VOLKSBANK

HALF-YEAR MANAGEMENT REPORT

ASSOCIATION OF VOLKSBANKS

AS AT 30 JUNE 2022

KEY FIGURES OF THE ASSOCIATION OF VOLKSBANKS

Euro million	30 Jun 2022	31 Dec 2021	31 Dec 2020
Balance sheet			
Total assets	**31,503**	**32,095**	**29,370**
Loans and receivables customers	**21,761**	**21,563**	**21,287**
Amounts owed to customers	**22,109**	**22,747**	**22,153**
Debts evidenced by certificates	**1,716**	**1,877**	**1,470**
Subordinated liabilities	**470**	**494**	**577**
Own funds according to Basel III for the association of Volksbanks			
Common equity tier 1 capital (CET1)	1,948	1,978	2,002
Additional tier 1 capital (AT1)	220	220	220
Tier 1 capital (T1)	**2,168**	**2,198**	**2,222**
Tier 2 capital (T2)	432	460	494
Own funds	**2,600**	**2,658**	**2,716**
Risk weighted exposure amount credit risk	12,720	12,496	12,903
Total risk exposure amount market risk	26	27	38
Total risk exposure amount operational risk	1,231	1,231	1,184
Total risk for credit valuation adjustment	11	9	50
Total risk exposure amount	**13,988**	**13,763**	**14,175**
Common equity tier 1 capital ratio	**13.9 %**	**14.4 %**	**14.1 %**
Tier 1 capital ratio	**15.5 %**	**16.0 %**	**15.7 %**
Equity ratio	**18.6 %**	**19.3 %**	**19.2 %**
Income statement	**1-6/2022**	**1-6/2021**	**1-6/2020**
Net interest income	203.6	198.4	210.9
Risk provision	11.8	31.7	-48.7
Net fee and commission income	132.7	127.9	117.4
Net trading income	2.0	-2.1	2.2
Result from financial instruments and investment properties	-4.2	13.7	-16.2
Other operating result	5.2	0.7	29.9
General administrative expenses	-260.0	-253.8	-259.9
Result from companies measured at equity	-0.7	-1.2	0.1
Result for the period before taxes	**90.3**	**115.3**	**35.7**
Income taxes	-14.2	-22.7	-5.4
Result for the period after taxes	**76.2**	**92.6**	**30.3**
Result attributable to non-controlling interest	0.0	0.0	0.0
Result of the group for the period	**76.2**	**92.6**	**30.3**
Key ratios	**1-6/2022**	**1-6/2021**	**1-6/2020**
Operating cost-income-ratio	**75.1 %**	**77.6 %**	**71.6 %**
ROE before taxes	**7.6 %**	**10.0 %**	**3.2 %**
ROE after taxes	**6.4 %**	**8.0 %**	**2.7 %**
ROE consolidated net income	**6.5 %**	**8.1 %**	**2.7 %**
Net interest margin	**1.3 %**	**1.2 %**	**1.5 %**
NPL ratio	**1.7 %**	**1.8 %**	**2.1 %**
Leverage ratio	**6.6 %**	**6.6 %**	**7.1 %**
Liquidity coverage ratio	**204.4 %**	**238.7 %**	**184.9 %**
Net stable funding ratio	**137.3 %**	**148.5 %**	**137.9 %**
Loan deposit ratio	**100.6 %**	**91.5 %**	**94.7 %**
Coverage ratio I	**36.5 %**	**37.8 %**	**37.0 %**
Coverage ratio III	**105.5 %**	**107.2 %**	**104.1 %**
Resources	**1-6/2022**	**1-6/2021**	**1-6/2020**
Staff average	**3,099**	**3,244**	**3,412**
Thereof domestic	3,099	3,244	3,412
	30 Jun 2022	**31 Dec 2021**	**31 Dec 2020**
Staff at end of period	**3,062**	**3,128**	**3,268**
Thereof domestic	3,062	3,128	3,268
Number of branches	**240**	**243**	**249**
Thereof domestic	240	243	249
Number of customers	**1,002,885**	**1,021,805**	**1,046,303**

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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MANAGEMENT REPORT OF THE ASSOCIATION FOR THE FIRST HALF OF 2022

Report on the business development and economic situation

Business development

The Association of Volksbanks looks back on a successful first half of 2022 despite the unstable geopolitical environment and the further increase in inflation. In particular, net interest income, fee and commission income and net trading income improved further compared with the prior-year quarter.

The rating agency Fitch positively acknowledged the successful steps taken in the past years and raised the credit rating of the Association of Volksbanks from BBB (positive outlook) to BBB+ (stable outlook) in July. This improvement was mainly due to the positive development in profitability, capitalisation and credit risk. The rating applies equally to all banks of the Association.

In the first half of 2022, the "Adler" programme to optimise the structure of the Association was also successfully completed ahead of schedule. The aim of the programme was to organise the division of tasks, responsibilities and processes in an optimal way within our new, modern association in order to provide an efficient foundation for the future of the Association of Volksbanks. The consistent implementation of the associated positioning as the "relationship bank of the future" rests on two pillars. On the one hand, this is based on a high processing quality for regional customer service and, on the other hand, on the central pillar of "management and service", which was implemented by bundling central functions of the Association of Volksbanks in VBW.

Another important step towards optimising the positioning of the Association of Volksbanks was the partnership concluded with Accenture in the area of IT at the end of the first half of the year. High-quality IT is an important factor both on the customer side and for internal processes, which is why the Association of Volksbanks will be relying on the expertise of the world's leading provider of IT services here in the future.

The focus of the Association of Volksbanks on retail banking is meant to be continued in this challenging environment, supported in particular by strengthening its commitment to the digitisation of sales. Not least because of the change in customer behaviour and its impact on sales, this is a key focus of 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 Volksbanks now have a very competitive product on the market in the form of their "hausbanking" app.

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" in the previous year, completing the same late in June 2022. The aim of the project was to manage ESG risks appropriately and to enhance the positive impact of the company's business activities on the environment and on people. However, the road does not end with the successful implementation of the project. The resulting measures will continue to accompany the Volksbanks in the future. An assessment of the programme was obtained from the sustainability rating agency Sustainalytics for the planned sustainable bonds of VOLKSBANK WIEN (VBW). In addition, VBW was assessed with regard to its business model and rated as "Low Risk" in terms of sustainability by Sustainalytics in March. This gratifying result underscores the recent efforts of the Association of Volksbanks in the area of sustainability.

Economic environment

The gradual lifting of pandemic-related measures contributed to the dynamic economic development in the first months of the year, with GDP growing by 1.5 % q/q in the first quarter. The war in Ukraine weighed on the economy at times due to the significant increase in inflation and heightened uncertainty, which was reflected, for example, in lower consumer spending by private households, which declined by 1.9 % q/q in real terms in Q2. However, at 0.5 % q/q, the domestic economy continued to grow in the second quarter of the year. Apart from industry and, to a lesser extent, construction, major growth impetus came from sectors previously affected by pandemic-related restrictions, such as services and accommodation and gastronomy. Tourism recorded 62.51 million overnight stays in the first half of the year, still 18.1 % less than in the last pre-crisis year, but a multiple of the previous year. The summer pre-season of May and June was the third best since records began, with the number of overnight stays only 4.5 % below the record set in 2019. Last but not least, robust export momentum contributed to Austrian GDP being 4.7 % higher in the second quarter of 2022 than in the first half of 2021. The positive trend in the labour market already observed in 2021 continued in the first half of 2022. The number of employed people significantly exceeded the pre-crisis level of 2019, and the unemployment rate (national definition) was 5.5 % in June, the lowest level in 14 years, while the number of job vacancies registered with the Public Employment Service (AMS) reached all-time highs. Short-time work regulations have been adapted and are being used less and less. According to preliminary figures, slightly more than 24,000 people were still on short-time work in June, while more than 130,000 were on short-time work in January.

The increase in consumer price inflation, which has already risen above the ECB's target of 2 % in the course of 2021, accelerated significantly in the first six months of this year. This was due to the knock-on effects of the pandemic, such as the supply bottlenecks that had already existed for some time, and in particular the further significant rise in raw material and energy prices following the start of the war in Ukraine, which spread to other areas over time. From 4.5 % in January, Harmonised Consumer Prices rose faster with each passing month; in June, inflation was 8.7 %, slightly higher than in the euro zone, where prices had risen faster than in Austria in previous months.

Real estate

The upturn on the Austrian residential real estate market continued in the first months of 2022. Price growth reached 12.3 % y/y in the first quarter, the strongest rate since 2012. A decrease was last recorded in 2004. In Vienna, as in 2021, the price trend was somewhat weaker (11.8 % y/y) than for residential property prices excluding Vienna (12.9 % y/y). The strongest development was seen in single-family homes outside the federal capital and new freehold flats in Vienna; those outside were the only category with single-digit price growth (9.7 %). The differences between the various types of commercial real estate, for which there is no comparable Austrian price index, are likely to be greater. As an approximation, the index of the Association of German Pfandbrief Banks used by the Bundesbank shows a clear price increase in the first quarter of 2022, as it did in the final quarter of 2021, after falling somewhat in the first half of 2021. In contrast, prices for retail properties continued their downward trend, which began in 2018, in the first few months of this year.

Insolvencies

According to KSV (Kreditschutzverband), more than twice as many (+121 %) corporate insolvencies were recorded in the first half of 2022 than in the same period of the previous year, but their number remains below the level of 2019. The trend reversal towards rising insolvency figures has already started in 2021 and can be attributed, among other things, to the expiry of support measures in the context of the COVID-19 crisis. Personal bankruptcies also rose by around one-third year-on-year, meaning that they also remain below the level of the last pre-crisis year. Here, as in the second half of 2021, the amendment to insolvency law is likely to play a role, as it now makes accelerated debt relief possible in three years. Both corporate liabilities affected by insolvencies and liabilities affected by personal bankruptcies increased in the first six months of 2022.

Private sector lending, assets and income

Credit growth remained strong and has accelerated during the first half of the year, particularly in the corporate sector, where the annual rate reached 10 % in June. An upward trend in credit growth was also seen among private households. The annual growth rate of housing loans already approached 7 % during 2021 and has risen slightly above that figure in the first half of 2022. Consumer loans, which already showed slightly negative growth rates in the months before the start of the COVID-19 crisis and continued this trend until the end of 2021, returned to positive growth in the first six months of this year. The financial assets of private households decreased slightly in the first quarter compared with the last three months of 2021. As a percentage of GDP, financial assets significantly exceed those in the quarters before the pandemic, at over 190 %. Even after deducting obligations, which accounted for about 52 % of GDP in Q1, assets reached more than 140 % of GDP, a higher level than before the start of the COVID-19 crisis.

International environment, financial markets and monetary policy

While the pandemic slowly receded into the background with the spread of the Omicron variant of Sars-CoV-2, the consequences of which continued to be felt, it was Russia's invasion of Ukraine in February, in particular, that left its mark on the economy and politics. The reactions to the war were extensive sanctions by countries of the EU and other allied states, but especially in Europe the dependence on fossil energy from Russia (and especially in the case of gas, the difficulty in finding substitutes) came into focus. This led to renewed distortions in supply chains still burdened by the pandemic, and inflation, which was already above the central banks' targets, has risen even further. While some central banks, such as those in Norway, the Czech Republic, Poland or Hungary, had already started their rate hike cycle in 2021, the Fed took a first step in March with a 25 basis point hike, followed by a 50 basis point step in May and another 75 basis points in June. In addition, a start was made on reducing the securities holdings, which had risen sharply during the pandemic. The European Central Bank ended net bond purchases in the Pandemic Emergency Purchase Programme ("PEPP") at the end of the first quarter and announced that it would reinvest maturing securities until at least the end of 2024, with flexibility for such reinvestment over time, across asset classes and between countries to address market fragmentation resulting from the pandemic. As at the end of June, the PEPP's bond portfolio amounted to euro 1.69 trillion. Bond purchases under the Asset Purchase Programme were discontinued at the end of June. Reinvestments with portfolios totalling euro 3.27 trillion at the end of the second quarter are meant to continue beyond the time of the first interest rate hike. The emerging cycle of interest rate hikes (which ultimately began in July, as announced by the ECB in June) contributed, among other things, to a further increase in spreads between euro zone government bonds. This prompted the ECB to hold an ad hoc meeting in June, at which it was decided to use reinvestments from the PEPP portfolio flexibly, without restriction on after-effects from the pandemic, to counter fragmentation that would hinder the uniform transmission of monetary policy. Furthermore, the development of an own anti-fragmentation tool was announced. The course of monetary policy towards normalisation was also reflected in the money and capital markets. The three-month Euribor was -0.57 % at the beginning of the year, rising steadily, but remaining in negative territory in the second half of June, when it reached -0.16 %. The Austrian ten-year yield was already above zero at the beginning of the year and rose to almost 2.4 % in June. In the USA, the rise in yields was less pronounced, with the benchmark 10-year bond yielding 1.6 % at the beginning of the year and then rising to 3.5 % in mid-June. Rising interest rates on the capital market were accompanied by a negative performance on the stock markets, with the ATX losing around a quarter in the first half of the year.

Result of the Association for the first half of 2022

After a year of economic recovery in 2021, the current financial year was characterised by high uncertainty due to high inflation, geopolitical tensions and negative economic developments. The result of the Association before taxes amounts to euro 90.3 million (1-6/2021: euro 115.3 million), while the result of the Association after taxes and minority shares amounts to euro 76.2 million (1-6/2021: euro 92.6 million).

In the first half of 2022, net interest income increased from euro 198.4 million to euro 203.6 million. On the one hand, interest and similar income increased slightly from euro 245.0 million to euro 249.0 million and, on the other hand, interest and similar expenses decreased from euro 46.7 million to euro 45.4 million. This was mainly due to a euro 5.8 million increase in interest income from liquid funds, which largely resulted from participation in the TLTRO programme, and a slight increase in interest income from loans and receivables to customers (euro +1.0 million). Moreover, income from bonds and other fixed-income securities decreased by euro 1.9 million against the comparative period. Interest expense on deposits with the central bank increased by euro 5.5 million, while interest expense on amounts owed to credit institutions decreased by euro 1.2 million.

Income from risk provisions decreased from euro 31.7 million to euro 11.8 million. This is mainly reflected by lower net reversals of individual loan loss provisions (including direct write-downs and income from written-down receivables) amounting to euro 8.3 million (1-6/2021: euro 14.6 million) and by lower net reversals amounting to euro 2.7 million (1-6/2021: euro 14.4 million) in the portfolio loan loss provision. Furthermore, the net release of provisions for off-balance sheet business decreased from euro 2.4 million to euro 0.8 million.

Net fee and commission income amounts to euro 132.7 million in the reporting period and increased compared to the previous period (1-6/2021: euro 127.9 million) by euro 4.8 million. This increase was mainly due to checking account business and payment transactions (euro +4.2 million), other service business (euro +1.9 million) and custody business (euro +0.9 million). On the other hand, the net fee and commission income from lending business was lower by euro 2.6 million.

Net trading income amounts to euro 2.0 million for the reporting period and improved by euro +4.0 million compared to the previous year (1-6/2021: euro -2.1 million). The increase is due to measurement results (euro +3.4 million) of trading book derivatives that are used for economic hedging transactions of banking book items.

The result from financial instruments and investment properties for the reporting period amounts to euro -4.2 million, thus undercutting the comparative period (1-6/2021: euro 13.7 million) by euro 17.9 million. The decrease is mainly due to valuation losses on other interest rate derivatives amounting to euro 9.8 million (1-6/2021: euro +10.4 million), and to losses of euro 9.3 million (1-6/2021: euro +2.5 million) in receivables measured at fair value. This is offset by valuation gains of euro 13.1 million (1-6/2021: euro 4.2 million) on debts evidenced by certificates measured at fair value and investment income of euro 1.3 million (1-6/2021: euro 1.2 million). Furthermore, the comparative period includes losses from securities from the realisation of the portfolio with Italian government bonds in the amount of euro 7.9 million.

The other operating result for the 2021 financial year amounts to euro 5.2 million (1-6/2021: euro 0.7 million). On the one hand, the sale of tangible assets made a positive contribution to the result in the amount of euro 3.7 million (1-6/2021: euro 1.0 million) and, on the other hand, there was a loss from the repurchase of VB Regio issues in the amount of euro -2.9 million in the comparative period.

General administrative expenses of euro 260.0 million (1-6/2021: euro 253.8 million) have increased by euro 6.2 million in comparison with the previous year. This was mainly the result of higher administrative expenses, which increased from euro 93.7 million to euro 102.6 million. This was due to increased IT expenses (euro +6.0 million) and higher expenses for advertising and entertainment (euro +2.2 million). Staff expenses decreased by euro 2.5 million compared to the previous year. This decrease is also reflected in the number of employees. Against the comparative period, the average headcount decreased by 145 employees from a staff of 3,244, and now amounts to 3,099 employees. Impairments remained more or less unchanged, decreasing slightly by euro 0.3 million to euro 14.4 million (1-6/2021: euro 14.7 million).

In 2022, the result of companies measured at equity amounted to euro -0.7 million (1-6/2021: euro -1.2 million). The slight improvement is mainly due to a lower negative operating result of euro -0.7 million (1-6/2021: euro -1.5 million) of VB Verbund Beteiligung eG.

Taxes on income decreased from euro -22.7 million in the previous year to euro -14.2 million. The decrease is mainly due to the reduction in deferred tax expense. Due to the tax planning of the next four years, it was possible, in the reporting period, to recognise deferred tax assets in the amount of euro 6.3 million for part of the tax loss carryforwards. The current tax expense, including tax expense from previous years, for 2022 amounts to euro 11.4 million (1-6/2021: euro 7.2 million).

Financial position

As at 30 June 2022, total assets amounted to euro 31.5 billion and have slightly decreased by comparison with the end of 2021 (euro 32.1 billion) by euro 0.6 billion.

The liquid funds in the amount of euro 6.1 billion (2021: euro 6.9 billion) decreased by euro 0.9 billion against the end of the previous year. The decrease is mainly due to the reduction (euro -0.9 billion) in deposits with the central bank. Compared to the end of the previous period (euro 0.3 billion), loans and receivables to credit institutions in the amount of euro 0.2 billion have remained stable.

As at 30 June 2022, loans and receivables to customers amount to euro 21.8 billion and have slightly increased against the end of the previous year (euro 21.6 billion).

At euro 2.4 billion at the reporting date, financial investments remained virtually unchanged against the end of the previous year (euro 2.4 billion).

The increase in other assets from euro 0.1 billion to euro 0.3 billion as at 30 June 2022 essentially results from changes in the fair value of derivatives in the banking book.

Amounts owed to credit institutions in the amount of euro 4.0 billion have increased slightly compared to 31 December 2021 (euro 3.8 billion). The decrease in amounts owed to customers from euro 22.7 billion to euro 22.1 billion as at 30 June 2022 essentially results from lower savings and other deposits.

As at 30 June 2022, debts evidenced by certificates amount to euro 1.7 billion and have decreased against the previous year by euro 0.2 billion mainly due to fair value changes based on adjustments to fair value hedges.

Since the beginning of the year, equity including the capital of non-controlling interests has increased by euro 59.5 million to euro 2.4 billion. This change is mainly due to the Group's total comprehensive income for the first half of 2022 (euro 74.6 million), the distributions to the shareholders (euro -6.0 million), as well as the coupon payment for the AT1 issue (euro -8.5 million). The total comprehensive income of the Group in the amount of euro 74.6 million consisted of the net result for the first half of 2022 of euro 76.2 million and other comprehensive income of euro -1.6 million.

Financial performance indicators

As at 30 June 2022, the regulatory own funds of the Association's group of credit institutions amount to euro 2.6 billion (31 December 2021: euro 2.7 billion). The total risk exposure amount as at 30 June 2022 was euro 14.0 billion (31 December 2021: euro 13.8 billion). The CET 1 capital ratio in relation to total risk amounts to 13.9 % (31 December 2021: 14.4 %), the own funds ratio in relation to total risk is 18.6 % (31 December 2021: 19.3 %).

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 more detailed information, please refer to the Notes.

Performance indicators	1-6/2022	1-6/2021	1-6/2020
Return on Equity before taxes	7.6 %	10.0 %	3.2 %
Return on Equity after taxes	6.4 %	8.0 %	2.7 %
Cost-income ratio	75.1 %	77.6 %	71.6 %

The ROE before taxes is determined as the quotient of result before taxes 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 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 business relationships with related parties, please refer to the information contained in the Notes.

Report on the future development and risks of the Association

Future development of the Association

Economic environment

Whereas economic growth in the euro zone in 2021 was primarily the result of robust industrial activity, it is likely to be driven by market services and, in particular, tourism in the current year. Leading indicators also point in this direction; although they suggest a weakening of the economy overall, they see this mainly in industry. According to forecasts, Austria's economic structure, with an above-average share of tourism, will ensure that the slowdown in the global economy resulting from the aftermath of the pandemic, the war in Ukraine, from price inflation and ongoing supply chain disruptions will not have any significant impact on Austrian GDP development until 2023. In addition, the carryover from last year and the strong first quarter set a floor for GDP growth this year.

In line with these developments, the flattening of growth is also expected to dampen inflation only in the coming year. Strong inflation, which is a consequence of both supply-side and demand-side factors, is already weighing on real household incomes and subsequently on private consumption, which, however, benefits from a reduction in the savings rate. The sharp decline in consumer confidence indices reflects the high level of uncertainty, but the fiscal policy measures to offset inflation – like last year's tax reform – will support consumption, although they are likely to even further increase inflation. Despite the economic slow-down, the Austrian Institute of Economic Research expects the unemployment rate to continue to fall. The prerequisite for this is that employment grows faster than the supply of labour, as has been the case in recent months. The shortage of personnel proved to be one of the main hurdles in production this year, as did the lack of materials and capacity.

Economic forecasts for 2022

	GDP growth	Inflation rate according to HICP	Unemployment rate
June 2022	% y/y	% y/y	% of the working population
WIFO	4.3	7.8	4.5
OeNB	3.8	7.0	4.5

The downside risks predominate in the forecasts, which have been repeatedly revised in recent months; in the event of an outright gas supply freeze from Russia and an intensifying energy crisis in Europe, some institutes have published alternative scenarios that take into account a reduction in gas volumes to some extent. A decline in real GDP in Austria and the euro zone would then be likely. In Europe, the pandemic development has taken a back seat for the time being, while equally affecting economic growth, especially since new restrictions would harm the tourism industry, which is just starting to revive. Of relevance for the global economy, and thus indirectly for Austria, are new COVID outbreaks in China, which would result in very strict measures due to their zero COVID strategy.

Another risk to the outlook, given the high inflation rates, is a rapid tightening of monetary policy, which may weigh on growth. With a lag to other central banks, the ECB also left the era of negative interest rates behind in July with a symmetrical increase of 50 basis points in the marginal lending rate, main refinancing rate and deposit rate, lifting its previous forward guidance. At the same time, the Transmission Protection Instrument announced in June was presented. However, the high price increases also mean that the upward trend in interest rates and yields is taking place at a level that would correspond to persistently negative real interest rates. These continue to offer investment incentives – but the outlook for investment (in equipment) has nevertheless dimmed due to the counteracting economic slowdown. Even more than additional costs for companies or an incentive for consumers to save, higher interest rates act as a drag on emerging market currencies and financial markets, which may also create uncertainty in the financial markets of industrialised countries. The real estate market is caught between inflation, flattening but continuing demand from the increasing number of households, affordability and potentially further rising financing costs, and the new lending regulations, which are expected to help flatten price developments.

Business development

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

Apart from customers, the focus for 2022 will continue to be on cooperation across the Association, on improving processes and driving digitisation.

In the course of medium-term planning, the Association of Volksbanks has set itself a number of strategic goals, the accomplishment, observance or undercutting/exceeding of which will be a management focus in the years to come. These include an improvement in the cost-income ratio, a Tier 1 capital ratio (CET 1) of at least 11.4 %, a total capital ratio of at least 15.5 %, an NPL ratio (non-performing loans) of no more than 3.0 %, and a return on equity (RoE) after taxes of more than 5.5 %. In addition, the redemption of the federal government's participation right and the highest levels of satisfaction among our customers thanks to a cooperatively sustainable business model are the main goals to be achieved over the next years.

The focus of the Association of Volksbanks on retail banking is meant to be continued in these challenging times, supported in particular by strengthening its commitment to the digitisation of sales. 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.

The high CIR calls for a continuous streamlining of the cost structure and an increase of productivity.

The Association of Volksbanks is pursuing a number of goals to further develop its sustainable business model (for more information, see www.volksbankwien.at/investor-relations/nachhaltigkeit). One of these goals is to develop a sustainable bond issuance programme.

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 2021 Annual Report of the Association.

Vienna, 31 August 2022

CONSOLIDATED FINANCIAL STATEMENTS

ASSOCIATION OF VOLKSBANKS HALF-YEAR REPORT

Condensed statement of comprehensive income

INCOME STATEMENT	1-6/2022 Euro thousand	1-6/2021 Euro thousand	Changes Euro thousand	%
Interest and similar income	248,997	245,042	3,954	1.61 %
thereof using the effective interest method	226,016	227,929	-1,913	-0.84 %
Interest and similar expenses	-45,394	-46,682	1,288	-2.76 %
Net interest income	203,603	198,361	5,242	2.64 %
Risk provision	11,773	31,711	-19,938	-62.87 %
Fee and commission income	147,401	140,919	6,482	4.60 %
Fee and commission expenses	-14,712	-13,038	-1,674	12.84 %
Net fee and commission income	132,689	127,880	4,808	3.76 %
Net trading income	1,996	-2,066	4,062	-196.63 %
Result from financial instruments and investment properties	-4,186	13,712	-17,898	-130.53 %
Other operating result	5,155	728	4,427	> 200.00 %
General administrative expenses	-260,020	-253,811	-6,209	2.45 %
Result from companies measured at equity	-670	-1,231	562	-45.62 %
Result for the period before taxes	**90,340**	**115,284**	**-24,944**	**-21.64 %**
Income taxes	-14,165	-22,656	8,491	-37.48 %
Result for the period after taxes	**76,175**	**92,628**	**-16,453**	**-17.76 %**
Result attributable to shareholders of the parent company (Consolidated net result)	**76,176**	**92,630**	**-16,455**	**-17.76 %**
Result attributable to non-controlling interest	-1	-2	1	-55.03 %

Other comprehensive income

	1-6/2022 Euro thousand	1-6/2021 Euro thousand	Changes Euro thousand	%
Result for the period after taxes	**76,175**	**92,628**	**-16,453**	**-17.76 %**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Fair value reserve - equity instruments (including deferred taxes)	407	-90	498	< -200.00 %
Revaluation of own credit risk (including deferred taxes)	650	-209	859	< -200.00 %
Total items that will not be reclassified to profit or loss	**1,057**	**-299**	**1,356**	**< -200.00 %**
Items that may be reclassified to profit or loss				
Fair value reserve - debt instruments (including deferred taxes)				
Change in fair value	-5,174	-607	-4,568	> 200.00 %
Net amount transferred to profit or loss	-2	-13	11	-81.27 %
Cash flow hedge reserve (including deferred taxes)				
Change in fair value (effective hedge)	-495	0	-495	100.00 %
Net amount transferred to profit or loss	-18	0	-18	100.00 %
Change from companies measured at equity	3,043	1,404	1,639	116.77 %
Total items that may be reclassified to profit or loss	**-2,647**	**784**	**-3,431**	**< -200.00 %**
Other comprehensive income total	**-1,589**	**485**	**-2,075**	**< -200.00 %**
Comprehensive income	**74,585**	**93,113**	**-18,528**	**-19.90 %**
Comprehensive income attributable to shareholders of the parent company	**74,586**	**93,123**	**-18,537**	**-19.91 %**
Comprehensive income attributable to non-controlling interest	-1	-10	9	-89.91 %

Condensed statement of financial position as at 30 June 2022

	30 Jun 2022 Euro thousand	31 Dec 2021 Euro thousand	Changes Euro thousand	%
ASSETS				
Liquid funds	6,054,365	6,921,391	-867,026	-12.53 %
Loans and receivables credit institutions	178,180	256,567	-78,387	-30.55 %
Loans and receivables customers	21,761,032	21,563,128	197,904	0.92 %
Assets held for trading	23,888	39,750	-15,862	-39.91 %
Financial investments	2,431,439	2,383,476	47,963	2.01 %
Investment property	34,108	37,512	-3,404	-9.07 %
Companies measured at equity	94,025	91,696	2,330	2.54 %
Participations	131,128	130,588	540	0.41 %
Intangible assets	1,266	1,687	-421	-24.94 %
Tangible assets	388,694	404,314	-15,620	-3.86 %
Tax assets	102,575	101,624	951	0.94 %
Current taxes	5,781	4,909	873	17.78 %
Deferred taxes	96,794	96,715	78	0.08 %
Other assets	290,284	147,838	142,447	96.35 %
Assets held for sale	11,758	15,879	-4,120	-25.95 %
TOTAL ASSETS	**31,502,743**	**32,095,448**	**-592,705**	**-1.85 %**
LIABILITIES				
Amounts owed to credit institutions	3,992,858	3,796,629	196,229	5.17 %
Amounts owed to customers	22,109,068	22,746,798	-637,731	-2.80 %
Debts evidenced by certificates	1,716,454	1,876,601	-160,147	-8.53 %
Lease liabillities	163,289	169,155	-5,866	-3.47 %
Liabilities held for trading	25,665	42,397	-16,731	-39.46 %
Provisions	199,947	206,352	-6,405	-3.10 %
Tax liabilities	10,760	12,402	-1,642	-13.24 %
Current taxes	5,945	8,731	-2,786	-31.91 %
Deferred taxes	4,815	3,671	1,144	31.16 %
Other liabilities	422,375	418,231	4,144	0.99 %
Subordinated liabilities	470,143	494,160	-24,017	-4.86 %
Total nominal value cooperative capital shares	2,785	3,336	-551	-16.50 %
Subscribed capital	288,479	288,484	-5	0.00 %
Additional tier 1 capital	217,722	217,722	0	0.00 %
Reserves	1,881,172	1,821,154	60,018	3.30 %
Non-controlling interest	2,024	2,025	-1	-0.05 %
TOTAL LIABILITIES	**31,502,743**	**32,095,448**	**-592,705**	**-1.85 %**

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 01 Jan 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				493	493	-7	485		485
Comprehensive income	0	0	0	93,123	93,123	-10	93,113	0	93,113
Dividends paid				-262	-262	-17	-279		-279
Coupon for the AT1 emission				-8,525	-8,525		-8,525		-8,525
Changes scope of consolidation	-1,073		-3,715	-2,008	-6,796		-6,796		-6,796
Change in cooperative capital and participation capital					0		0	-950	-950
Change in treasury stocks					0		0		0
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation	3		1	50	54	-54	0		0
As at 30 Jun 2021	**287,417**	**217,722**	**505,641**	**1,324,990**	**2,335,770**	**2,027**	**2,337,797**	**3,092**	**2,340,889**
As at 01 Jan 2022	**288,484**	**217,722**	**511,141**	**1,310,014**	**2,327,361**	**2,025**	**2,329,386**	**3,336**	**2,332,722**
Consolidated net income				76,176	76,176	-1	76,175		76,175
Other comprehensive income				-1,589	-1,589		-1,589		-1,589
Comprehensive income	0	0	0	74,586	74,586	-1	74,585	0	74,585
Dividends paid				-6,024	-6,024		-6,024		-6,024
Coupon for the AT1 emission				-8,525	-8,525		-8,525		-8,525
Changes scope of consolidation					0		0		0
Change in cooperative capital and participation capital					0		0	-551	-551
Change in treasury stocks	-5		-29		-35		-35		-35
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation			10		10		10		10
As at 30 Jun 2022	**288,479**	**217,722**	**511,121**	**1,370,051**	**2,387,374**	**2,024**	**2,389,398**	**2,785**	**2,392,183**

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

Euro thousand	1-6/2022	1-6/2021
Cash and cash equivalents at the end of previous period (= liquid funds)	6,901,063	3,923,432
Cash flow from operating activities	-777,016	3,022,944
Cash flow from investing activities	-26,734	116,412
Cash flow from financing activities	-43,124	-100,637
Effect of currency translation	176	-21
Cash and cash equivalents at the end of period	6,054,365	6,962,130

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

Notes as at 30 June 2022

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 2022 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 2021.

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 2021. 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 2021, 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 IAS 37 - Onerous Contracts: Cost of Fulfilling a Contract	01 Jan 2022	No
Annual Improvements to IFRS Standards 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

Standards and interpretations to be applied in the future

Standard	Mandatory application	Significant effects on the Association
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 and IFRS Practice Statement 2 - 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

Status of implementation of IBOR reform

As at 30 June 2022, CHF foreign currency receivables amount to euro 571.6 million (31 December 2021: euro 614.1 million), corresponding to 2.6 % (31 December 2021: 2.8 %) of total loans and receivables (credit institutions and customer exposure). By 30 June 2022, all CHF loans were switched to the alternative reference interest rate (SARON). Other foreign currencies are of minor importance. Additional information is contained in the Annual Report 2021, Note 3) Accounting principles.

Accounting and valuation methods regarding COVID-19

In the first half of 2022, an 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 Volksbanks for customers in the performing segment (Stages 1 and 2) remain cautious, as uncertainties associated with the gradual decline in COVID-19-related government support measures (subsidies, tax deferrals, etc.) have not yet been fully eliminated by the reporting date 30 June 2022. In addition, there are uncertainties in connection with the war in Ukraine.

Impairment Stages 1 and 2 prior to post-model adjustments

In the performing segment, risk provisions and other provisions were reversed in the amount of euro 0.5 million in the first half of 2022, mainly due to rating upgrades of customers that were assessed particularly cautiously in the course of the COVID-19-risk reviews in 2021 and for which no abnormalities were identified in the course of the rating updates in the first half of 2022. This development is in line with the expectations of the Association of Volksbanks.

Post-model adjustments Stages 1 and 2

Following a peak of euro 93.3 million in PMAs as at 31 December 2020, these were reduced to euro 24.0 million as at 31 December 2021. This was restricted to industries that were heavily affected by the COVID-19-pandemic. In the first half of 2022, the PMAs recognised were reduced by euro 2.0 million to euro 22.0 million. The main reason for the reversal is repaid loan receivables.

As at the reporting date 30 June 2022, there are a total of:

- euro 13.1 million in PMAs for imminent but not yet identified defaults, as well as
- euro 8.9 million in PMAs for unrecognised stage transfers.

Impairments Stage 3

No above-average increase in default intensity was observed in the first half of 2022. At the same time, exposures already in default were successfully restructured or realised, resulting in total net reversals of euro 6.8 million from the NPL area. In addition, extraordinary income from receivables previously written off in the amount of euro 2.5 million was achieved.

Please refer to Note 51) Risk Report b) Credit Risk of the Annual Financial Report as at 31 December 2021 for the accounting and valuation methods relating to COVID-19 (impairments and post-model adjustments).

Analyses of the armed conflict between Russia and Ukraine

The development of the geopolitical situation is continuously evaluated at VBW. Any direct impact in the short term is currently considered to be minor due to the regional focus and customer composition at the Association of Volksbanks, as the Association as a whole does not carry on any direct economic and financial activities in Eastern Europe and in particular in Ukraine and Russia. As of today, the full extent to which the indirect effects of the war between Russia and Ukraine and the sanctions will have an impact on banks operating in Austria and their business partners and customers cannot be estimated.

2) Presentation and changes in the scope of consolidation

In the first half of 2022 there were no changes in the scope of consolidation of the Association of Volksbanks.

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 redemption amount of euro 300 million committed to the federal government, euro 200 million have already been met as at 30 June 2022. The threshold of euro 200 million as at 31 December 2021 was reached in good time. The final tranche of euro 100 million will be repaid in 2023 at the latest.

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	1-6/2022	1-6/2021
Interest and similar income from	248,997	245,042
Deposits from credit institutions (incl. central banks)	17,306	11,542
Credit and money market transactions with credit institutions	1,329	2,318
Credit and money market transactions with customers	212,536	211,516
Bonds and other fixed-income securities	14,940	16,854
Derivative instruments	2,886	2,812
Interest and similar expenses for	-45,394	-46,682
Liquid funds	-12,002	-6,519
Deposits from credit institutions	-783	-2,008
Deposits from customers	-3,525	-4,328
Debts evidenced by certificates	-9,635	-9,049
Subordinated liabilities	-7,123	-7,430
Derivative instruments	-11,201	-11,620
Lease liabilities	-1,263	-1,367
Valuation result - modification	108	-4,331
Valuation result - derecognition	30	-30
Net interest income	**203,603**	**198,361**

Net interest income according to IFRS 9 categories

Euro thousand	1-6/2022	1-6/2021
Interest and similar income from	248,997	245,042
Financial assets measured at amortised cost	243,212	238,864
Financial assets measured at fair value through OCI	110	606
Financial assets measured at fair value through profit or loss - obligatory	2,789	2,759
Derivative instruments	2,886	2,812
Interest and similar expenses for	-45,394	-46,682
Financial liabilities measured at amortised cost	-32,916	-29,575
Financial liabilities measured at fair value through OCI	0	0
Financial liabilities measured at fair value through profit or loss - designated	-1,415	-1,126
Derivative instruments	-11,201	-11,620
Valuation result - modification	108	-4,331
Valuation result - derecognition	30	-30
Net interest income	**203,603**	**198,361**

Due to the trend of money market interest rates towards negative reference rates, interest income of euro 20,138 thousand (1-6/2021: euro 12,393 thousand) and interest expenses of euro 12,590 thousand (1-6/2021: euro 7,376 thousand) were realised in the first half of 2022. 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 226,016 thousand (1-6/2021: euro 227,929 thousand) is calculated by using the effective interest rate method.

Risk provision

Euro thousand	1-6/2022	1-6/2021
Changes in risk provision	8,789	26,960
Changes in provision for risks	833	2,444
Direct write-offs of loans and receivables	-982	-950
Income from loans and receivables previously written off	3,136	3,306
Valuation result modification / derecognition	-3	-49
Risk provision	**11,773**	**31,711**

Net fee and commission income

Euro thousand	1-6/2022	1-6/2021
Fee and commission income	147,401	140,919
Lending business	12,231	13,811
Securities and custody business	50,715	49,325
Payment transactions	58,873	53,977
Foreign exchange, foreign notes and coins and precious metals transactions	828	747
Financial guarantees	3,388	3,613
Other services	21,365	19,445
Fee and commission expenses	-14,712	-13,038
Lending business	-3,867	-2,889
Securities and custody business	-4,885	-4,820
Payment transactions	-5,783	-5,130
Financial guarantees	-26	-58
Other services	-151	-141
Net fee and commission income	**132,689**	**127,880**

Net fee and commission income include management fees for trust agreements in the amount of euro 171 thousand (1-6/2021: euro 153 thousand).

Net trading income

Euro thousand	1-6/2022	1-6/2021
Equity related transactions	2	-10
Exchange rate related transactions	2,637	1,965
Interest rate related transactions	-643	-4,021
Net trading income	**1,996**	**-2,066**

Result from financial instruments and investment properties

Euro thousand	1-6/2022	1-6/2021
Other results from financial instruments	**-5,188**	**12,309**
Result from financial investments and other financial assets and liabilities measured at fair value through profit or loss	-6,518	18,958
Valuation measured at fair value through profit or loss - obligatory	-19,672	13,993
Loans and receivables credit institutions and customers	-9,322	2,470
Securities	-450	926
Result from other derivative instruments	-12,749	11,663
Result from fair value hedge	2,848	-1,066
Valuation measured at fair value through profit or loss - designated	13,149	4,182
Debts evidenced by certificates	13,149	4,182
Income from equities and other variable-yield securities	5	783
Result of financial investments and other financial assets and liabilities measured at amortised cost	0	-7,862
Realised gains from disposal	0	62
Realised losses from disposal	0	-7,924
Result from financial investments and other financial assets and liabilities measured at fair value through OCI	1,330	1,213
Realised gains from disposal	4	14
Realised losses from disposal	-2	-1
Income from participations	1,328	1,200
Result from investment properties	**1,001**	**1,403**
Income from investment properties and operating lease	1,001	1,329
Valuation investment properties	0	74
Result from financial instruments and investment properties	**-4,186**	**13,712**

Other operating result

Euro thousand	1-6/2022	1-6/2021
Other operating income	10,415	9,924
Other operating expenses	-2,573	-7,078
Deconsolidation result from consolidated affiliates	0	50
Taxes and levies on banking business	-2,687	-2,168
Other operating result	**5,155**	**728**

Taxes and levies on banking issues include the bank levy in the amount of euro -1,791 thousand (1-6/2021: euro -1,487 thousand).

Detailed description of other operating income and other operating expenses

Euro thousand	1-6/2022	1-6/2021
Income from allocation of costs	2,276	628
Realised gains from disposal of fixed assets and security properties	4,524	1,327
Rental and leasing income	1,462	2,127
Others	2,153	5,842
Other operating income	**10,415**	**9,924**

Allocation of costs	-2,298	-2,049
Realised losses from disposal of fixed assets and security properties	-832	-260
Release of provision for negative interest	1,338	730
Allocation/release of provision for legal risks	135	-282
Others	-916	-5,218
Other operating income	**-2,573**	**-7,078**

General administrative expenses

Euro thousand	1-6/2022	1-6/2021
Staff expenses	-142,995	-145,452
Wages and salaries	-106,855	-108,604
Expenses for statutory social security	-28,435	-28,956
Fringe benefits	-1,919	-1,652
Expenses for retirement benefits	-2,979	-3,187
Allocation to provision for severance payments and pension funds	-2,806	-3,053
Administrative expenses	-102,646	-93,701
Office space expenses	-8,010	-7,532
Office supplies and communication expenses	-2,636	-2,732
Advertising, PR and promotional expenses	-7,757	-5,595
Legal, advisory and consulting expenses	-11,416	-11,391
IT expenses	-43,435	-37,450
Contribution to the deposit guarantee	-11,538	-14,373
Single Resolution Fund	-10,559	-7,803
Other administrative expenses (including training expenses)	-7,295	-6,824
Depreciation and reversal of impairment	-14,379	-14,658
Depreciation	-10,242	-10,583
Impairment/reversal of impairment	-57	0
Right of use - lease depreciation	-4,080	-4,075
General administrative expenses	**-260,020**	**-253,811**

Income taxes

In the first half of the 2022 business year deferred tax assets for tax loss carryforwards in the amount of euro 6,293 thousand were recongised (1-6/2021: euro 4,260 thousand).

4) Notes to the consolidated statement of financial positions

Liquid funds

Euro thousand	30 Jun 2022	31 Dec 2021
Cash in hand	162,807	198,626
Balances with central banks	5,891,558	6,722,765
Liquid funds	**6,054,365**	**6,921,391**

As at 30 June 2022, outstanding borrowings under the third series of the European Central Bank's (ECB) Targeted Longer-Term Refinancing Operations Programme (TLTRO III) remain unchanged at euro 3.5 billion (2021: 3.5 billion).

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. VBW records the change in achievement of lending targets as a change in estimate.

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 both the reference period between 1 March 2020 and 31 March 2021 (first Special Reference Period or SIRP) and the second reference period between 1 October 2020 to 31 December 2021 (second SIRP), which is why the interest rate for all outstanding TLTRO III transactions was 50 basis points below the average interest rate for the ECB’s deposit facility in the same period. For the TLTRO III volume raised, a total of euro 17.3 million was accrued in the first half of the year (1-6/2021: euro 15.5 million) and recognised as negative interest expense. This compares with interest expenses of euro 12.0 million (1-6/2021: euro 6.5 million) from deposits with Oesterreichische Nationalbank (OeNB).

Transition from liquid funds to cash and cash equivalents

Euro thousand	30 Jun 2022	31 Dec 2021
Liquid funds	6,054,365	6,921,391
Restricted cash and cash equivalents	0	-20,328
Cash and cash equivalents	**6,054,365**	**6,901,063**

Due to contractual obligations within the Association of Volksbanks, certain 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 2022	31 Dec 2021
Loans and receivables credit institutions		
Amortised cost	178,143	256,532
Fair value through profit or loss	59	58
Gross carrying amount	178,202	256,590
Risk provisions	-22	-23
Net carrying amount	**178,180**	**256,567**
Loans and receivables customers		
Amortised cost	21,648,407	21,490,338
Fair value through profit or loss	369,170	346,154
Gross carrying amount	22,017,576	21,836,493
Risk provisions	-256,545	-273,365
Net carrying amount	**21,761,032**	**21,563,128**
Loans and receivables credit institutions and customers	**21,939,212**	**21,819,695**

Sensitivity analysis

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

As there are only loans and receivables credit institutions measured at fair value through profit or loss in the amount of euro 59 thousand as at 30 June 2022 (31 Dec 2021: euro 58 thousand), the sensitivities have not been presented in tabular form.

The following table shows the changes in the fair value of loans and receivables customers after adjustment of input factors

Loans and receivables customers

Euro thousand 30 Jun 2022	Positive change in fair value	Negative change in fair value
Change in risk markup +/- 10 bp	1,199	-1,181
Change in risk markup +/- 100 bp	12,329	-11,500
Change in rating 1 stage down / up	520	-548
Change in rating 2 stages down / up	737	-1,414
31 Dec 2021		
Change in risk markup +/- 10 bp	1,504	-1,490
Change in risk markup +/- 100 bp	14,111	-12,621
Change in rating 1 stage down / up	353	-509
Change in rating 2 stages down / up	581	-1,279

Risk provision

The following table shows the development of risk provisions for loans and receivables credit institutions as well as 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 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**
As at 01 Jan 2022	**34,723**	**71,526**	**167,483**	**273,732**
Increases due to origination and acquisition	1,820	1,293	758	3,871
Decreases due to derecognition	-538	-3,514	-5,545	-9,597
Changes due to change in credit risk	-1,512	322	963	-228
Thereof transfer to stage 1	2,395	-2,394	0	
Thereof transfer to stage 2	-3,141	3,318	-178	
Thereof transfer to stage 3	-15	-1,650	1,665	
Post-Model Adjustment	-717	-1,311	0	-2,029
Decrease in allowance account due to write-offs	0	0	-9,013	-9,013
Other adjustments	-9	-2,305	2,488	174
As at 30 Jun 2022	**33,766**	**66,010**	**157,135**	**256,910**

Assets held for trading

Euro thousand	30 Jun 2022	31 Dec 2021
Bonds and other fixed-income securities	1,498	486
Positive fair values of derivative instruments	22,390	39,263
Exchange rate related transactions	0	13
Interest rate related transactions	22,390	39,250
Assets held for trading	**23,888**	**39,750**

VBW as the CO maintains a regulatory trading book. The volume of the trading book as at 30 Jun 2022 amounts to euro 1,007,401 thousand (31 Dec 2021: euro 1,281,628 thousand).

Financial investments

Euro thousand	30 Jun 2022	31 Dec 2021
Financial investments		
Amortised cost	2,333,006	2,297,529
Fair value through OCI	93,721	80,989
Fair value through profit or loss	5,047	5,294
Risk provision	-335	-336
Carrying amount	**2,431,439**	**2,383,476**

Participations

Euro thousand	30 Jun 2022	31 Dec 2021
Investments in unconsolidated affiliates	16,293	16,060
Investments in companies with participating interest	5,276	5,276
Investments in other companies	109,559	109,252
Participations	**131,128**	**130,588**

All participations that represent strategically or operationally significant business relationships within the Association of Volksbanks are measured at fair value through OCI.

Sensitivity analysis

Participations measured by using the DCF method

Euro thousand		Interest rate		
30 Jun 2022		**-0.50 %**	**Actual**	**0.50 %**
	-10.00 %	15,463	14,581	13,806
Income component	**Actual**	17,182	**16,201**	15,327
	10.00 %	18,900	17,821	16,860
31 Dec 2021				
	-10.00 %	15,328	14,440	13,652
Income component	**Actual**	17,031	**16,045**	15,168
	10.00 %	18,735	17,649	16,685

Participations measured by net assets

Euro thousand	Proportional market value		
	If assumption		If assumptions
30 Jun 2022	**is decreased**	**Actual**	**is increased**
Net assets (10 % change)	18,277	**20,301**	22,338
31 Dec 2021			
Net assets (10 % change)	17,925	**19,916**	21,908

Participations measured based on external appraisals

Euro thousand			
30 Jun 2022	**Lower band**	**Actual**	**Upper band**
Proportional market value	77,980	**86,644**	95,308
31 Dec 2021			
Proportional market value	77,980	**86,644**	95,308

Other assets

Euro thousand	30 Jun 2022	31 Dec 2021
Deferred items	9,130	3,957
Other receivables and assets	84,528	68,028
Positive fair values of derivative instruments	196,627	75,853
Other assets	**290,284**	**147,838**

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 2022	31 Dec 2021
Investment property	0	3,303
Tangible assets	11,758	12,576
Assets held for sale	**11,758**	**15,879**

Amounts owed to credit institutions

Euro thousand	30 Jun 2022	31 Dec 2021
Central banks	3,740,657	3,579,956
Other credit institutions	252,201	216,673
Amounts owed to credit institutions	**3,992,858**	**3,796,629**

Amounts owed to credit institutions are measured at amortised cost.

Amounts owed to customers

Euro thousand	30 Jun 2022	31 Dec 2021
Savings deposits	6,653,784	7,009,484
Other deposits	15,455,283	15,737,315
Amounts owed to customers	**22,109,068**	**22,746,798**

Amounts owed to customers are measured at amortised cost.

Debts evidenced by certificates

Euro thousand	30 Jun 2022	31 Dec 2021
Bonds	1,715,267	1,869,153
Amortised cost	1,642,138	1,782,974
Fair value through profit or loss - designated	73,129	86,179
Others	1,187	7,448
Debts evidenced by certificates	**1,716,454**	**1,876,601**

Other debts evidenced by certificates are measured at amortised cost.

In the first half of 2022, the fair value change of own credit risk in the amount of euro 650 thousand (1-6/2021: euro -209 thousand) was recognised in other comprehensive income. The cumulative amount of the fair value change of own credit risk was euro 1,024 thousand (1-6/2021: euro 1,785 thousand). The redemption amount that VBW would contractually have to pay at maturity was euro 51,000 thousand (31 December 2021: euro 51,000 thousand).

Liabilities held for trading

Euro thousand	30 Jun 2022	31 Dec 2021
Negative fair values of derivative instruments		
Exchange rate related transactions	25	0
Interest rate related transactions	25,640	42,397
Liabilities held for trading	**25,665**	**42,397**

Provisions

Euro thousand	30 Jun 2022	31 Dec 2021
Provisions for post-employment benefits	164,633	165,832
Provisions for off-balance and other risks	19,065	19,915
Stage 1	4,315	4,642
Stage 2	8,025	7,614
Stage 3	6,725	7,660
Other provisions	16,249	20,605
Provisions	**199,947**	**206,352**

Other liabilities

Euro thousand	30 Jun 2022	31 Dec 2021
Deferred items	2,565	1,938
Other liabilities	162,331	131,318
Negative fair values of derivative instruments	257,480	284,974
Other liabilities	**422,375**	**418,231**

Subordinated liabilities

Euro thousand	30 Jun 2022	31 Dec 2021
Subordinated capital	463,546	484,268
Supplementary capital	6,597	9,892
Subordinated liabilities	**470,143**	**494,160**

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	IAS 19 reserve	Revaluation reserve	Fair value reserve - equity instruments	Fair value reserve - debt instruments	Cash flow hedge reserve	Own credit risk reserve	Retained earnings and other reserves
		Other reserves						
As at 01 Jan 2021	**2,196,789**	**-39,409**	**2,234**	**-920,060**	**1,063**	**0**	**1,994**	**1,242,612**
Consolidated net income	92,630							92,630
Other comprehensive income		7		1,314	-620		-209	493
Dividends paid	-262							-262
Coupon for the AT1 emission	-8,525							-8,525
Changes scope of consolidation	-2,008							-2,008
Reclassification fair value reserve due to sale	620			-620				0
Change due to reclassifications 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**	**0**	**1,785**	**1,324,990**
As at 01 Jan 2022	**2,250,699**	**-32,969**	**2,234**	**-910,508**	**214**	**-30**	**374**	**1,310,014**
Consolidated net income	76,176							76,176
Other comprehensive income				3,451	-5,177	-513	650	-1,589
Dividends paid	-6,024							-6,024
Coupon for the AT1 emission	-8,525							-8,525
Changes scope of consolidation	0							0
Reclassification fair value reserve due to sale	-143			143				0
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation	0							0
As at 30 Jun 2022	**2,312,183**	**-32,969**	**2,234**	**-906,914**	**-4,963**	**-543**	**1,024**	**1,370,051**

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 2022	31 Dec 2021
Common tier I capital: Instruments and reserves		
Capital instruments including share premium accounts	787,032	787,067
Retained earnings	1,622,134	1,622,148
Accumulated other comprehensive income (and other reserves)	-328,500	-326,664
Amount of capital instruments subject to phase out from CET1	0	3,336
Common tier I capital before regulatory adjustments	2,080,666	2,085,886
Common tier I capital: regulatory adjustments		
Regulatory value adjustments	0	0
Intangible assets (net of related tax liability)	-1,266	-1,687
Cash flow hedge reserve	543	30
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	-1,024	-374
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	6	1
Value adjustments due to the requirement for prudent valuation	-1,176	-1,092
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-15,423	-9,560
Insufficient coverage for non-performing exposures	-4,696	-5,026
Other foreseeable tax charges	-219	-219
Regulatory adjustments - transitional provisions	22,269	36,635
Adjustments to be made due to transitional regulations under IFRS 9	22,269	36,635
Qualifying AT1 deductions that exceeds the AT1 capital of the institution	0	0
Additional CET1 deductions pursuant to article 3 CRR	-131,824	-126,359
Total regulatory adjustments	-132,810	-107,651
Common equity tier I capital - CET1	**1,947,855**	**1,978,235**
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)	**2,167,855**	**2,198,235**
Tier II capital - instruments and provisions		
Capital instruments including share premium accounts	432,496	438,533
Capital instruments subject to phase out from tier II	0	21,591
Tier II capital before regulatory adjustments	432,496	460,124
Tier II capital: regulatory adjustments		
Total regulatory adjustments	0	0
Tier II capital - T2	**432,496**	**460,124**
Own funds total - TC (T1 + T2)	**2,600,352**	**2,658,359**

Common equity tier I capital ratio	13.92 %	14.37 %
Tier I capital ratio	15.50 %	15.97 %
Equity ratio	18.59 %	19.31 %
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 2022	31 Dec 2021
Risk weighted exposure amount - credit risk	12,720,203	12,496,033
Total risk exposure amount - settlement risk	2	0
Total risk exposure amount for position, foreign exchange and commodities risks	25,700	27,414
Total risk exposure amount for operational risk	1,230,868	1,230,868
Total risk exposure amount for credit valuation adjustment (cva)	11,495	8,914
Total risk exposure amount	**13,988,268**	**13,763,229**

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

Euro thousand	30 Jun 2022	31 Dec 2021
Common tier I capital: Instruments and reserves		
Capital instruments including share premium accounts	787,032	787,067
Retained earnings	1,622,134	1,622,148
Accumulated other comprehensive income (and other reserves)	-328,500	-326,664
Common tier I capital before regulatory adjustments	2,080,666	2,082,551
Common tier I capital: regulatory adjustments		
Regulatory value adjustments	0	0
Intangible assets (net of related tax liability)	-1,266	-1,687
Cash flow hedge reserve	543	30
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	-1,024	-374
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	6	1
Value adjustments due to the requirement for prudent valuation	-1,176	-1,092
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-15,423	-9,560
Insufficient coverage for non-performing exposures	-4,696	-5,026
Other foreseeable tax charges	-219	-219
Additional CET1 deductions pursuant to article 3 CRR	-131,824	-126,359
Total regulatory adjustments	-155,079	-144,286
Common equity tier I capital - CET1	**1,925,587**	**1,938,264**
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)	**2,145,587**	**2,158,264**
Tier II capital - instruments and provisions		
Capital instruments including share premium accounts	432,496	438,533
Tier II capital before regulatory adjustments	432,496	438,533
Tier II capital: regulatory adjustments		
Total regulatory adjustments	0	0
Tier II capital - T2	**432,496**	**438,533**
Own funds total - TC (T1 + T2)	**2,578,083**	**2,596,797**
Common equity tier I capital ratio	13.78 %	14.11 %
Tier I capital ratio	15.36 %	15.72 %
Equity ratio	18.45 %	18.91 %
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 2022	31 Dec 2021
Risk weighted exposure amount - credit risk	12,702,724	12,466,157
Total risk exposure amount - settlement risk	2	0
Total risk exposure amount for position, foreign exchange and commodities risks	25,700	27,414
Total risk exposure amount for operational risk	1,230,868	1,230,868
Total risk exposure amount for credit valuation adjustment (cva)	11,495	8,914
Total risk exposure amount	**13,970,789**	**13,733,353**

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 banking-related 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 2022, 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 2022					
Liquid funds	6,054,365	0	0	6,054,365	6,054,365
Loans and receivables credit institutions (gross)	178,143	0	59	178,202	
Loans and receivables credit institutions less accumulated impairment	178,143	0	59	178,202	175,041
Loans and receivables customers (gross)	21,648,407	0	369,170	22,017,576	
Accumulated impairment	-157,135	0	0	-157,135	
Loans and receivables customers less accumulated impairment	21,491,272	0	369,170	21,860,442	21,605,965
Assets held for trading	0	0	23,888	23,888	23,888
Financial investments (gross)	2,333,006	93,721	5,047	2,431,774	
Financial investments less accumulated impairment	2,333,006	93,721	5,047	2,431,774	2,371,757
Participations	0	131,128	0	131,128	131,128
Derivative instruments	0	0	196,627	196,627	196,627
Financial assets total	**30,056,786**	**224,849**	**594,790**	**30,876,426**	**30,558,770**
Amounts owed to credit institutions	3,992,858	0	0	3,992,858	3,992,080
Amounts owed to customers	22,109,068	0	0	22,109,068	22,098,806
Debts evidenced by certificates	1,643,325	0	73,129	1,716,454	1,715,637
Lease liabilities	163,289	0	0	163,289	163,289
Liabilities held for trading	0	0	25,665	25,665	25,665
Derivative instruments	0	0	257,480	257,480	257,480
Subordinated liabilities	470,143	0	0	470,143	437,114
Financial liabilities total	**28,378,682**	**0**	**356,274**	**28,734,956**	**28,690,070**
31 Dec 2021					
Liquid funds	6,921,391	0	0	6,921,391	6,921,391
Loans and receivables credit institutions (gross)	256,532	0	58	256,590	
Loans and receivables credit institutions less accumulated impairment	256,532	0	58	256,590	265,164
Loans and receivables customers (gross)	21,490,338	0	346,154	21,836,493	
Accumulated impairment	-167,483	0	0	-167,483	
Loans and receivables customers less accumulated impairment	21,322,855	0	346,154	21,669,009	22,452,290
Assets held for trading	0	0	39,750	39,750	39,750
Financial investments (gross)	2,297,529	80,989	5,294	2,383,811	
Financial investments less accumulated impairment	2,297,529	80,989	5,294	2,383,811	2,414,055
Participations	0	130,588	0	130,588	130,588
Derivative instruments	0	0	75,853	75,853	75,853
Financial assets total	**30,798,306**	**211,577**	**467,109**	**31,476,992**	**32,299,091**
Amounts owed to credit institutions	3,796,629	0	0	3,796,629	3,829,200
Amounts owed to customers	22,746,798	0	0	22,746,798	22,739,061
Debts evidenced by certificates	1,790,423	0	86,179	1,876,601	1,865,139
Lease liabilities	169,155	0	0	169,155	169,155
Liabilities held for trading	0	0	42,397	42,397	42,397
Derivative instruments	0	0	284,974	284,974	284,974
Subordinated liabilities	494,160	0	0	494,160	500,630
Financial liabilities total	**28,997,165**	**0**	**413,550**	**29,410,715**	**29,430,556**

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 2022				
Loans and receivables credit institutions	0	0	59	59
Loans and receivables customers	0	0	369,170	369,170
Assets held for trading	1,498	22,390	0	23,888
Financial investments	95,804	2,964	0	98,768
Fair value through profit or loss	3,044	2,004	0	5,047
Fair value through OCI	92,760	961	0	93,721
Participations	0	0	130,811	130,811
Fair value through OCI - designated	0	0	130,811	130,811
Derivative instruments	0	196,627	0	196,627
Financial assets total	**97,302**	**221,981**	**500,040**	**819,322**
Debts evidenced by certificates	0	0	73,129	73,129
Liabilities held for trading	0	25,665	0	25,665
Derivative instruments	0	257,480	0	257,480
Financial liabilities total	**0**	**283,145**	**73,129**	**356,274**
31 Dec 2021				
Loans and receivables credit institutions	0	0	58	58
Loans and receivables customers	0	0	346,154	346,154
Assets held for trading	486	39,263	0	39,750
Financial investments	83,163	3,119	0	86,283
Fair value through profit or loss	3,236	2,057	0	5,294
Fair value through OCI	79,927	1,062	0	80,989
Participations	0	0	130,270	130,270
Fair value through OCI - designated	0	0	130,270	130,270
Derivative instruments	0	75,853	0	75,853
Financial assets total	**83,650**	**118,236**	**476,483**	**678,368**
Debts evidenced by certificates	0	0	86,179	86,179
Liabilities held for trading	0	42,397	0	42,397
Derivative instruments	0	284,974	0	284,974
Financial liabilities total	**0**	**327,371**	**86,179**	**413,550**

Due to immateriality, participations with a carrying amount of euro 317 thousand (31 December 2021: euro 318 thousand) were measured at amortised 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 2022, as well as 2021, 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 evidenced by certificates	Financial liabilities total
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**
As at 01 Jan 2022	**58**	**346,154**	**0**	**130,270**	**476,483**	**86,179**	**86,179**
Additions	0	68,522	0	1	68,523	967	967
Disposals	0	-36,185	0	-3	-36,188	0	0
Valuation							
Through profit or loss	0	-9,322	0	0	-9,322	-13,149	-13,149
Through OCI	0	0	0	543	543	-867	-867
As at 30 Jun 2022	**59**	**369,170**	**0**	**130,811**	**500,040**	**73,129**	**73,129**

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 3,923 thousand (1-6/2021: euro 7,063 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	
	1-6/2022	1-6/2021	30 Jun 2022	31 Dec 2021
Employees	3,076	3,221	3,039	3,099
Workers	24	23	23	29
Total number of staff	**3,099**	**3,244**	**3,062**	**3,128**

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

8) Branches

	30 Jun 2022	31 Dec 2021
Branches domestic	**240**	**243**

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 2022				
Loans and receivables customers	7,110	14,879	0	0
Bonds and other fixed-income securities	0	0	0	460,098
Amounts owed to customers	11,167	224	35,655	0
Provisions	4	0	47	0
Contingent liabilities arising from guarantees	1,519	0	3,594	0
Transactions	20,541	14,818	43,477	0
31 Dec 2021				
Loans and receivables customers	7,403	12,798	0	0
Bonds and other fixed-income securities	0	0	0	463,690
Amounts owed to customers	11,058	2,231	44,720	0
Provisions	4	0	0	0
Contingent liabilities arising from guarantees	1,537	0	3,594	0
Transactions	25,523	16,590	54,098	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 related parties 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 as a shareholder of the VBW exercises significant influence over the CO. Only limited information on related parties is provided for 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

1-6/2022 Euro thousand	CO	Vienna	Lower Austria	Styria	Carinthia
Net interest income	5,709	49,368	29,686	21,853	12,316
Risk provision	1,030	3,926	2,173	1,404	2,109
Net fee and comission income	-3,121	34,075	17,824	12,816	7,797
Net trading income	1,013	143	172	115	114
Result from financial instruments and investment properties	4,691	-2,162	-259	-305	-1,028
Other operating result	84,097	5,262	452	243	943
General administrative expenses	-62,046	-71,063	-40,464	-29,945	-18,753
Result from companies measured at equity	0	-700	30	0	0
Result for the period before taxes	**31,374**	**18,849**	**9,614**	**6,181**	**3,498**
Income taxes	-1,592	-4,413	-2,333	-757	-855
Result for the period after taxes	**29,781**	**14,436**	**7,280**	**5,424**	**2,643**
30 Jun 2022					
Total assets	**10,989,727**	**6,563,884**	**3,645,877**	**2,746,298**	**1,501,584**
Loans and receivables customers	82,396	5,341,363	2,982,039	2,334,493	1,170,623
Companies measured at equity	0	45,322	6,971	4,577	5,742
Amounts owed to customers	940,640	5,690,455	3,015,940	1,825,207	1,352,690
Debts evidenced by certificates, including subordinated liabilities	2,059,167	99,074	1,701	3,760	6,789
1-6/2021					
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 for the period before taxes	**40,934**	**9,555**	**10,548**	**16,951**	**2,782**
Income taxes	-7,190	-455	-2,543	-4,238	-696
Result for the period after taxes	**33,744**	**9,100**	**8,005**	**12,713**	**2,086**
31 Dec 2021					
Total assets	**11,329,046**	**6,605,152**	**3,623,460**	**2,739,749**	**1,514,847**
Loans and receivables customers	115,830	5,304,555	2,946,589	2,290,245	1,170,620
Companies measured at equity	15	41,576	8,372	4,577	5,742
Amounts owed to customers	1,152,479	5,822,450	3,123,671	1,857,281	1,368,967
Debts evidenced by certificates, including subordinated liabilities	2,213,000	99,074	1,701	4,273	8,833

Upper Austria	Salzburg	Tyrol	Vorarlberg	ÖÄAB	Consolidation	Total
17,583	23,981	24,392	12,641	6,093	-19	203,603
1,677	-3,915	3,301	316	-248	0	11,773
14,729	16,383	19,048	9,051	4,398	-309	132,689
103	-4	21	295	24	0	1,996
-512	-876	2,052	-902	235	-5,120	-4,186
692	102	511	370	11	-87,530	5,155
-29,673	-31,396	-33,967	-20,045	-10,819	88,149	-260,020
0	0	0	0	0	0	-670
4,600	**4,276**	**15,358**	**1,725**	**-306**	**-4,828**	**90,340**
659	-1,018	-3,777	-431	426	-73	-14,165
5,259	**3,257**	**11,581**	**1,293**	**120**	**-4,901**	**76,175**
2,548,186	**3,039,135**	**3,417,557**	**1,978,910**	**1,077,095**	**-6,005,509**	**31,502,743**
2,064,560	2,415,260	2,857,967	1,708,980	818,014	-14,664	21,761,032
15,963	10,340	26	20	5,063	0	94,025
2,118,143	2,507,054	2,533,223	1,181,794	995,587	-51,666	22,109,068
2,983	24,146	8,426	23,231	0	-42,680	2,186,597
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**
2,468,524	**3,037,612**	**3,488,540**	**1,943,186**	**1,082,396**	**-5,737,063**	**32,095,448**
1,974,317	2,395,480	2,897,033	1,655,362	828,105	-15,008	21,563,128
15,963	10,340	26	20	5,063	0	91,696
2,175,222	2,493,025	2,656,800	1,152,779	997,295	-53,170	22,746,798
2,983	34,684	8,413	37,471	3,188	-42,859	2,370,761

11) Subsequent events

There were no significant operational risk events after the end of the reporting period.

12) Quarterly financial data

Euro thousand	4-6/2022	1-3/2022	10-12/2021	7-9/2021	4-6/2021
Net interest income	103,427	100,176	112,167	95,335	102,301
Risk provision	5,405	6,368	46,248	11,490	25,939
Net fee and commission income	65,587	67,101	61,708	63,777	64,540
Net trading income	949	1,047	6,927	-1,290	-1,350
Result from financial investments and investment properties	-4,239	52	-8,276	12,037	8,647
Other operating result	5,547	-392	459	-3,395	1,963
General administrative expenses	-104,031	-155,989	-144,705	-116,763	-107,136
Result from companies measured at equity	59	-728	144	-197	-1,170
Result for the period before taxes	**72,705**	**17,635**	**74,672**	**60,995**	**93,733**
Income taxes	-16,995	2,830	2,994	-12,148	-20,760
Result for the period after taxes	**55,710**	**20,464**	**77,665**	**48,847**	**72,973**
Result attributable to shareholders of the parent company (Consolidated net result)	**55,711**	**20,465**	**77,666**	**48,847**	**72,974**
Result attributable to non-controlling interest	0	-1	-1	-1	-2

Vienna, 31 August 2022

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