,370,265**	**2,452,194**	**8.35 %**
LIABILITIES				
Amounts owed to credit institutions	3,976,026	1,883,873	2,092,153	111.06 %
Amounts owed to customers	22,195,685	22,153,454	42,231	0.19 %
Debts evidenced by certificates	1,911,895	1,469,924	441,970	30.07 %
Lease liabillities	168,651	169,889	-1,238	-0.73 %
Liabilities held for trading	46,275	61,518	-15,243	-24.78 %
Provisions	225,651	231,660	-6,009	-2.59 %
Tax liabilities	25,012	25,425	-413	-1.63 %
Current taxes	21,336	21,899	-563	-2.57 %
Deferred taxes	3,676	3,526	150	4.25 %
Other liabilities	435,747	533,264	-97,516	-18.29 %
Liabilities held for sale	0	122	-122	-100.00 %
Subordinated liabilities	496,628	576,811	-80,183	-13.90 %
Total nominal value cooperative capital shares	3,092	4,041	-949	-23.49 %
Subscribed capital	287,417	288,487	-1,070	-0.37 %
Additional tier 1 capital	217,722	217,722	0	0.00 %
Reserves	1,830,631	1,751,967	78,664	4.49 %
Non-controlling interest	2,027	2,108	-81	-3.84 %
TOTAL LIABILITIES	**31,822,459**	**29,370,265**	**2,452,194**	**8.35 %**

Condensed changes in equity and cooperative capital shares

Euro thousand	Subscribed capital [1]	Additional tier 1 capital [3]	Capital reserves	Retained earnings and other reserves	Shareholders' equity	Non-controlling interest	Equity	Cooperative capital shares [2]	Equity and cooperative capital shares
As at 1 January 2020	**286,725**	**221,292**	**506,560**	**1,228,084**	**2,242,661**	**2,146**	**2,244,807**	**4,547**	**2,249,354**
Consolidated net income				30,325	30,325	6	30,331		30,331
Other comprehensive income	0	0	0	-2,936	-2,936	0	-2,936	0	-2,936
Comprehensive income	0	0	0	27,389	27,389	6	27,395	0	27,395
Dividends paid				-8,715	-8,715	-13	-8,728		-8,728
Change of capital	1,654	-3,570	1,916	0	0		0		0
Change in cooperative capital and participation capital				0	0		0	-830	-830
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation	0		11	15	26	-19	7	3	10
As at 30 June 2020	**288,379**	**217,722**	**508,487**	**1,246,773**	**2,261,362**	**2,119**	**2,263,481**	**3,721**	**2,267,202**
As at 1 January 2021	**288,487**	**217,722**	**509,355**	**1,242,612**	**2,258,176**	**2,108**	**2,260,284**	**4,041**	**2,264,325**
Consolidated net income				92,630	92,630	-2	92,628		92,628
Other comprehensive income	0	0	0	493	493	-7	485	0	485
Comprehensive income	0	0	0	93,123	93,123	-10	93,113	0	93,113
Dividends paid				-8,787	-8,787	-17	-8,804		-8,804
Changes scope of consolidation	-1,073		-3,715	-2,008	-6,796		-6,796	0	-6,796
Change in cooperative capital and participation capital				0	0		0	-950	-950
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation	3		1	50	54	-54	0	0	0
As at 30 June 2021	**287,417**	**217,722**	**505,641**	**1,324,990**	**2,335,770**	**2,027**	**2,337,797**	**3,092**	**2,340,889**

1) Subscribed capital incl. participation capital and cooperative capital shares, pursuant to IFRIC 2 eligible as equity.
2) Cooperative capital shares, pursuant to IFRIC 2 not eligible as equity.
3) AT1-capital is shown in Additional tier 1 capital.

Condensed cash flow statement

In euro thousand	1-6/2021	1-6/2020
Cash and cash equivalents at the end of previous period (= liquid funds)	3,923,432	2,051,384
Cash flow from operating activities	3,022,944	1,466,131
Cash flow from investing activities	116,412	-108,530
Cash flow from financing activities	-100,637	-19,603
Effect of currency translation	-21	205
Cash and cash equivalents at the end of period	6,962,130	3,389,587

Details to cash and cash equivalents are shown in note 4).

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Notes as at 30 June 2021

1) General Information and accounting principles

VOLKSBANK WIEN AG (VBW), which has its registered office at Dietrichgasse 25, 1030 Vienna, Austria, is the central organisation (CO) of the Austrian Volksbank sector. VBW has concluded a banking association agreement with the primary banks (Volksbanks, VB) in accordance with section 30a of the Austrian Banking Act (Bankwesengesetz, BWG). The purpose of this banking association agreement is to create a joint liability scheme between the primary sector institutions and to monitor and ensure compliance with the standards of the applicable regulatory provisions at association level. Section 30a (10) of the Austrian Banking Act requires an association's central organisation to have the right to issue instructions to the member credit institutions.

The interim financial statements as at 30 June 2021 are prepared in accordance with all the latest valid versions of the IFRS/IAS as at the reporting date, as published by the International Accounting Standards Board (IASB). The interim financial statements also comply with all interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and Standing Interpretations Committee (SIC), if adopted by the European Union in its endorsement process and additional requirements pursuant to section 245a of the Austria Commercial Code (Unternehmensgesetzbuch, UGB) and section 59a of the Austrian Banking Act.

Regarding the exceptions to the application of individual IFRS we refer to the Association’s financial statements as at 31 December 2020.

The Association of Volksbanks is required to comply with the regulatory provisions of Parts Two to Eight of Regulation (EU) No 575/2013 and section 39a of the Austrian Banking Act, on the basis of the consolidated financial position (section 30a (7) of the Austrian Banking Act). By letter dated 29 June 2016, the ECB granted unlimited approval of the Association of Volksbanks.

Under section 30a (7) of the Austrian Banking Act, the CO is required to prepare consolidated financial statements pursuant to sections 59 and 59a of the Austrian Banking Act for the Association of Volksbanks. The Association's financial statements are prepared according to IFRS rules. For full consolidation purposes, section 30a (8) of the Austrian Banking Act specifies that the CO is to be regarded as a higher-level institution, while each associated institution and, under certain conditions, each transferring legal entity, is to be treated as a subordinate institution.

In accordance with IFRS, a full consolidation only can take place if a company has full authority over decisions of the associated company, hence, it has the ability to influence returns on equity by its power of disposition (IFRS 10.6). The Association’s CO has the right to issue instructions but doesn’t receive returns from the member credit institutions; therefore, the CO has no control as defined by IFRS 10. The lack of an ultimate controlling parent company means that despite the CO's extensive powers to issue instructions, the consolidated accounts can only be drawn up by treating the Association of Volksbanks as a group of companies which are legally separate entities under unified control without a parent company. It was therefore necessary to define a set of rules for preparing the Association's financial statements.

The interim financial statements do not contain all information required for full annual financial statements and should therefore be read in conjunction with the consolidated financial statements as at 31 December 2020. The accounting policies estimates and assumptions on which these financial statements are based are the same as those used in the preparation of the consolidated financial statements as at 31 December 2020, with the exception of changes and amendments that are explained in the accounting principles.

These condensed consolidated interim financial statements fulfil the requirements of IAS 34 Interim Financial Reporting. They have not been reviewed by the statutory auditor.

The accounts have been prepared using the going concern assumption. The Association of Volksbanks consolidated financial statements are reported in euros, as this is the Association's functional currency. All figures are indicated in thousand of euro unless specified otherwise. The following tables may contain rounding differences.

Accounting principles for the Association

Initially applied standards and interpretations

Standard	Mandatory application	Significant effects on the Association
Amendments to standards and interpretations		
Amendments to References to the Conceptual Framework	01 Jan 2020	No
Amendments to IAS 1 and IAS 8: Definition of Material	01 Jan 2020	No
Amendments to IFRS 3 Business Combinations	01 Jan 2020	No
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	01 Jan 2020	No
Amendment to IFRS 16 Leases COVID-19-Related Rent Concessions	01 Jun 2020	No

Standards and interpretations to be applied in the future

Standard	Mandatory application	Significant effects on the Association
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interes Rate Benchmark Reform - Phase 2	01 Jan 2021	No
Amendments to IAS 37 - Provisions, Contingent Liabilities Contingent Asset	01 Jan 2022	No
Annual Improvements 2018 - 2020	01 Jan 2022	No
Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use	01 Jan 2022	No
Amendments to IFRS 3 - Reference to Conceptual Framework	01 Jan 2022	No
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	01 Jan 2023	No
IFRS 17 - Insurance Contracts	01 Jan 2023	No
Amendments to IAS 1 Disclosure of Accounting Policies	01 Jan 2023	No
Amendments to IAS 8 Definition of Accounting Estimates	01 Jan 2023	No
Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01 Jan 2023	No
Amendments to IFRS 10 and IAS 28: Sales or Contributions of Assets between an Investor and its Associate/Joint Venture	open	No

Accounting and valuation methods regarding COVID-19

In the first half of 2021, a below-average default intensity was observed for loans within the Association of Volksbanks. The reduction of the NPL portfolio (Stage 3) was continued. The risk assessments of the Association of Voklsbanks for customers in the performing segment (Stage 1 and 2) remain cautious, as uncertainties associated with the gradual decline in government support measures (subsidies, tax deferrals, etc.) have not yet been fully eliminated at the reporting date of 30 June 2021.

Impairment Stages 1 and 2 before post-model adjustments

In the performing segment, allocations to risk provisions and provisions in the amount of euro 9.5 million were made in the first half of 2021. This is primarily due to the Stage 2 transfers and rating downgrades that were recorded in the system during the finalisation of the COVID-19-risk reviews and rating updates in the first half of 2021. This development is in line with the Association's expectations and has already been taken into account as part of the post-model adjustments (PMAs) as at 31 December 2020, which essentially only results in a shift.

Post-model adjustments Stages 1 and 2

After peaking at euro 93.3 million as at 31 December 2020, the post-model adjustments were reduced by euro 25.7 million in the first half of 2021. The main reason for this was that these provisions could be reclassified into the bank's standard risk model due to the improved situation regarding information.

This reduction affects provisions formed for:

- Imminent but not yet recognised defaults
- Non-updated ratings
- Unrecognised stage transfers

Immediately imminent, but not yet recognised defaults

The PMAs for not yet recognised defaults were reduced by euro 9.2 million to euro 62.4 million as at 30 June 2021. In addition to the customers that have since defaulted and the customers that are no longer in the portfolio, the PMAs for uncertainties in connection with the new default definition under CRR (in use since 1 January 2021) were also released at this point.

Non-updated ratings

The PMAs for customers who do not yet have updated ratings taking into account the economic crisis were reduced by euro 7.8 million to euro 2.0 million in the first half of 2021. This was due to the fact that around 80 % of the customers affected had their ratings updated in the first half of 2021. The PMAs that remain open primarily concern smaller business customers with cash basis accounting.

Unrecognised stage transfers

The PMAs for not yet recognised Stage 2 transfers were reduced by euro 8.7 million to euro 3.2 million in the first half of 2021. This release primarily concerned customers who had already undergone a Stage 2 transfer or a rating update. The PMAs that remain open predominantly relate to private customers rated with a conduct rating.

Impairments Stage 3

The below-average default intensity of 2020 continued in the first half of 2021. At the same time, exposures already in default were successfully restructured or realised, resulting in a total net income in the amount of euro 13.8 million from the NPL area. In addition, extraordinary income from receivables already written off in the amount of euro 3.3 million was taken into account.

Please refer to Note 51) Risk Report b) Credit Risk of the Annual Report as at 31 December 2020 for the accounting policies related to COVID-19 (impairments and post-model adjustments).

2) Presentation and changes in the scope of consolidation

On 30 April 2021 Volksbank Vorarlberg e. Gen. signed the sale and purchase agreement regarding the sale of all participations in its subsidiary LB25 Immo GmbH & Co KG (formerly VVB Immo GmbH & Co KG). The closing took place retrospectively on 01 January 2021.

Euro thousand	
Assets proportional	4,071
Liabilities proportional	4,067
Disposal of net assets proportional	**-5**
Revenue proportional	55
Deconsolidation result	**50**

Participation right of the federal government's participation right

The federal government's participation right was issued for the purpose of meeting those commitments made by the EU Commission to the federal government for the purpose of obtaining approval of the reorganisation under the funding guidelines. The participation right was issued by VB Rückzahlungsgesellschaft mbH (RZG), a direct subsidiary of VBW.

Distributions of RZG based on the federal government's participation right are subject to the disposition of VBW as sole shareholder of RZG. No claim for profit shares exists under the federal government's participation right. In that context, shareholders of VBW have transferred VBW shares (at a rate of 25 % of the share capital plus 1 share) to the federal government without consideration. The transfer of the shares to the federal government was effected on 28 January 2016. The federal government is obliged to transfer these shares back to the respective shareholders without consideration, as soon as the aggregate amount of distributions received by the federal government under the participation right and certain other creditable amounts reaches a certain level. Should the distributions under the federal government's participation right, as received by the federal government on contractually determined effective dates, fail to reach certain minimum amounts agreed (disposition event), taking account of certain creditable amounts (such as any distributions on the shares held by the federal government in VBW), then the federal government shall be entitled to freely dispose of these shares without any further consideration and to claim additional ordinary shares of VBW from the VBW shareholders, in the amount of 8 % of the share capital of VBW without any further consideration. Therefore, if the disposition event occurs, up to 33 % plus 1 share of the VBW shares may transfer to the (legal and beneficial) ownership of the federal government, and the latter would be able to freely dispose of these holding of shares (subject to the pre-emptive right granted). In case that the pre-emptive right granted by the federal government is exercised by a purchaser nominated by VBW and that a minimum threshold for the sum of the distributions in respect of the federal government's participation right and of the creditable amounts is missed again, the shareholders of VBW have undertaken to transfer to the federal government additional ordinary shares of VBW in the amount of the VBW shares previously transferred to the federal government and acquired by the purchaser nominated by VBW, with immediate unrestricted power of disposition of the federal government.

According to its contractual obligations towards the federal government, VBW must submit to the Volksbanks a proposal for the total amount to be distributed with respect to the federal government's participation right by RZG in the subsequent calendar year and for the total amount of the primary banks' contributions required for this purpose (indirect contributions of the Volksbanks and direct contribution of VBW to RZG) by 30 November of each year. VBW is charged according to the share of its retail segment in the Association of Volksbanks (total assets UGB/BWG). Of the total repayment amount of euro 300 million that was promised to the federal government, euro 76 million have been repaid as at 30 June 2021. The threshold of euro 75 million as at 31 December 2019 was reached ahead of schedule.

The next threshold as at 31 December 2021 amounts to euro 200 million. The decision on the amount of payment to be made on the federal government’s participation right by 31 December 2021, will be made during the second half of 2021 business year.

Since the shareholders – essentially VB – retain beneficial ownership of the shares until a "control event" (Verfügungsfall) occurs, the shares were not de-recognised. In the Association's financial statements, these shares in VBW therefore continue to be offset against the equity of VBW during capital consolidation.

3) Notes to the income statement

Net interest income

Euro thousand	1-6/2021	1-6/2020
Interest and similar income from	245,042	254,337
Deposits from credit institutions (incl. central banks)	11,542	0
Credit and money market transactions with credit institutions	2,318	883
Credit and money market transactions with customers	211,516	228,228
Fixed-income securities	16,854	20,004
Derivative instruments	2,812	5,222
Interest and similar expenses for	-46,682	-43,444
Liquid funds	-6,519	-650
Deposits from credit institutions	-2,008	-2,025
Deposits from customers	-4,328	-6,339
Debts evidenced by certificates	-9,049	-8,422
Subordinated liabilities	-7,430	-7,922
Derivative instruments	-11,620	-14,204
Lease liabilities	-1,367	-1,700
Valuation result - modification	-4,331	-2,204
Valuation result - derecognition	-30	24
Net interest income	**198,361**	**210,893**

Net interest income according to IFRS 9 categories

Euro thousand	1-6/2021	1-6/2020
Interest and similar income from	245,042	254,337
Financial assets measured at amortised cost	238,864	244,554
Financial assets measured at fair value through OCI	606	1,454
Financial assets measured at fair value through profit or loss - obligatory	2,759	3,108
Derivative instruments	2,812	5,222
Interest and similar expenses for	-46,682	-43,444
Financial liabilities measured at amortised cost	-29,575	-25,521
Financial liabilities measured at fair value through OCI	0	0
Financial liabilities measured at fair value through profit or loss - designated	-1,126	-1,538
Derivative instruments	-11,620	-14,204
Valuation result - modification	-4,331	-2,204
Valuation result - derecognition	-30	24
Net interest income	**198,361**	**210,893**

Due to the trend of money market interest rates towards negative reference rates, interest income of euro 12.393 thousand (1-6/2020: euro 452 thousand) and interest expenses of euro 7,376 thousand (1-6/2020: euro 1,635 thousand) were realised in the first half of 2021. Negative interest income is reported in interest expenses and negative interest expenses are reported in interest income, so that all results are shown gross.

Interest and similar income from financial assets measured at amortised cost and measured at fair value through OCI in the amount of euro 227,929 thousand (1-6/2020: euro 246,008 thousand) is calculated by using the effective interest rate method.

Risk provision

Euro thousand	1-6/2021	1-6/2020
Changes in risk provision	26,960	-48,266
Changes in provision for risks	2,444	-22
Direct write-offs of loans and receivables	-950	-5,235
Income from loans and receivables previously written off	3,306	4,936
Valuation result modification / derecognition	-49	-156
Risk provision	**31,711**	**-48,744**

Net fee and commission income

Euro thousand	1-6/2021	1-6/2020
Fee and commission income	140,919	131,874
Lending business	13,811	12,020
Securities and custody business	49,325	41,716
Payment transactions	53,977	56,886
Foreign exchange, foreign notes and coins and precious metals transactions	747	686
Financial guarantees	3,613	3,646
Other services	19,445	16,919
Fee and commission expenses	-13,038	-14,487
Lending business	-2,889	-3,564
Securities and custody business	-4,820	-5,186
Payment transactions	-5,130	-5,321
Financial guarantees	-58	-210
Other services	-141	-205
Net fee and commission income	**127,880**	**117,387**

Net fee and commission income include management fees for trust agreements in the amount of euro 153 thousand (1-6/2020: euro 147 thousand).

Net trading income

Euro thousand	1-6/2021	1-6/2020
Equity related transactions	-10	-7
Exchange rate related transactions	1,965	1,791
Interest rate related transactions	-4,021	442
Net trading income	**-2,066**	**2,227**

Result from financial instruments and investment properties

Euro thousand	1-6/2021	1-6/2020
Other results from financial instruments	**12,309**	**-17,622**
Result from financial investments and other financial assets and liabilities measured at fair value through profit or loss	18,958	-19,015
Valuation measured at fair value through profit or loss - obligatory	13,993	-17,135
Loans and receivables credit institutions and customers	2,470	-6,766
Securities	926	662
Result from other derivative instruments	11,663	-9,751
Result from fair value hedge	-1,066	-1,280
Valuation measured at fair value through profit or loss - designated	4,182	-2,284
Debts evidenced by certificates	4,182	-2,284
Income from equities and other variable-yield securities	783	404
Result of financial investments and other financial assets and liabilities measured at amortised cost	-7,862	-1
Realised gains from disposal	62	77
Realised losses from disposal	-7,924	-78
Result from financial investments and other financial assets and liabilities measured at fair value through OCI	1,213	1,394
Realised gains from disposal	14	10
Realised losses from disposal	-1	-1
Income from participations	1,200	1,385
Result from investment properties	**1,403**	**1,415**
Income from investment properties and operating lease	1,329	1,421
Valuation investment properties	74	-6
Result from financial instruments and investment properties	**13,712**	**-16,207**

VBW, as the central organisation of the Association of Volksbanks, has offered VB Regio Invest AG (formerly Volksbank-Quadrat Bank AG, “VB Regio”) the shares it holds in VB Regio Invest AG participation certificates (ISIN AT0000A015R4) for repurchase in accordance with the repurchase memorandum dated 12 April 2021. VB Regio accepted this offer under the value date of 26 May 2021, and the participation certificates were transferred to VB Regio with the same value date against payment of the repurchase price.

This results in a change in the result from financial instruments and investment properties in the amount of euro 2,000 thousand.

Other operating result

Euro thousand	1-6/2021	1-6/2020
Other operating income	9,924	40,622
Other operating expenses	-7,078	-8,087
Deconsolidation result from consolidated affiliates	50	-267
Taxes and levies on banking business	-2,168	-2,374
Other operating result	**728**	**29,893**

Taxes and levies on banking issues include the bank levy in the amount of euro -1,487 thousand (1-6/2020: euro -1,702 thousand).

Detailed description of other operating income and other operating expenses

Euro thousand	1-6/2021	1-6/2020
Income from allocation of costs	628	1,574
Realised gains from disposal of fixed assets and security properties	1,327	33,175
Rental and leasing income	2,127	2,917
Others	5,842	2,957
Other operating income	**9,924**	**40,622**

Euro thousand	1-6/2021	1-6/2020
Allocation of costs	-2,049	-2,031
Realised losses from disposal of fixed assets and security properties	-260	-1,092
Allocation/release of provision for negative interest	291	1,373
Allocation/release of provision for legal risks	-432	-2,649
Others	-4,628	-3,688
Other operating income	**-7,078**	**-8,087**

General administrative expenses

Euro thousand	1-6/2021	1-6/2020
Staff expenses	-145,452	-152,441
Wages and salaries	-108,604	-114,445
Expenses for statutory social security	-28,956	-30,021
Fringe benefits	-1,652	-1,865
Expenses for retirement benefits	-3,187	-3,484
Allocation to provision for severance payments and pension funds	-3,053	-2,628
Administrative expenses	-93,701	-91,128
Office space expenses	-7,532	-7,487
Office supplies and communication expenses	-2,732	-3,104
Advertising, PR and promotional expenses	-5,595	-6,334
Legal, advisory and consulting expenses	-11,391	-10,946
IT expenses	-37,450	-36,493
Contribution to the deposit guarantee	-14,373	-12,650
Single Resolution Fund	-7,803	-6,866
Other administrative expenses (including training expenses)	-6,824	-7,248
Depreciation and reversal of impairment	-14,658	-16,284
Depreciation	-10,583	-11,964
Right of use - lease depreciation	-4,075	-4,320
General administrative expenses	**-253,811**	**-259,853**

Income taxes

In the first half of the 2021 business year deferred tax assets for tax loss carryforwards in the amount of euro 4,260 thousand were recongised (1-6/2020: euro -2,400 thousand).

4) Notes to the consolidated statement of financial positions

Liquid funds

Euro thousand	30 Jun 2021	31 Dec 2020
Cash in hand	190,678	193,366
Balances with central banks	6,791,780	3,750,394
Liquid funds	**6,982,458**	**3,943,760**

Despite its comfortable liquidity position, VBW has again decided to participate in the TLTRO III-facility to provide additional liquidity and to support lending to the real economy. Therefore VBW participated in the June 2021 tranche 8 of the TLTRO III-programme with euro 2 billion on behalf of the association of credit institutions. As at 30 June 2021, outstanding borrowings under the third series of the European Central Bank's (ECB) Targeted Longer-Term Refinancing Operations Programme (TLTRO III) amount to euro 3.5 billion, compared to euro 1.5 billion as at 31 December 2020.

The liabilities were recognised at VBW as amounts owed to credit institutions in accordance with IFRS 9 and carried at amortised cost. On the one hand, this classification is based on the fact that TLTRO instruments have meanwhile established themselves as a refinancing market in their own right due to their long-term or regular availability and, on the other hand, that their significant volume has an impact on pricing in the secured refinancing market. VBW has therefore come to the conclusion that the terms and conditions of the TLTRO III-programme do not offer any significant advantage compared to the market, which is why IAS 20 is not applicable, even if the ECB were to be classified as a government organisation, which has also not yet been conclusively clarified.

VBW considers the TLTRO III-instruments to have a fundamentally variable interest rate, as both the underlying reference rate and the premiums are subject to ongoing adjustments by the ECB. In December 2020, for example, the ECB decided to extend the special interest rate conditions for the period between 24 June 2021 and 23 June 2022 for those banks that achieve sufficient loan volumes in an additional reference period between 1 October 2020 and 31 December 2021.

VBW was able to achieve sufficient loan volumes in the reference period between 1 March 2020 and 31 March 2021 (the first Special Interest Rate Period or SIRP) and, as a result, the interest rate on all outstanding TLTRO III-transactions in the period between 24 June 2020 and 23 June 2021 was 50 basis points lower than the average interest rate on the ECB's deposit facility in the same period, but in any case no higher than -1 %.

In order to qualify for the special interest rate of 50 basis points for the period from 24 June 2021 to 23 June 2022 (second SIRP), the outstanding balance of the defined loan portfolio as of 30 September 2020 must be exceeded as at 31 December 2021. As at 30 June 2021, the outstanding balance of the defined loan portfolio in the association of credit institutions was within the planned target corridor, but the fluctuations in the loan volume observed in the past during the reference periods have shown that there is not sufficient certainty at this point in time that VBW will be able to generate the special interest rate of 50 basis points. VBW has therefore been accruing interest on the outstanding amount of euro 3.5 billion since 24 June 2021 over the remaining term of the refinancing at the deposit facility rate of currently -0.5 %.

For the TLTRO III-volume raised (euro 1.5 billion until 23 June 2021 and euro 2.0 billion from 24 June 2021), a total of euro 15.5 million was accrued in the first half of the year and recognised as negative interest expense.

If it is determined by 31 December 2021 that VBW has met the lending targets for the second SIRP, VBW would adjust the interest rate and apply the more favourable rate for the period beginning on 24 June 2021.

Transition from liquid funds to cash and cash equivalents

Euro thousand	30 Jun 2021	31 Dec 2020
Liquid funds	6,982,458	3,943,760
Restricted cash and cash equivalents	-20,328	-20,328
Cash and cash equivalents	**6,962,130**	**3,923,432**

Due to contractual obligations within the Association of Volksbanks, cash and cash equivalents are subject to restrictions. Mentioned cash and cash equivalents are allocated to a trust fund (Leistungsfonds) which serves the purpose of performing the services within the scope of joint liability scheme under the association agreement. This trust fund was set up in the second half of 2016. In doing so, a target allocation amount was determined that must be achieved over a period of five years. VBW as CO manages this fund in trust. The amount reported shows the balance of the trust fund in the particular reporting period.

Loans and receivables credit institutions and customers

Euro thousand	30 Jun 2021	31 Dec 2020
Loans and receivables credit institutions		
Amortised cost	276,651	437,725
Fair value through profit or loss	119	419
Gross carrying amount	276,770	438,144
Risk provisions	-25	-38
Net carrying amount	**276,745**	**438,106**
Loans and receivables customers		
Amortised cost	21,134,622	21,254,202
Fair value through profit or loss	356,218	397,077
Gross carrying amount	21,490,839	21,651,279
Risk provisions	-330,040	-363,957
Net carrying amount	**21,160,799**	**21,287,322**
Loans and receivables credit institutions and customers	**21,437,544**	**21,725,429**

Sensitivity analysis

Loans and receivables credit institutions and customers measured at fair value through profit or loss

The following table shows the changes in fair value after adjustment of input factors:

Loans and receivables credit institutions
30 Jun 2021

Euro thousand	Positive change in fair value	Negative change in fair value
Change in risk markup +/- 10 bp	0	0
Change in risk markup +/- 100 bp	1	-1
Change in rating 1 stage down / up	0	0
Change in rating 2 stages down / up	0	0

Loans and receivables credit institutions
31 Dec 2020

Euro thousand	Positive change in fair value	Negative change in fair value
Change in risk markup +/- 10 bp	1	-1
Change in risk markup +/- 100 bp	9	-8
Change in rating 1 stage down / up	0	0
Change in rating 2 stages down / up	0	-1

Loans and receivables customers
30 Jun 2021

Euro thousand	Positive change in fair value	Negative change in fair value
Change in risk markup +/- 10 bp	1,867	-1,869
Change in risk markup +/- 100 bp	20,089	-18,123
Change in rating 1 stage down / up	244	-343
Change in rating 2 stages down / up	383	-863

Loans and receivables customers
31 Dec 2020

Euro thousand	Positive change in fair value	Negative change in fair value
Change in risk markup +/- 10 bp	2,064	-2,065
Change in risk markup +/- 100 bp	22,120	-20,022
Change in rating 1 stage down / up	215	-340
Change in rating 2 stages down / up	355	-857

Risk provision

The following table shows the development of risk provisions for loans to and receivables from credit institutions as well as from customers including finance lease, financial instruments measured at amortised cost and financial instruments measured at fair value through OCI.

Euro thousand	Loan loss provision - Stage 1	Loan loss provision - Stage 2	Loan loss provision - Stage 3	Total
As at 01 Jan 2020	21,195	48,004	217,495	286,694
Increases due to origination and acquisition	1,873	711	1,311	3,895
Decreases due to derecognition	-728	-2,059	-3,782	-6,570
Changes due to change in credit risk	-3,596	8,866	-6,122	-852
Post-Model Adjustment	47,217	0	5,640	52,857
Decrease in allowance account due to write-offs	0	0	-16,174	-16,174
Other adjustments	498	-2,165	1,871	204
As at 30 Jun 2020	**66,458**	**53,357**	**200,239**	**320,054**
As at 01 Jan 2021	79,728	97,099	187,968	364,795
Increases due to origination and acquisition	2,110	1,539	517	4,167
Decreases due to derecognition	-1,260	-3,209	-4,557	-9,027
Changes due to change in credit risk	-5,107	13,332	-5,817	2,407
Thereof transfer to stage 1	2,149	-2,112	-37	
Thereof transfer to stage 2	-3,937	4,406	-469	
Thereof transfer to stage 3	-11	-1,760	1,771	
Post-Model Adjustment	-13,351	-10,043	61	-23,333
Decrease in allowance account due to write-offs	0	0	-8,463	-8,463
Other adjustments	-384	-1,750	2,114	-21
As at 30 Jun 2021	**61,735**	**96,967**	**171,822**	**330,525**

Assets held for trading

Euro thousand	30 Jun 2021	31 Dec 2020
Fixed-income securities	1,209	1,697
Equities and other variable-yield securities	2	0
Positive fair values of derivative instruments	41,196	54,273
Exchange rate related transactions	28	28
Interest rate related transactions	41,168	54,245
Assets held for trading	**42,407**	**55,970**

VBW as the CO maintains a trading book. The volume of the trading book as at 30 Jun 2021 amounts to euro 1,350,857 thousand (2020: euro 1,677,450 thousand).

Financial investments

Euro thousand	30 Jun 2021	31 Dec 2020
Financial investments		
Amortised cost	2,336,714	2,455,531
Fair value through OCI	81,310	72,107
Fair value through profit or loss	6,511	108,981
Gross carrying amount	2,424,535	2,636,620
Risk provision	-451	-791
Net carrying amount	**2,424,084**	**2,635,829**

Participations

Euro thousand	30 Jun 2021	31 Dec 2020
Investments in unconsolidated affiliates	14,211	15,708
Investments in companies with participating interest	6,802	6,806
Investments in other companies	105,941	105,625
Participations	**126,954**	**128,139**

All participations are valued at fair value through OCI

Sensitivity analysis

Participations measured by using the DCF method

Euro thousand		Interest rate		
30 Jun 2021		**-0.50 %**	**Actual**	**0.50 %**
	-10.00 %	15,362	14,621	13,968
Income component	**Actual**	16,855	**15,818**	15,289
	10.00 %	18,348	17,439	16,625
31 Dec 2020		**-0.50 %**	**Actual**	**0.50 %**
	-10.00 %	15,164	14,399	13,717
Income component	**Actual**	16,654	**15,548**	15,046
	10.00 %	18,144	17,208	16,375

Participations measured by net assets

Euro thousand	Proportional market value		
30 Jun 2021	**If assumption is decreased**	**Actual**	**If assumptions is increased**
Net assets (10 % change)	15,945	**17,487**	19,488
31 Dec 2020	**If assumption is decreased**	**Actual**	**If assumptions is increased**
Net assets (10 % change)	15,656	**17,199**	19,135

Participations measured based on external appraisals

Euro thousand			
30 Jun 2021	**Lower band**	**Actual**	**Upper band**
Proportional market value	77,874	**86,417**	95,051
31 Dec 2020	**Lower band**	**Actual**	**Upper band**
Proportional market value	79,203	**88,114**	97,021

Other assets

Euro thousand	30 Jun 2021	31 Dec 2020
Deferred items	8,760	3,391
Other receivables and assets	46,625	59,287
Positive fair values of derivative instruments	81,846	115,803
Other assets	**137,231**	**178,481**

Assets held for sale

This position includes all assets held for sale in accordance with IFRS 5. The amount consists of the following:

Euro thousand	30 Jun 2021	31 Dec 2020
Loans and receivables credit institutions	0	21
Investment property	1,534	4,344
Tangible assets	550	3,361
Other assets	0	318
Assets held for sale	**2,084**	**8,044**

Amounts owed to credit institutions

Euro thousand	30 Jun 2021	31 Dec 2020
Central banks	3,728,004	1,588,920
Other credit institutions	248,022	294,953
Amounts owed to credit institutions	**3,976,026**	**1,883,873**

Amounts owed to credit institutions are measured at amortised cost.

Amounts owed to customers

Euro thousand	30 Jun 2021	31 Dec 2020
Savings deposits	7,348,533	7,618,074
Other deposits	14,847,152	14,535,380
Amounts owed to customers	**22,195,685**	**22,153,454**

Amounts owed to customers are measured at amortised cost.

Debts evidenced by certificates

Euro thousand	30 Jun 2021	31 Dec 2020
Bonds	1,899,200	1,442,836
Amortised cost	1,823,025	1,352,961
Fair value through profit or loss - designated	76,175	89,875
Medium-term notes	8,728	11,758
Others	3,967	15,330
Debts evidenced by certificates	**1,911,895**	**1,469,924**

Medium-term notes and other debts evidenced by certificates are measured at amortised cost.

On 23 March 2021, Volksbank Wien AG issued a senior non-preferred bond with a volume of euro 500 million and a term of 5 years with a fixed interest rate of 0.875 %.

Liabilities held for trading

Euro thousand	30 Jun 2021	31 Dec 2020
Negative fair values of derivative instruments		
Exchange rate related transactions	2	1
Interest rate related transactions	46,274	61,517
Liabilities held for trading	**46,275**	**61,518**

Provisions

Euro thousand	30 Jun 2021	31 Dec 2020
Provisions for post-employment benefits	177,560	180,036
Provisions for off-balance and other risks	28,059	30,519
Stage 1	9,697	11,769
Stage 2	11,810	11,397
Stage 3	6,552	7,353
Other provisions	20,032	21,105
Provisions	**225,651**	**231,660**

Other liabilities

Euro thousand	30 Jun 2021	31 Dec 2020
Deferred items	2,110	1,627
Other liabilities	141,664	88,867
Negative fair values of derivative instruments	291,973	442,770
Other liabilities	**435,747**	**533,264**

Liabilities held for sale

This position consists of liabilities intnded for sale according to IFRS 5. The amount is composed as follows:

Euro thousand	30 Jun 2021	31 Dec 2020
Other liabilities	0	122
Liabilities held for sale	**0**	**122**

Subordinated liabilities

Euro thousand	30 Jun 2021	31 Dec 2020
Subordinated capital	486,276	501,819
Supplementary capital	10,352	74,991
Subordinated liabilities	**496,628**	**576,811**

The subordinated liabilities are measured at cost.

Equity

The following table shows the breackdown and developement of the retained earnings and other reserves:

Euro thousand	Retained earnings	Other reserves: IAS 19 reserve	Revaluation reserve	Fair value reserve - equity instruments	Fair value reserve - debt instruments	Own credit risk reserve	Retained earnings and other reserves
As at 1 Jan 2020	**2,198,910**	**-55,358**	**2,234**	**-920,600**	**798**	**2,100**	**1,228,084**
Consolidated net income	30,325						30,325
Other comprehensive income	4			-3,093	166	-13	-2,936
Dividends paid	-8,715						-8,715
Reclassification fair value reserve due to sale	-1,958			1,958			
Changes due to reclassification shown under non-controlling interest, capital increases and deconsolidation	15						15
As at 30 Jun 2020	**2,218,581**	**-55,358**	**2,234**	**-921,735**	**964**	**2,087**	**1,246,773**
As at 1 Jan 2021	**2,196,789**	**-39,409**	**2,234**	**-920,060**	**1,063**	**1,994**	**1,242,612**
Consolidated net income	92,630						92,630
Other comprehensive income	0	7		1,314	-620	-209	493
Dividends paid	-8,787						-8,787
Changes scope of consolidation	-2,008						-2,008
Reclassification fair value reserve due to sale	620			-620			
Changes due to reclassification shown under non-controlling interest, capital increases and deconsolidation	119	-68					50
As at 30 Jun 2021	**2,279,364**	**-39,470**	**2,234**	**-919,367**	**443**	**1,785**	**1,324,990**

5) Own funds

The own funds of the Association of Volksbanks, calculated pursuant to CRR, can be broken down as follows

Euro thousand	30 Jun 2021	31 Dec 2020
Common tier I capital: Instruments and reserves		
Capital instruments including share premium accounts	777,270	782,055
Retained earnings	1,630,804	1,402,016
Accumulated other comprehensive income (and other reserves)	-398,302	-165,543
Amount of capital instruments subject to phase out from CET1	7,238	1,259
Common tier I capital before regulatory adjustments	2,017,010	2,019,787
Common tier I capital: regulatory adjustments		
Regulatory value adjustments	0	0
Intangible assets (net of related tax liability)	-2,156	-2,591
Value adjustments due to the requirement for prudent valuation	-1,110	-1,473
Other foreseeable tax charges	-219	0
Regulatory adjustments - transitional provisions	82,701	100,135
Adjustments to be made due to transitional regulations under IFRS 9	82,701	100,135
Qualifying AT1 deductions that exceeds the AT1 capital of the institution	0	0
Additional CET1 deductions pursuant to article 3 CRR	-119,827	-113,509
Total regulatory adjustments	-40,611	-17,438
Common equity tier I capital - CET1	**1,976,399**	**2,002,349**
Additional tier I capital: instruments		
Capital instruments including share premium accounts	220,000	220,000
Additional tier I capital before regulatory adjustments	220,000	220,000
Additional tier I capital: regulatory adjustments		
Total regulatory adjustments	0	0
Additional tier I capital - AT1	**220,000**	**220,000**
Tier I capital (CET1 + AT1)	**2,196,399**	**2,222,349**
Tier II capital - instruments and provisions		
Capital instruments including share premium accounts	445,603	456,144
Capital instruments subject to phase out from tier II	34,098	37,998
Tier II capital before regulatory adjustments	479,700	494,142
Tier II capital: regulatory adjustments		
Total regulatory adjustments	0	0
Tier II capital - T2	**479,700**	**494,142**
Own funds total - TC (T1 + T2)	**2,676,099**	**2,716,491**

Common equity tier I capital ratio	14.45 %	14.13 %
Tier I capital ratio	16.06 %	15.68 %
Equity ratio	19.57 %	19.16 %
each in relation to total risk exposure amount		

The risk-weighted amounts as defined in CRR can be broken down as follows

Euro thousand	30 Jun 2021	31 Dec 2020
Risk weighted exposure amount - credit risk	12,449,589	12,903,051
Total risk exposure amount - settlement risk	7	0
Total risk exposure amount for position, foreign exchange and commodities risks	30,397	37,895
Total risk exposure amount for operational risk	1,183,415	1,183,790
Total risk exposure amount for credit valuation adjustment (cva)	11,044	49,981
Total risk exposure amount	**13,674,453**	**14,174,717**

The following table shows the own funds of the Association of Volksbanks pursuant to CRR - fully loaded

Euro thousand	30 Jun 2021	31 Dec 2020
Common tier I capital: Instruments and reserves		
Capital instruments including share premium accounts	777,270	782,055
Retained earnings	1,630,804	1,402,016
Accumulated other comprehensive income (and other reserves)	-398,302	-165,543
Common tier I capital before regulatory adjustments	2,009,772	2,018,528
Common tier I capital: regulatory adjustments		
Regulatory value adjustments	0	0
Goodwill (net of related tax liability)	0	0
Intangible assets (net of related tax liability)	-2,156	-2,591
Value adjustments due to the requirement for prudent valuation	-1,110	-1,473
Other foreseeable tax charges	-219	0
Additional CET1 deductions pursuant to article 3 CRR	-119,827	-113,509
Total regulatory adjustments	-123,312	-117,573
Common equity tier I capital - CET1	**1,886,460**	**1,900,955**
Additional tier I capital: instruments		
Capital instruments including share premium accounts	220,000	220,000
Additional tier I capital before regulatory adjustments	220,000	220,000
Additional tier I capital: regulatory adjustments		
Total regulatory adjustments	0	0
Additional tier I capital - AT1	**220,000**	**220,000**
Tier I capital (CET1 + AT1)	**2,106,460**	**2,120,955**
Tier II capital - instruments and provisions		
Capital instruments including share premium accounts	450,015	456,827
Tier II capital before regulatory adjustments	450,015	456,827
Tier II capital: regulatory adjustments		
Total regulatory adjustments	0	0
Tier II capital - T2	**450,015**	**456,827**
Own funds total - TC (T1 + T2)	**2,556,476**	**2,577,782**
Common equity tier I capital ratio	13.86 %	13.48 %
Tier I capital ratio	15.48 %	15.04 %
Equity ratio	18.78 %	18.28 %
each in relation to total risk exposure amount		

The risk-weighted amounts as defined in CRR can be broken down as follows

Euro thousand	30 Jun 2021	31 Dec 2020
Risk weighted exposure amount - credit risk	12,385,897	12,832,077
Total risk exposure amount - settlement risk	7	0
Total risk exposure amount for position, foreign exchange and commodities risks	30,397	37,895
Total risk exposure amount for operational risk	1,183,415	1,183,790
Total risk exposure amount for credit valuation adjustment (cva)	11,044	49,981
Total risk exposure amount	**13,610,760**	**14,103,742**

VBW has concluded a banking association agreement with the Volksbanks in accordance with section 30a of the Austrian Banking Act. The purpose of this banking association agreement is to create a joint liability scheme between the primary sector institutions and to monitor and ensure compliance with the standards of the Austrian Banking Act at association level. According to article 10 CRR in conjunction with article 11 (4) CRR the CO must comply with the CRR´s own funds requirements based on the consolidated overall position of the CO and its affiliated institutions. The own funds of the Association of Volksbanks are calculated by aggregating VBW's own funds and those of the member institutions. When aggregating the included companies investments in Volksbanks and VBW, the aggregated carrying amounts of the investments are deducted from the aggregated equity components. Superior financial holding companies and holding companies, provided they fulfil the requirements of section 30a of the Austrian Banking Act, are also added and participations in these deducted. The aggregation as a group of companies which are legally separate entities, but under unified control without a parent company, means that the capital consolidation does not result in any minority interests. Subordinated companies are included in accordance with the method described below.

According to CRR, companies in the financial sector that are under the control of the parent or where the Group holds a majority of shares are fully consolidated. The carrying amount of institutions, financial institutions and subsidiaries providing bankingrelated auxiliary services that are controlled by the parent but not significant for the presentation of the group of credit institutions according to article 19 (1) of CRR is deducted from own funds. Subsidiaries which are managed jointly with non-Group companies are proportionately consolidated. Investments in companies in the financial sector with a share of between 10 % and 50 % that are not jointly managed are also deducted from own funds unless they are voluntarily consolidated on a pro rata basis. Investments in companies in the financial sector of less than 10 % are deducted from own funds considering the eligibility according to article 46 CRR. All other participations are included in the assessment base at their carrying amounts.

All credit institutions under control or where the Group holds a majority of shares either direct or indirect are considered in the scope of consolidation according to CRR.

In the first half of 2021, no substantial, practical or legal obstacles existed which would have prevented the transfer of equity or the repayment of liabilities between the parent institution and institutions subordinated to the former.

6) Financial assets and liabilities

The table below shows financial assets and liabilities in accordance with their individual categories and their fair values

Euro thousand	Amortised cost	Fair value through OCI	Fair value through profit or loss	Carrying amount - total	Fair value
30 Jun 2021					
Liquid funds	6,982,458	0	0	6,982,458	6,982,458
Loans and receivables credit institution (gross)	276,651	0	119	276,770	
Loans and receivables credit institutions less individual loan loss provision	276,651	0	119	276,770	276,221
Loans and receivables customers (gross)	21,134,622	0	356,218	21,490,839	
Individual loan loss provision	-171,822	0	0	-171,822	
Loans and receivables customers less individual loan loss provision	20,962,800	0	356,218	21,319,017	22,204,822
Assets held for trading	0	0	42,407	42,407	42,407
Financial investments (gross)	2,336,714	81,310	6,511	2,424,535	
Financial investments less individual loan loss provision	2,336,714	81,310	6,511	2,424,535	2,454,544
Participations	0	126,954	0	126,954	126,954
Derivative instruments	0	0	81,846	81,846	81,846
Financial assets held for sale				0	0
Financial assets total	**30,558,623**	**208,264**	**487,100**	**31,253,987**	**32,169,252**
Amounts owed to credit institutions	3,976,026	0	0	3,976,026	3,956,399
Amounts owed to customers	22,195,685	0	0	22,195,685	22,208,483
Debts evidenced by certificates	1,835,720	0	76,175	1,911,895	1,963,856
Lease liabilities	168,651	0	0	168,651	168,630
Liabilities held for trading	0	0	46,275	46,275	46,275
Derivative instruments	0	0	291,973	291,973	291,973
Subordinated liabilities	496,628	0	0	496,628	511,548
Financial liabilities total	**28,672,710**	**0**	**414,423**	**29,087,133**	**29,147,163**

Euro thousand					
31 Dec 2020					
Liquid funds	3,943,760	0	0	3,943,760	3,943,760
Loans and receivables credit institutions (gross)	437,725	0	419	438,144	
Loans and receivables credit institutions less individual loan loss provision	437,725	0	419	438,144	435,287
Loans and receivables customers (gross)	21,254,202	0	397,077	21,651,279	
Individual loan loss provision	-187,968	0	0	-187,968	
Loans and receivables customers less individual loan loss provision	21,066,234	0	397,077	21,463,312	22,276,253
Assets held for trading	0	0	55,970	55,970	55,970
Financial investments (gross)	2,455,531	72,107	108,981	2,636,620	
Financial investments less individual loan loss provision	2,455,531	72,107	108,981	2,636,620	2,677,834
Participations	0	128,139	0	128,139	128,139
Derivative instruments	0	0	115,803	115,803	115,803
Financial assets held for sale	21			21	21
Financial assets total	**27,903,271**	**200,246**	**678,252**	**28,781,770**	**29,633,068**
Amounts owed to credit institutions	1,883,873	0	0	1,883,873	1,874,393
Amounts owed to customers	22,153,454	0	0	22,153,454	22,178,127
Debts evidenced by certificates	1,380,049	0	89,875	1,469,924	1,479,796
Lease liabilities	169,889	0	0	169,889	169,889
Liabilities held for trading	0	0	61,518	61,518	61,518
Derivative instruments	0	0	442,770	442,770	442,770
Subordinated liabilities	576,811	0	0	576,811	578,367
Financial liabilities total	**26,164,077**	**0**	**594,163**	**26,758,239**	**26,784,860**

Fair value hierarchy

Financial instruments recognised at fair value are assigned to the three IFRS fair value hierarchy categories.

Level 1 – Financial instruments measured at quoted prices in active markets, whose fair value can be derived directly from prices on active, liquid markets and where the financial instrument observed on the market is representative of the financial instrument owned by the Group that requires measurement.

Level 2 – Financial instruments measured using procedures based on observable market data, whose fair value can be determined using similar financial instruments traded on active markets or using procedures whose inputs are observable.

Level 3 – Financial instruments measured using procedures based on unobservable parameters, whose fair value cannot be determined using data observable on the market. Financial instruments in this category have a value component that is not observable and which has a significant influence on fair value.

The table below shows financial assets and liabilities which are measured at fair value according to their fair value hierarchy

Euro thousand	Level 1	Level 2	Level 3	Total
30 Jun 2021				
Loans and receivables credit institutions	0	0	119	119
Loans and receivables customers	0	0	356,218	356,218
Assets held for trading	1,211	41,196	0	42,407
Financial investments	85,130	2,691	0	87,821
Fair value through profit or loss	4,844	1,667	0	6,511
Fair value through OCI	80,286	1,024	0	81,310
Participations	0	0	126,617	126,617
Fair value through OCI - designated	0	0	126,617	126,617
Derivative instruments	0	81,846	0	81,846
Financial assets total	**86,340**	**125,733**	**482,954**	**695,027**
Debts evidenced by certificates	0	0	76,175	76,175
Liabilities held for trading	0	46,275	0	46,275
Derivative instruments	0	291,973	0	291,973
Financial liabilities total	**0**	**338,248**	**76,175**	**414,423**
31 Dec 2020				
Loans and receivables credit institutions	0	0	419	419
Loans and receivables customers	0	0	397,077	397,077
Assets held for trading	1,697	54,273	0	55,970
Financial investments	76,102	26,842	78,145	181,089
Fair value through profit or loss	5,021	25,816	78,145	108,981
Fair value through OCI	71,081	1,026	0	72,107
Participations	0	0	127,757	127,757
Fair value through OCI - designated	0	0	127,757	127,757
Derivative instruments	0	115,803	0	115,803
Financial assets total	**77,799**	**196,918**	**603,398**	**878,116**
Debts evidenced by certificates	0	0	89,875	89,875
Liabilities held for trading	0	61,518	0	61,518
Derivative instruments	0	442,770	0	442,770
Financial liabilities total	**0**	**504,288**	**89,875**	**594,163**

Due to immateriality participations in the amount of euro 337 thousand (2020: 382 euro thousand) are measured at cost.

When determining market values for level 2 financial investments, the Association only uses prices based on observable market data. If systems deliver price information for inactive traded positions, this is checked based on secondary market data or transactions in comparable products performed on active markets. The system prices are then adjusted accordingly if necessary. The main level 2 input factors are interest rates including associated interest rate volatilities, foreign exchange swap points, exchange rates, share prices, index rates, including related volatilities and credit spreads obtained from brokers on a daily basis. Market valuation adjustments are made through linear interpolations of the directly obtained broker data. The input factors used undergo daily quality assurance and are archived in the valuation system.

In the first half of 2021, as well as 2020, there were no reclassifications of financial instruments between Level 1 and 2.

Development of level 3 fair values of financial assets and liabilities

Euro thousand	Loans and receivables credit institutions	Loans and receivables customers	Financial investments	Partici-pations	Financial assets total	Debts evidences by certificates	Financial liabilities total
As at 01 Jan 2020	**770**	**476,748**	**75,826**	**129,566**	**682,911**	**110,308**	**110,308**
Additions	0	14,738	0	0	14,738	0	0
Disposals	-349	-54,288	0	-189	-54,827	-21,217	-21,217
Valuation							
Through profit or loss	-5	-6,761	1,074	0	-5,691	2,284	2,284
Through OCI	0	0	0	-2,620	-2,620	18	18
As at 30 Jun 2020	**416**	**430,437**	**76,901**	**126,757**	**634,510**	**91,392**	**91,392**
As at 01 Jan 2021	**419**	**397,077**	**78,145**	**127,757**	**603,398**	**89,875**	**89,875**
Additions	0	19,559	0	10	19,569	229	229
Disposals	-304	-62,992	-79,380	-1,030	-143,706	-10,000	-10,000
Valuation							
Through profit or loss	4	2,573	1,235	0	3,812	-4,182	-4,182
Through OCI	0	0	0	-120	-120	253	253
As at 30 Jun 2021	**119**	**356,218**	**0**	**126,617**	**482,954**	**76,175**	**76,175**

The valuations shown in the table above are included in the item result from financial instruments and investment properties (income statement) or fair value reserve (other comprehensive income). The valuations recorded in the income statement include holdings financial assets and liabilities in the amount of euro -1,327 thousand (1-6/2020: euro -3,411 thousand) at the reporting date.

The value of loans and receivables is assessed by discounting the cash flows of these loans using the risk-free swap curve plus markup. The markups used for discounting are the standard risk costs and the liquidity costs. The liquidity costs are derived from the market (spreads of senior unsecured bank issues in Austria and Germany; spreads of covered bonds for loans in the coverage fund and loans eligible for credit claims). The standard risk costs are used after clustering of the loans according to rating. The remaining components of the preliminary calculation are summarised in one factor (epsilon factor) upon conclusion of the deal and frozen for subsequent measurement.

7) Number of staff

Number of staff employed during the business year

	Average number of staff		Number of staff at end of period	
	1-6/2021	1-6/2020	30 Jun 2021	31 Dec 2020
Employees	3,209	3,401	3,180	3,252
Workers	23	10	25	16
Total number of staff	**3,232**	**3,412**	**3,204**	**3,268**

All employees are domestic. The number of employees is computed on a full-time equivalent basis.

8) Branches

	30 Jun 2021	31 Dec 2020
Branches domestic	**242**	**249**

9) Related party disclosures

Euro thousand	Unconsolidated affiliates	Companies in which the Group has a participating interest	Companies measured at equity	Companies which exercise a significant influence on the parent as shareholders
30 Jun 2021				
Loans and receivables customers	12,532	12,864	2,606	0
Fixed-income securities	0	0	0	487,513
Amounts owed to customers	11,258	4,223	44,907	0
Provisions	4	6	3	0
Contingent liabilities arising from guarantees	1,567	0	3,551	0
Transactions	29,904	16,801	59,922	0
31 Dec 2020				
Loans and receivables customers	17,317	11,788	7,401	0
Fixed-income securities	0	0	0	476,479
Amounts owed to customers	15,651	7,362	59,466	0
Provisions	5	8	20	0
Contingent liabilities arising from guarantees	1,586	0	17,125	0
Transactions	32,298	16,152	62,992	0

Total related party transactions are measured as the average receivables and liabilities from/to credit institutions and customers. The calculation is based on the figures at the quarterly reporting dates during the period under review, which are summed up irrespective of whether plus or minus figures.

Transfer prices between the Association and its associated companies are geared to usual market conditions. As in the previous year, the Association does not have any other liabilities for unconsolidated affiliates or associated companies on balance sheet date.

The Republic of Austria exercises significant influence over the CO. Information on related parties is limited to securities issued by the Republic of Austria that are held by companies included in the financial statements. The simplification option allowed by IAS 24.26 for companies in the sphere of the public sector was exercised.

10) Segment reporting by business segments

1-6/2021 Euro thousand	CO	Vienna	Lower Austria	Styria	Carinthia
Net interest income	8,554	44,384	28,400	21,909	11,881
Risk provision	294	1,890	3,437	11,853	1,994
Net fee and comission income	-2,509	32,019	17,990	13,128	7,596
Net trading income	-3,021	67	239	113	61
Result from financial instruments and investment properties	8,458	1,935	481	860	-193
Other operating result	97,414	1,918	15	-382	-167
General administrative expenses	-68,257	-71,168	-40,272	-30,529	-18,390
Result from companies measured at equity	0	-1,490	259	0	0
Result before taxes	**40,934**	**9,555**	**10,548**	**16,951**	**2,782**
Income taxes	-7,190	-455	-2,543	-4,238	-696
Result after taxes	**33,744**	**9,100**	**8,005**	**12,713**	**2,086**
30 Jun 2021					
Total assets	**11,277,634**	**6,507,150**	**3,539,139**	**2,690,264**	**1,497,730**
Loans and receivables customers	148,165	5,178,181	2,875,649	2,253,114	1,167,485
Companies measured at equity	15	42,613	7,217	4,577	5,742
Amounts owed to customers	900,906	5,702,766	3,042,653	1,881,632	1,353,119
Debts evidenced by certificates, including subordinated liabilities	2,227,426	99,074	1,701	4,827	9,651

1-6/2020 Euro thousand	CO	Vienna	Lower Austria	Styria	Carinthia
Net interest income	4,937	49,244	31,305	24,644	13,499
Risk provision	-949	-10,674	-6,341	-7,644	-3,039
Net fee and comission income	-2,389	31,009	15,245	12,245	7,350
Net trading income	1,296	196	330	35	17
Result from financial instruments and investment properties	-11,092	-1,660	187	147	-463
Other operating result	82,802	117	110	-485	-630
General administrative expenses	-46,418	-66,490	-36,661	-29,078	-17,004
Result from companies measured at equity	0	90	53	0	0
Result before taxes	**28,187**	**1,833**	**4,228**	**-137**	**-270**
Income taxes	-3,501	-529	-994	72	63
Result after taxes	**24,686**	**1,304**	**3,234**	**-65**	**-207**
31 Dec 2020					
Total assets	**9,145,488**	**6,679,483**	**3,547,709**	**2,728,167**	**1,509,140**
Loans and receivables customers	150,760	5,250,844	2,872,233	2,290,827	1,165,847
Companies measured at equity	15	42,457	7,200	4,577	5,742
Amounts owed to customers	1,233,026	5,546,177	3,033,876	1,880,229	1,344,775
Debts evidenced by certificates, including subordinated liabilities	1,768,619	103,074	12,205	11,011	20,321

Upper Austria	Salzburg	Tyrol	Vorarlberg	ÖÄAB	Consolidation	Total
17,738	24,374	23,302	11,826	6,006	-14	198,361
1,848	-388	5,505	4,348	929	0	31,711
13,826	14,051	18,949	9,088	4,031	-289	127,880
99	3	0	323	56	-5	-2,066
237	752	763	408	61	-49	13,712
804	-133	622	920	-132	-100,149	728
-29,239	-31,754	-33,581	-20,091	-11,037	100,505	-253,811
0	0	0	0	0	0	-1,231
5,313	**6,904**	**15,559**	**6,823**	**-86**	**0**	**115,284**
-231	-1,716	-3,904	-1,705	21	0	-22,656
5,082	**5,188**	**11,656**	**5,118**	**-64**	**0**	**92,628**
2,418,884	**3,030,671**	**3,422,056**	**1,887,327**	**1,057,156**	**-5,505,552**	**31,822,459**
1,893,338	2,385,487	2,852,227	1,606,746	815,339	-14,931	21,160,799
15,682	10,297	26	20	4,854	0	91,043
2,135,177	2,467,962	2,668,622	1,235,515	986,761	-179,426	22,195,685
2,983	35,630	13,654	37,899	3,180	-27,503	2,408,523

Upper Austria	Salzburg	Tyrol	Vorarlberg	ÖÄAB	Consolidation	Total
19,145	25,250	23,808	12,436	6,637	-12	210,893
-2,955	-7,089	-8,724	2,022	-3,351	0	-48,744
12,109	12,777	17,034	8,885	3,329	-207	117,387
48	-5	240	-48	130	-11	2,227
-174	-1,576	-620	-575	-233	-148	-16,207
278	-284	550	-754	-34	-51,778	29,893
-27,148	-29,583	-31,463	-18,281	-10,174	52,446	-259,853
0	0	0	0	0	0	143
1,305	**-510**	**826**	**3,684**	**-3,696**	**290**	**35,740**
-325	77	-207	-918	924	-72	-5,409
979	**-433**	**620**	**2,766**	**-2,772**	**217**	**30,331**
2,462,179	**3,014,570**	**3,400,057**	**1,887,393**	**990,570**	**-5,994,491**	**29,370,265**
1,934,254	2,389,899	2,838,514	1,600,520	807,841	-14,218	21,287,322
15,682	10,297	26	20	4,854	0	90,870
2,169,871	2,406,958	2,586,791	1,177,794	916,594	-142,637	22,153,454
21,382	53,320	26,638	50,337	5,648	-25,821	2,046,735

11) Subsequent events

As at 30 July 2021, the Financial Market Authority has prohibited Autobank Aktiengesellschaft from continuing its business operations with immediate effect pursuant to section 57 (1) Austrian General Administrative Procedures Act in conjunction with section 70 (2) no. 4 Austrian Banking Act.

Customers no longer have access to accounts held for them as a result of the cessation of business operations. Pursuant to section 9 of the Austrian Deposit Guarantee and Investor Compensation Act (ESAEG), a guarantee claim has thus occurred.

The amount required for compensation is available in the deposit guarantee fund, which means that no special contributions are expected to be collected by the deposit guarantee fund in the short term. As the members of Einlagensicherung AUSTRIA Ges.m.b.H. have to replenish outflows from the deposit guarantee fund, the Association of Volksbanks expects without taking into account any recoveries from the bankrupt`s estate an additional annual contribution of approx. euro 4 million over the next four years.

12) Quarterly financial data

Euro thousand	4-6/2021	1-3/2021	10-12/2020	7-9/2020	4-6/2020
Net interest income	102,301	96,060	97,442	104,759	108,392
Risk provision	25,939	5,772	-69,713	-7,593	-48,671
Net fee and commission income	64,540	63,341	63,747	58,004	53,840
Net trading income	-1,350	-715	-1,189	-1,508	1,221
Result from financial instruments and investment properties	8,647	5,065	11,786	10,318	18,503
Other operating result	1,963	-1,235	-314	7,755	-1,983
General administrative expenses	-107,136	-146,676	-120,414	-131,559	-117,110
Result from companies measured at equity	-1,170	-61	-169	-301	31
Result for the period before taxes	**93,733**	**21,551**	**-18,825**	**39,876**	**14,223**
Income taxes	-20,760	-1,895	-21,320	-10,048	-5,712
Result for the period after taxes	**72,973**	**19,656**	**-40,145**	**29,828**	**8,510**
Result attributable to shareholders of the parent company (Consolidated net result)	**72,974**	**19,656**	**-40,121**	**29,823**	**8,506**
Result attributable to non-controlling interest	-2	0	-23	5	4

Vienna, 24 August 2021

Gerald Fleischmann
Chairman of the Managing Board

Retail Branches, General Secretariat, Real Estate Financing, Communication/Marketing,
Organisation & IT, HR Management, Private Banking/Treasury, Transition "Adler" & Strategy,
Corporate Financing, Sales Management

Rainer Borns
Deputy Chairman of the Managing Board

Control, Financial Data Steering, Finance, Capital and Stakeholder Management, Legal,
VB Infrastructure and Real Estate Facility Management, VB Infrastructure and Real Estate Property Management

Thomas Uher
Deputy Chairman of the Managing Board

Digital Transformation, Credit Risk Management, Restructuring & Recovery, Risk Controlling,
VB Services für Banken Handling of securities/payment transactions and MSC Passiv/KSC,
VB Services für Banken MSC Aktiv and loan processing

Area of responsibility Joint Managing Board
Compliance, Audit

IMPRINT

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VOLKSBANK WIEN AG
A-1030 Vienna, Dietrichgasse 25

Translation:
All Languages Alice Rabl GmbH

Copy deadline:
August 2021

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